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ECONOMIC SURVEY 1994

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SUMMARY AND OUTLOOK

Overview

The World economy decelerated for the second year running. World trade has been estimated to have grown at about 2.4 per cent, 2 percentage points lower than in 1992. This weak performance in economic activity affected overall inflation and unemployment indicators. The Gross Domestic Product (GDP) of the organization of Economic Co-operation and Development (OECD) recorded a lower growth of 1.1 per cent in 1993 compared to 1992. The economic performance for Africa remained weak in 1993. The overall GDP was estimated to have grown by 1.4 per cent up from 0.7 per cent in 1992.

In the domestic scene, the economy was beset by severe problems of drought, excessive money supply and high inflation. The combined impact which severely affected the living standards of ordinary Kenyans. The Gross Domestic Product (GDP) in real terms recorded a rise of 0.1 per cent. This scenario was the result of a prolonged drought since 1991, low effective demand, foreign exchange shortage during the first half of the year and high inflation rate. The agricultural sector recorded a decline of 4.1 per cent, while the building and construction sector contracted by 6.7 per cent. The finance sector recorded the highest real growth of 7.5 per cent as a result of liberalization of foreign exchange controls and increased activity in the financial sector.

Inflation rate rose to 46 per cent in 1993 while money income growth was sluggish, causing real average earnings to decline by 22.1 per cent. Total employment outside small-scale agriculture increased by 8.9 per cent to 3 million persons, due mainly to expansion of employment in the informal sector. Employment in the informal sector rose by 18.5 per cent to 1.5 million persons.

Tourist earnings rose from K£713 million in 1992 to K£1,222 million in 1993, attributed to the increased number of visitor arrivals which rose form 782 thousand in 1992 to 826 thousand in 1993, and the depreciation of the shilling. The overall balance of payment recorded an exceptionally high surplus of K£1,284 million in 1993.

International Scene

The world economy in 1993 grew more slowly compared to 1992. Growth in real terms in the Organisation for Economic Cooperation and Development (OECD) area is estimated to have been about 1.1 per cent in 1993 against a growth of 1.7 per cent in 1992. Unemployment rate in the OECD stood at 8.2 per cent of the labour force, while inflation fell by 0.8 percentage points to 3.2 per cent in 1993. World trade grew at a rate of 2.4 per cent in 1993, considerably lower than the 4.7 per cent recorded in 1992.

The economic performance in Africa remained weak due factors like drought, war, social and political unrest and further fall in terms of trade. As

foreign aid continues to decline, various attempts have been made to promote trade within the African region, through establishment of trading blocks. Real GDP for Africa grew by 1.4 per cent in 1993, up from 0.7 percent in 1992.

World oil prices stabilised at US$ 16.13 per barrel, the lowest since 1989. Average prices of non-fuel commodity exports fell further in 1993, adversely affecting international trade. World trade is expected to improve in 1994, after the signing of the General Agreement on Tariffs and Trade (GATT).

Domestic Economy

The growth rate of real gross domestic product is estimated to have slowed down to 0.1 per cent in 1993, but the deceleration between 1993 and 1992 was lower than that recorded in the previous two years. This was as a result of prolonged drought, domestic macro-economic problems and further decline in real investment. The government introduced significant economic reforms in 1993 in an attempt to rectify some of the prevailing macro-economic imbalances. These included:- liberalization of exchange control regulations, abolition of import licensing, introduction of export retention schemes and removal of price controls.

The agricultural sector recorded decline in output of all major crops except for a 12 per cent increase in production of tea. The building and construction sector was adversely affected by strong inflationary pressure in 1993, while the transport sector recorded a small growth rate of 0.8 per cent, attributed to increased activity by the Kenya Pipeline and growth in air transport. The financial sector was the only sector to enjoy a buoyant year recording real GDP growth rate of 7.5 per cent. The investment portfolio of commercial banks in 1993, was significantly biased towards treasury bills.

In 1993, overall export earnings rose appreciably due to the devaluation of the shilling, although terms of trade remained depressed. Investment in fixed capital weakened significantly, due to the high cost of imports as well as bank credit, slow return of business confidence after the uncertainities associated with recent political transition and budgetary constraints in the public sector. The inflation rate rose from 27 per cent in 1992 to 46 per cent in December 1993. For the first time since 1976 the current account in the balance of payments recorded a surplus of K£288 million in 1993.

Welfare Perspectives

Kenya does not have an officially defined absolute poverty line, and an attempt has been made by the Central Bureau of Statistics (CBS) to develop one. This was done using a minimum basic needs approach method which showed that the rural absolute poverty line for 1982 was shs. 105.94, while the rural national absolute poverty line in 1992 was shs. 484.98.

Results of the 1992 Welfare Monitoring Survey indicate that overall prevalence of rural poverty was 46.4 per cent. Comparison of 1981/82 Rural

Household Budget Survey and 1992 Welfare Survey, showed that the prevalence of poverty has declined slightly over the 1982-92 decade. The work on poverty profiles is at a pioneering stage. It will be continued in view of it's crucial role in assessing the social impact of Structural Adjustment Programmes being implemented in Kenya.

Employment, Earnings and Consumer Prices

In the course of 1993, total employment outside small-scale agriculture increased by 8.9 per cent to 3 million persons. The overall growth was slightly higher than 7.7 per cent recorded for 1992, due to expansion of employment in the informal sector. Employment in the informal sector rose by 18.5 per cent to 1,466,500 persons, and accounted for 48.9 per cent of total persons engaged outside small-scale agriculture in 1993. Employment in the modern sector rose marginally by 1.0 per cent to 1,531,100 persons; due to the sluggish performance of the domestic economy during the recent past, coupled with restrictive Government policy on employment in public institutions. Employment in the public sector declined by 1.9 per cent in 1993. The number of females in wage employment rose from 334,800 in 1992 to 340,900 in 1993, with their share in total wage employment rising marginally from 22.9 per cent in 1992 to 23.1 per cent.

The overall nominal wage bill increased by 14.7 per cent, to K£3,496.6 million in 1993. Average earnings per person expanded by 13.8 per cent in 1993, but due to inflationary pressures, real average earnings declined by 22.1 per cent to K£653.6 per annum in 1993, compared with a decline of 10.9 per cent recorded in 1992. The number of collective agreements registered with the industrial court rose from 247 in 1992 to 301 in 1993.

The inflation rate rose from 19.6 percent in 1991 to 27.3 per cent in 1992, and further to 46.0 per cent in 1993. The high inflationary pressures are ascribed to a number of factors, among them the devaluation of the Shilling, excessive growth in money supply in 1992 and early 1993, decontrol of prices and poor weather conditions.

Money, Banking and Finance

In 1993, money supply grew by 28 per cent, lower than 35 per cent growth rate recorded in 1992. High interest rates prevailed over the year, but with a declining trend towards the end of the period. Total domestic credit declined by 1 per cent compared with 15 per cent increase in 1992, while Government borrowing from the banking system fell by 10 per cent in 1993. Net foreign assets increased by K£ 1,411 million to record a high positive level of K£1,156 million. This remarkable improvement reflects good performance in the overall balance of payments, which recorded a surplus of K£1,284 million.

The liquidity ratio of commercial banks increased from 31 per cent in 1992 to 50 per cent in 1993; which was 30 percentage points above the minimum

requirement. During the year, large scale use of Open Market Operations (OMO) by the Central Bank to mop up excess liquidity proved successful. Four new banks opened business to the public while seven weak financial institutions and two commercial banks were liquidated. Another two commercial banks were placed under statutory management.

Activity in the Capital Market remained high over the year; three conferences were convened by the Nairobi Stock Exchange (NSE) and the Capital Markets Authority (CMA) in Nairobi in 1993.

Public Finance

Total budgetary expenditures are projected to increase by 32 per cent in 1993/94 over 1992/93; 1 percentage point higher than the likely increase in gross receipts. Pressure on development expenditure is likely to ease as current deficit declines to a manageable K£67 million even as capital expenditure rises to K£1,103 million. The overall fiscal deficit will however remain high at K£942 million.

The prolonged drought caused the Government to divert large amounts of funds to famine relief imports. Domestic borrowing through the sale of both short and long-term securities will continue to act as the major deficit-financing instrument. There are indications that net-external financing will improve as resumed donor disbursements pick-up.

Between 1992 and 1993 total outstanding public debt (excluding short-term borrowing) rose dramatically by 91 per cent. The debt service ratio fell to a low 7 per cent in 1993 partly due to an upsurge in export receipts, but mainly as a result of accumulation of arrears in external debt service payments. Local authorities continue to depict erratic accounting results primarily on expenditures. While overall expenditure is projected to rise significantly to K£471 million in 1993/94, receipts will grow only marginally to K£405 million, giving rise to a shortfall of K£66 million mainly on the capital account.

International Trade and the Balance of Payments

Kenya's international trade and balance of payments registered mixed performance in 1993. Despite good export performance the balance of trade worsened due to high rise in the value of imports. The balance of payments overall balance was an exceptionally high surplus of K£1.28 billion; a result of increased export value and devaluation of the Kenya shilling in early 1993, further foreign exchange liberalisation and other monetary policies pursued to encourage inflow of foreign capital in 1993. Foreign loan disbursements of Special Drawing Rights (SDR) 184 million were received mainly from the International Development Association, the European Investment Bank and the Government of Japan. Increased arrears of foreign debt servicing was another factor that led to the apparently good balance of payments position.

Although balance of trade deficit deteriorated by 14 per cent in 1993, there was fast growth in import and export value owing to foreign exchange liberalisation, successful export promotion policies and depreciation of the Shilling. The value of exports more than doubled in 1993, while that of imports rose by more than 70 per cent.

Government capital account increased by K£393 million, while there was a significant rise in long-term capital inflow. Good performance in the export and tourism sectors in addition to short term capital inflow, led to increased surpluses on both current and overall balances in 1993.

Agriculture

Output in the agricultural sector declined further in 1993, due to unfavourable weather conditions and high agricultural farm input prices. Consequently, the sector's value added declined by 4.1 per cent in 1993 compared with a decline of 3.7 per cent in 1992. Poor performance in agriculture was principally due to significant declines in the production of the staples maize, beans and potatoes. The overall quantum index of marketed production declined from 109.3 in 1992 to 107.4 in 1993.

The rise in agricultural commodity prices as a result of devaluation of the Kenya Shilling and the removal of price controls. Despite a decline in production, the agricultural sector's value of marketed produce increased by 63.5 per cent above its 1992 value. However, high inflationary trends and rising costs of production in 1993 contributed to worsening agricultural terms of trade which fell from 89.5 points in 1992 to 87.1 points in 1993.

Environment and Natural Resources

The development expenditure on water supplies grew by 21 per cent over the fiscal year to 1993/94, attributable to the expansion and extension of National Water Pipeline to Eastern and Rift Valley Provinces. Aside from the Ministry of water, other major contributions came from the Kenya Water for Health Organisation (KWAHO), the National Water and Pipeline Corporation, and DANIDA.

The fisheries sub-sector put up a relatively poor performance in 1993. Despite a drop in local output of fish, the value of fish sales was almost double that of 1992 value, mainly as a result of good prices of the commodity in the domestic and international markets.

Forest plantation area improved slightly from 159,500 hectares in 1992 to 159,600 hectares in 1993. The area planted during the year was substantially reduced due to low rainfall. Total mineral production in 1993 grew by 9 per cent, against a 9 per cent drop recorded in 1992. The overall wildlife population in the Kenya rangelands declined marginally from 1,150.1 thousands in 1992 to 1,051.2 thousands in 1993.

Energy

Over-production of crude oil by OPEC members from previous quota of 23.6 million barrels to 24.5 million barrels per day resulted in prices of crude oil declining from US $18.6 in 1992 to US $16.1 per barrel in 1993. Imports of crude and refined petroleum products rose by 11.2 per cent in 1993, while the total oil import bill more than doubled. Exports of petroleum products declined marginally from 649.4 thousand tonnes in 1992 to 607.5 thousand tonnes in 1993.

The installed capacity of electricity energy remained at the same level of 804.8 MW in 1993 as in 1992. Total electricity generation rose by 5.6 per cent. During the year, one hundred and four rural electrification schemes at various stages of implementation were in progress. Similarly, the number of rural electricity consumers rose by 17 per cent. The extension of the oil pipeline to Western Kenya is expected to be commissioned in 1994. Due to rising cost of imported energy, consumers have to look for alternative sources of energy and two more wind turbines were installed in Ngong Hills in 1993. Energy conservation as a policy continued being implemented efforts and elimination of wasteful consumption ..

Manufacturing

After the downward trend recorded in the manufacturing sector over the last four years the sector recorded a growth of 1.8 per cent in 1993 compared to a growth in value added of 1.2 per cent in 1992. Employment in manufacturing sector increased by 1.7 per cent in 1993 compared to 0.4 per cent in 1992, while sales went up by 38 per cent to reach K£11,374 million in 1993. The value of manufactured exports rose, while the number of projects financed by Industrial Finance Institutions declined significantly in 1993.

There were four gazetted zones in 1993 under the Export Processing Zones Authority with a total investment of US$ 37 million while exports were valued at US$ 3 million.

Building and Construction

Building and construction activities continued to be depressed in 1993, with both private and public sectors recording unsatisfactory performance. Economic recession, high price increases of construction materials and labour, inadequate budgetary provision for public construction related projects and suspension of donor funds -all contributed to stagnation of building and construction projects.

Cement, a major input in construction activities recorded a significant drop of 20 per cent in 1993, while the number of people engaged by the sector dropped marginally during the year. Suspension of donor funds and government's financial austerity measures contributed to a significant decline in index of government expenditure on roads.

Tourism

The number of visitors arriving and departing from the country improved markedly in 1993 after successive declines recorded in 1991 and 1992. This was attributed to successful tourism promotion in the wake of successful December 1992, multi-party elections.

Visitor arrivals increased by 5.7 per cent in 1993 while hotel bed-nights occupancy increased by 12 per cent over the same period. Other tourist attractions such as the National Parks, Game Reserves, Museums and Historical Sites all recorded increased number of visitors in 1993 compared to 1992. Foreign exchange earnings increased by 71 per cent from K£ 713 million in 1992 to K£ 1,222 million in 1993. Europe and America continued to be dominant tourist generating regions in 1993.

Transport, Storage and Communications

The value of output from the sector grew at a rate of 12.3 per cent in 1993, slightly lower than the 12.5 per cent growth recorded in 1992. Despite a major railway accident which constrained railway business operations in 1993, The Kenya Railways Corporation recorded significant increases in revenue due to raised tariffs. The passenger and freight transport sub-sector grew at a slow rate of 5.2 per cent in 1993 on account of inflation. On the other hand, improved services in the telecommunications sub-sector, helped sustain growth.

There was no significant change in total amount of cargo handled at the Mombasa port in 1993. A 23.4 per cent rise in exports of dry cargo was counter balanced by a 20.5 per cent fall in imports of bulk liquids. This drop was explained by significant declines in imports of palm oil and animal oils in 1993.

The declining trend in newspaper circulation in the last three years has been attributed to declining disposable incomes, and increased input costs in the printing and publications industry leading to high prices.

Social Scene

The Central Government expenditure on social services rose by 52.5 per cent between the fiscal years 1992/93 and 1993/94. Recurrent expenditure continued to take the largest share of total budget accounting for 80.4 per cent of total expenditure. Local Government expenditure dropped slightly by 0.4 per cent in 1993/94.

Education accounted for 80.0 per cent and 64.1 per cent of Recurrent and Development expenditure, respectively. Total number of educational institutions rose by 1.9 per cent in 1993. Enrolment in both polytechnics and Technical Training Institutes increased marginally, while the five public universities recorded an intake decline of 4.6 per cent between 1992/93 and 1993/94 academic years.

Government expenditure on health services in absolute value continued to show an upward trend in 1993. Similarly, the number of health institutions increased to 3,144. The number of registered medical personnel increased from 37,847 in 1992 to 40,774 in 1993, while the medical training intake increased by 7 per cent in 1993. Total number of contributors to the National Hospital Insurance Fund (NHIF) increased by 8.3 per cent between 1991/92 and 1992/93. Similarly, the benefits paid increased by 25.4 per cent in the same period. In 1993, enrolment in the National Youth service vocational training fell by 54.6 per cent while enrolment of adult literacy classes declined by 2 per cent.

Outlook

The implementation of the reforms under SAPs have started generating some positive results including a fall in inflation, foreign exchange availability and lower growth in the money supply. During the second quarter of 1994, the country experienced the long awaited widespread rains after a prolonged drought. As a result, agricultural output is expected to register positive growth in 1994. Tea and coffee should record substantial higher production volumes. As the Government strives to fully liberalise maize marketing, ensuring adequate supply of high quality seeds and fertilizers, it is expected that maize production in 1994 will be better than in 1993. All these developments imply improved earnings to the farmer which will be reflected in increased consumption of manufactured goods; hence the manufacturing sector performance is expected to be good.

As a result of liberalisation of foreign exchange controls, the manufacturing sector already has access to foreign exchange for purchase of industrial inputs. This also is expected to improve the overall growth of the manufacturing sector.

The continued efforts in tourism promotion and restored international confidence are expected to boost tourist earnings in 1994.

The abolition of import licensing is expected to further boost imports compared to 1993. As the shilling stabilises against major currencies inflation and other imbalances in the economy should be brought under control, and exports encouraged.

Gross fixed Capital Formation (GFCF) is set to increase as public confidence in the exchange rate and other reforms take effect. Other incentives that should boost foreign investment include:

-The amendment of the Foreign Investment Protection Act (FIPA),
-Lower interest rates which encourage borrowing by the business community,
-Liberalised and rationalised import tariffs among others.

Despite various pronouncements on the need to take into account the impact of Structural Adjustment on the vulnerable groups, the SAPs have not addressed the social dimensions of development adequately. The decision for Ministries to include a line item for social dimensions in their 1994/95 budget should go along way to improve the situation.

Given the above scenario, the economy is projected to recover strongly and to grow by around 3.0 per cent in 1994.

KEY ECONOMIC AND SOCIAL INDICATORS, 1989 - 1993*

Table 1

			1989	1990	1991	1992	1993**	
1	Population	(million)	21.4	22.2	22.9	23.7	24.5	
2	Growth of GDP at constant prices	(per cent)	5	4.3	2.3	0.5	0.1	
3	GDP at market prices	(K£mn)	8,579	9,777	11,062	12,788	16,062	
4	Net cost of petroleum products	(K£mn)	224	318	213	389	872	
5	Trade balance	(K£mn)	-1,219	-1,302	-1,094	-1,213	-1,378	
6	Money Supply	(K£mn)	2,484	2,979	3,587	4,827	6,182	
7	Total domestic credit	(K£mn)	2,838	3,586	4,291	4,919	4,867	
8	Balance of payments (current account)	(K£mn)	-596	-596	-290	-157	288	
9	Coffee marketed production	('000 tonnes)	113	112	87	88	78	
10	Tea marketed production	('000 tonnes)	181	197	204	188	215	
11	Maize marketed centrally	('000 tonnes)	649	528	304	324	242	
12	Wheat marketed centrally	('000 tonnes)	233	79	199	126	73	
13	Sugar-cane production	('000 tonnes)	4,261	4,200	4,048	3,657	3,839	
14	Milk sold centrally	(mn litres)	353	392	359	220	249	
15	Manufacturing output	(K£mn)	7,283	8,816	10,818	11,877	15,908	
16	Construction output	(K£mn)	798	927	1,005	1,066	1,293	
17	Cement Consumption	('000 tonnes)	1,003	1,182	1,119	1,118	894	
18	Petroleum Consumption	('000 tonnes)	1,807	1,830	1,755	1,840	1,826	
19	Electricity consumption	(mn Kwh)	2,537	2,732	2,854	2,915	3,074	
20	Tourism earnings	(K£mn)	432	533	594	713	1,222	
21	New registration of vehicles	(number)	18,405	18,023	15,516	14,784	12,420	
22	Rail freight	(mn tonnes-Km)	1,910	1,808	1,865	1,627	1,312	
23	Air passengers handled	('000)	2,649	2,654	2,617	2,582	2,720	
24	Wage employment	('000)	1,368	1,409	1,442	1,462	1,475	
25	Education-primary enrolment	('000)	5,389	5,392	5,456	5,530	5,429	
26	Education-secondary enrolment	('000)	641	618	614	621	518	
27	Education-post secondary enrolment	('000)	63	79	82	83	80	
28	Hospital beds and cots	(number)	35,534	33,086	33,926	34,360	38,137	
29	Registered doctors and dentists	(number)	3,827	3,953	4,088	4,218	4,458	
	INDEX NUMBERS: (1982 = 100)							Annual % Rate of change 1989-93
	Export volumes		115	122	126	126	148	6.5
	Import volumes		125	119	111	107	113	-2.5
	Terms of trade		79	71	82	79	86	2.1
	Consumer prices ***		141	163	195	248	363	26.7
	Real wages		96	94	92	89	78	-5.1
	Agricultural terms of trade		98	95	93	90	87	-2.9

* More precise measures are given in individual chapters.

** Provisional.

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

CHAPTER 1 - INTERNATIONAL SCENE

Introduction

The world economy decelerated for the second year running. In the Organisation for Economic Co-operation and Development (OECD) countries, solid expansion is under way in North America while moderate recoveries continue in the United Kingdom, Australia, New Zealand and some smaller European countries. In the remaining member countries, activity has continued to be weak, with decline in GDP in Germany and Japan. Outside the OECD countries, there was a slowdown in economic activity in the Dynamic Asian Economies (DAEs) and Latin America. In the OECD, DAEs and Latin America, real GDP is estimated to have grown by about 1.1 per cent, 5.7 per cent and 3.6 per cent respectively over 1992.

1.2. The main negative forces which have been responsible for the poor economic performance and which have aggravated the situation by weakening confidence have been at work for several years. They are the upshot of over-indebtedness of private sector agents in a number of countries outside continental Europe and persistently high interest rates in continental Europe. In most countries, rising unemployment and uncertainty about employment prospects have exacerbated the recession by restraining household earnings and willingness to spend, although disinflation has helped to provide some offsetting support for real income and consumption. Currency appreciation in some quarters has also had its negative impact in economic activity.

1.3. World trade has been estimated to have grown at about 2.4 per cent in 1993 lower than 4.7 per cent recorded in 1992. This is largely due to a decline in trade within the OECD area and unfavourable conditions towards non-OECD members. Trade deficit in the US has deteriorated against an improvement in Japan's surplus. Elsewhere in Europe, balance of trade has improved substantially from a deficit in 1992 to a surplus in 1993. The conclusion of regional trade pacts, the successful termination and signing of Marakesh Declaration [General Agreement on Trade and Tariffs (GATT's) Uruguay Round Negotiations] are likely to improve trade in the future.

1.4. The weak trend in economic activity in 1993 has had its counterparts in further decline in inflation and rising overall unemployment. Unemployment rate in the OECD countries stood at about 8.2 per cent of the labour force, with the largest growth in Europe, where labour shedding has been particularly pronounced. During 1993, unemployment rate in Europe was 11 per cent and is expected to grow. Table 1.1 gives key economic indicators on the major performance and projections for OECD countries.

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

(SEASONALLY ADJUSTED ANNUAL RATES)

Table 1.1

	1992	1993	1994	1995
	(percentage changes from preceding period)			
Real GDP -				
United States	2.6	2.8	3.1	2.7
Japan	1.3	-0.5	0.5	2.3
Germany***	2.1	-1.5	0.8	2.2
OECD Europe	1.1	-0.2	1.5	2.6
Total OECD	1.7	1.1	2.1	2.7
Real total domestic demand -				
United States	2.9	3.6	3.5	2.9
Japan	0.6	-0.4	0.9	2.5
Germany***	2.7	-1.5	0.5	2.1
OECD Europe	1.2	-1.3	1.1	2.4
Total OECD	1.7	0.9	2.1	2.7
Inflation (GDP deflators)				
United States	2.9	2.6	2.4	2.6
Japan	1.9	1.0	0.7	0.7
Germany***	5.4	4.0	2.9	2.0
OECD Europe	6.2	5.1	5.1	4.5
Total OECD	4.0	3.2	3.2	3.1
	(US $billion)			
Current balances-				
United States	-66	-106	-134	-147
Japan	118	141	136	134
Germany***	-25	-20	-15	-13
OECD Europe	-59	-6	-18	-42
Total OECD	-42	-2	-11	-1
	(per cent of labour force)			
Unemployment-				
United States	7.4	6.9	6.5	6.2
Japan	2.2	2.5	2.9	2.8
Germany***	7.7	8.9	10.1	10.3
OECD European members	9.6	10.7	11.4	11.5
Total OECD membership	7.8	8.2	8.5	8.4
	(percentage changes from preceding period)			
World Trade**	4.7	2.4	5.4	6.4

Source: *OECD Economic Outlook no. 54, December, 1993.*

* *Assumptions underlying the 1994 and 1995 projections include:*

- *no change in actual and announced policies;*
- *unchanged exchange rates from 2nd November 1993, in particular $ 1 = Ô108.17, DM1.57;*
- *Dollar price (OECD fob imports) for internationally traded oil of US$15.00 per barrel for 93 II 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'.*

1.5. *The USA:* The USA economy had a strong recovery in the second half of 1992 with a GDP growth rate of about 4 per cent resulting in an annual growth of 2.6 per cent. The growth slowed down to 2.3 per cent in the first half of 1993 as a result of dampened final demand and continued rise in imports. Overall GDP growth rate in

real terms was 2.8 per cent in 1993. Indicators point to a further strengthening of the economy and the scene is set for continued investment-led growth and lower unemployment in 1994. Real GDP growth rate in 1994 is projected at around 3.1 per cent. The North American Free Trade Agreement (NAFTA) was reached over the summer and implementation legislation was passed in November 1993. Hopefully, this regional pact will lead to increased growth of world trade.

1.6. *Japan:* Japan has been experiencing continued substantial losses of export market share since the mid-1980s mostly to other Asian competitors. However, the fall in export volumes and import prices has not adversely affected the balance of trade whose surplus has grown to an unprecedented US$145 billion. This notwithstanding, the economy performed dismally with the growth rate of GDP falling from 1.3 per cent in 1992 to negative 0.5 per cent in 1993. The economy had to contend with the new "shock" - that of currency appreciation-at a time when it was recuperating from effects of previous over investment and asset price inflation. In response to this weakness of the economy, the Bank of Japan allowed further falls in market interest rates to a historic low of 1.75 per cent. The 30 per cent appreciation of the Yen helped lower the inflation rate to 1 per cent in 1993, but it also raised DAEs cost of imports from Japan, which supplies 25 per cent of their total imports.

1.7. *Germany:* The unification of East and West Germany has not produced the expected economic benefits for Germany. The deepening recession in Western Germany began to dampen growth in Eastern Germany. Rising labour costs, weak export markets, high interest and exchange rates continue to exert a restraining influence competitiveness and profitability on the German economy. In 1993 short term interest rates remained high at around 7 per cent while unemployment was 8.9 per cent. As a result, all German output declined sharply in 1993 as evidenced by the fall in GDP growth rate from 2.1 per cent in 1992 to negative 1.5 per cent in 1993.

1.8. *Central and Eastern Europe (CEE):* In the course of 1993, all the CEE countries (with the exception of Czech Republic and Poland) experienced a strong decline in exports while imports generally increased. The Czech Republic indicated stabilization and positive signs of growth. Poland on the other hand experienced a strong recovery with GDP growing at an annual rate of 4 per cent in the first half of the year. The stabilization or recovery of output in these countries has been associated with a steady fundamental structural improvement. The efficiency with which economic reforms are implemented will continue to determine the pace at which the CEE economies would grow in 1994. The Newly Independent States (NIS) experienced further falls in industrial production in the second half of 1993.

1.9. *Latin America:* Economic reform programmes in many countries of the region have sustained recovery from a decade of stagnation, accelerating inflation, and net capital outflows. The regional output is estimated to have expanded by around 3.5 per cent in 1993, up from the previous years growth rate of around 3 per cent. Output growth and investment were particularly buoyant in those countries (i.e. Argentina,

Chile, Colombia, Mexico) which have introduced market oriented structural reforms and whose macro-economic policies are directed towards stabilization and maintaining stable and competitive exchange rates. In contrast, Brazil continues to wallow in inflation rate of 1,700 per cent, with the fiscal deficit amounting to more than half of the GDP.

1.10. *Asia:* The growth in the Dynamic Asian Economies (DAE's) of South Korea, Taiwan, Hong Kong, Singapore, Thailand and Malaysia remained at around 6 per cent in 1993. Regional trade for South Korea and Taiwan was particularly important. The establishment of diplomatic relations between South Korea and China, in August 1992 helped raise South Korean exports to China by about 150 per cent. Hong Kong and Taiwan have also benefitted from increased volume of foreign direct investment in mainland China.

1.11. *Africa:* The statistics of world economy fail to convey the appalling situation of human suffering. This is especially true for the sub-Saharan African countries. Drought struck a number of African countries sharply reducing food production and threatening famine. This was compounded by civil strife, military and ethnic conflicts. In some areas, economic deprivation and insecurity were products of political turmoil which is also setting back prospects for long term development. Inspite of all these, the overall real GDP for Africa was estimated to have grown by 1.4 per cent in 1993 up from 0.7 per cent in 1992. The new non-racial government of South Africa, the strengthening of the Preferential Trade Area and the likelihood of revival of the East African Community should help boost regional trade, and by extension, economic activity.

1.12. Debt burdens in African countries are worsening, largely because of a continuing fall in prices of primary commodities. Total debt stocks for the sub-Saharan Africa has escalated from $84 million in 1980 to $199,046 million in 1993. While it is prudent to provide more debt relief, the critical issue is the provision of external support for adjustment and reform leading to increased investment and growth.

1.13. *Commodity Prices:* World oil prices stood at US$16.13 per barrel, a drop of 11.5 per cent. This is the lowest price experienced within the last five years. Non-fuel primary commodity prices continued to display weak trends with average prices falling further in 1993. Coffee prices were the only ones which experienced a growth of 9.8 per cent while tea on the other hand experienced a further drop of 7 per cent. Table 1.2 gives indices for selected world commodity prices.

SELECTED WORLD COMMODITY PRICE INDICES, 1989-1993

(1985 = 100)

Table 1.2

Year	"Other milds" Coffee*	Tea**	Sisal***	Sugar+	Petroleum+ +	All + + + Commodities	Industrial Countries	Developing Countries
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	112.3	117.8	105.4
1992	43.7	100.7		175.3	67.5	112.1	1 19.4	103.0
1993	48.0	93.6		166.7	59.8	107.8	115.1	98.7

Source: IMF, International Financial Statistics, (February, 19941).

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

1.14. In 1994 the volume of world trade is expected to rise to 5.4 per cent as the world economy slowly recovers from recession. Further easing of short-term money market conditions, together with policy induced decline in interest rates should help start recovery in continental Europe and Japan within two years. A rise in imports from OECD countries by developing economies and CEEs is likely to strengthen activity within the OECD area.

1.15. Economic activity in the OECD area continues to be weak. The GDP is expected to pick up from 2.1 per cent in 1994 to 2.7 in 1995. In Germany , the current moderation of wage and price pressures and the ongoing easing of monetary conditions are producing a basis for gradual picking up of growth in 1994. Interest rates are expected to continue falling in the short run while attaining the Bundesbank inflation rate target of less than 2 per cent. Japan may experience more gradual recovery after the depressive effects of the appreciating Yen in the years 1994 and 1995. Global activity has been and will continue to be supported by buoyant growth in a number of non-OECD countries especially in Asia.

1.16. Although growth in Africa is projected to increase in the medium term, these projections will be much more uncertain than for other countries. Within the overall implementation of the Structural Adjustment Programmes, specific comprehensive policy initiatives such as the International Monetary Fund (IMF) Structural Adjustment Facility (SAF) and Enhanced Structural Adjustment Facility (ESAF) are in progress. These facilities are to enhance conditions for sustained growth and progress. This should hopefully lead to some economic recovery in 1994.

CHAPTER 2 - DOMESTIC ECONOMY

Overview

Provisional figures from National Accounts aggregates indicate that the growth rate of real Gross Domestic Product (GDP) declined for the fifth consecutive year. The economy registered 0.1 per cent real growth rate in 1993, but the deceleration between 1993 and 1992 was lower than that recorded in the two previous years. The economic slowdown was attributed to several factors:-

(i) The prolonged drought which reduced agricultural output appreciably,
(ii) Low aggregate domestic demand which resulted in sluggish growth in output of manufacturing.
(iii) Foreign exchange shortage during the first half of the year;
(iv) High inflation which was principally as a result of severe drought, excessive growth in money supply; massive depreciation of the Kenya shilling and liberalisation policies pursued by the Government.

2.2. Among the major sectors, the agricultural sector's real GDP grew by negative 4.1 per cent, compared to negative 3.7 per cent recorded in 1992. The sector recorded significant decline in output of major food crops while the output of coffee fell appreciably. Real value added for the trade sector stagnated at the 1992 level with a growth rate of only 0.1 per cent. Transport and Communication grew by 0.8 per cent.

2.3. On the positive side, manufacturing sector rose by 1.8 per cent, slightly above the 1.2 per cent observed in 1992. This was mainly due to higher export demand for non-traditional manufactures especially textile and manufactured food products and partly as result of increased inflow of foreign exchange, especially during the second half of 1993.

2.4. The financial sector had the most buoyant activity in 1993; it recorded the highest real growth of 7.5 per cent. The sector benefited mainly from the liberalisation of foreign exchange controls and introduction of weekly auctions of high yield Treasury bills. These two factors greatly boosted financial transactions during March-December, 1993.

2.5. In a bid to rectify some of the macro-economic imbalances responsible for poor economic performance in the recent past the Government introduced significant economic reforms in 1993. These reforms included: (i) liberalisation of foreign exchange controls (ii) abolition of import licensing (iii) introduction of export retention account scheme for exporters (iv) removal of price controls, particularly on maize, wheat and sugar, (v) and tighter controls in the entire financial management system.

2.6. The inflation rate, as measured by the revised Nairobi Consumer price indices recorded an average growth of 46 per cent in 1993, 19 percentage points above the 27

per cent recorded in 1992. Money supply growth rate on the other hand slowed down from 35 per cent in December 1992 to 28 per cent in December 1993.

International Trade

2.7. The balance of payments had an impressive performance in 1993. The overall surplus recorded was K£1,284 million and for the first time since 1977 a current account surplus of K£288 million was realised. This improvement is attributed to strong growth in export earnings, large short-term capital inflow, and unfreezing of programme loan disbursement and some further accumulation of debt service arrears.

2.8. Kenya has continued to experience increase in the balance of trade deficits as measured in Kenyan currency. Whereas the trend began to reverse in 1991, the trade deficit in subsequent years widened from K£119 million in 1992 to K£166 million in 1993. Although export earnings from coffee, cement, soda ash, tea, horticulture and pyrethrum products more than doubled, expenditure on all imports still outstripped total exports earnings. Furthermore, the country imported substantial amounts of bulk oils, maize and wheat to meet domestic demand.

Sectoral Contributions

2.9. Table 2.1, depicts sectoral contribution to the growth of GDP in the economy at both current and constant (1982) prices. The overall performance in terms of sectors was generally poor with the exception of the Financial, Domestic Services and Manufacturing sectors. All other sectors recorded either decline or growth of less than 1 per cent in real GDP.

Agriculture

2.10. The sector progressively declined in real terms from a growth rate of 3.9 per cent in 1989 to negative 3.7 per cent in 1992 with a further drop of 4.1 per cent recorded in 1993. Among the major reasons for the poor performance are: lack of sufficient rains, rising input prices resulting in reduced use of fertilizers, delayed payments to farmers, poor price incentives to some major crops and poor quality seeds. Despite these adverse conditions, the quantum index for permanent crops comprising of coffee, tea, sisal and others, registered an increase of 3.6 per cent from 137.3 in 1992 to 142.3 in 1993.

2.11. Maize production declined by 21.7 per cent in 1993, from 23 million bags in 1992/93 crop year to 18 million bags in 1993/94. This was mainly a result of a below average precipitation during the two rain seasons, high input prices leading to less usage of fertilizers and poor quality seeds sold to farmers. Similarly, wheat production declined by 38.9 per cent in 1993, necessitating further imports worth K£152 million to meet local demand.

GROSS DOMESTIC PRODUCT, 1989 - 1993

Table 2.1 K£million

	Current Prices					Constant (1982) Prices				
	1989	1990	1991*	1992*	1993**	1989	1990	1991*	1992*	1993**
A. NON-MONETARY ECONOMY										
	59.27	62.83	68.04	71.95	77.18	30.46	31.37	32.19	33.04	33.90
	2.85	3.01	3.28	3.42	3.85	1.54	1.49	1.39	1.27	1.15
Building and Construction	88.87	90.78	92.67	98.59	104.11	71.50	72.93	74.39	75.45	75.84
Water Collection	44.47	46.13	49.04	54.67	58.05	23.44	24.14	24.87	25.33	25.51
Ownership of Dwellings	199.00	218.93	245.42	254.98	274.87	96.41	99.71	101.70	102.34	103.18
TOTAL NON-MONETARY ECONOMY	394.46	421.68	458.45	483.61	518.06	223.35	229.64	234.54	237.43	239.58
MONETARY ECONOMY										
1. Enterprises and Non-Profit Institutions										
Agriculture	2,088.39	2,235.46	2,337.69	2,681.94	35.83	1,152.51	1,192.04	1,178.93	1,134.83	1088.3
Forestry	93.42	107.43	131.07	168.61	214.13	40.62	42.65	46.23	48.16	47.58
Fishing	27.39	32.59	37.48	45.16	55.79	12.83	13.39	13.10	12.19	11.33
Mining and Quarrying	18.62	22.96	28.03	30.28	35.22	10.62	11.25	11.97	11.01	11.23
Manufacturing	855.36	987.40	1,167.40	1,230.73	1419.68	532.47	560.34	581.63	588.61	599.21
Building and Construction	323.40	376.80	477.10	539.90	655.11	131.40	134.30	129.30	122.20	114.01
	64.03	79.40	92.11	100.33	116.79	39.53	43.69	45.97	45.11	45.52
Trade, Restaurants and Hotels	829.07	947.63	1,133.37	1,517.10	1920.65	455.47	465.95	472.05	478.94	479.56
Transport, Storage& Communications	517.95	598.17	681.91	908.70	1117.7	241.06	249.74	259.10	263.60	265.71
Finance, Insurance,										
Real Estate and Business Services	594.82	686.69	865.43	1,081.34	1259.8	313.11	333.15	353.47	377.94	406.29
Ownership of Dwellings	393.87	480.52	545.97	575.95	725.7	220.63	229.35	235.31	238.98	239.46
Other Services	228.00	251.48	292.22	368.65	477.87	127.86	135.93	141.11	144.50	145.68
Less:Imputed Bank Service Charges	-281.62	-262.50	-328.08	-643.03	-725.37	-129.12	-134.03	-138.59	-142.03	-148.09
TOTAL	5,752.70	6,544.03	7,461.70	8,605.66	10,856.07	3,148.99	3,277.75	3,329.58	3,324.04	3,305.79
2.PRIVATE HOUSEHOLDS (DOMESTIC SERVICES)	97.49	113.56	132.40	154.57	177.32	62.36	70.52	78.28	85.26	93.1
3.Producers of Government Services										
	270.18	317.07	379.95	443.32	556.80					
Defence	32.48	42.03	39.76	38.50	45.73					
Education	528.19	590.31	717.78	849.19	943.91					
Health	114.35	134.79	148.08	171.89	208.37					
Agricultural Services	54.50	59.34	53.85	55.80	64.70					
Other Services	143.46	154.97	148.36	163.99	231.75					
TOTAL	1,143.16	1,298.51	1,487.78	1,722.69	2,051.26	618.40	645.72	669.10	685.43	699.14
TOTAL MONETARY ECONOMY	6,993.35	7,956.10	9,081.88	10,482.92	13,084.65	3,829.75	3,993.99	4,076.96	4,094.73	4,098.03
TOTAL NON-MONETARY AND MONETARY ECONOMY	7,387.81	8,377.78	9,540.33	10,966.53	13,602.71	4,053.10	4,223.63	4,311.50	4,332.16	4,337.61
GROSS DOMESTIC PRODUCT PER CAPITA K£	344.58	378.13	416.68	463.47	556.33	189.04	190.63	188.31	188.09	177.4

* Revised

** Provisional

GROWTH OF GROSS DOMESTIC PRODUCT, 1989 - 1993

Table 2.2

Percentages

	Current Prices					Constant (1982) Prices				
	1989-90	1990-91*	1991-92*	1992-93**	1989-93* * *	1989-90	1990-91*	1991-92*	1992-93**	1989-93***
A. NON-MONETARY ECONOMY										
Forestry	6.0	8.3	5.7	7.3	6.8	3.0	2.6	2.7	2.6	2.6
Fishing	5.6	8.9	4.3	12.6	7.8	-3.0	-6.7	-8.7	-9.6	-7.0
Building and Construction	2.2	2.1	6.4	5.6	4.0	2.0	2.0	1.4	0.5	1.5
Water Collection	3.7	6.3	11.5	6.2	6.8	3.0	3.0	1.8	0.7	1.9
Ownership of Dwellings	10.0	12.1	3.9	7.8	8.4	3.4	2.0	0.6	0.8	1.7
TOTAL NON-MONETARY ECONOMY	6.9	8.7	5.5	7.1	7.0	2.8	2.1	1.2	0.9	1.7
B. MONETARY ECONOMY										
1 .Enterprises and Non-Profit Institutions										
Agriculture	7.0	4.6	14.7	33.6	14.5	3.4	-1.1	-3.7	-4.1	-1.4
Forestry	15.0	22.0	28.6	27.0	23.1	5.0	8.4	4.2	-1.2	4.0
Fishing	19.0	15.0	20.5	23.5	19.5	4.4	-2.2	6.9	-7.1	-3.1
Mining and Quarrying	23.3	22.1	8.0	16.3	17.2	5.9	6.4	-8.0	2.0	-1.2
Manufacturing	15.4	18.2	5.4	15.4	13.3	5.2	3.8	1.2	1.8	2.9
Building and Construction	16.5	26.6	13.2	21.3	13.5	2.2	-3.7	-5.5	-6.7	-3.5
Electricity and Water	24.0	16.0	8.9	16.4	16.2	10.5	5.2	-1.9	0.9	3.6
Trade, Restaurants and Hotels	14.3	19.6	33.9	26.6	23.4	2.3	1.3	1.5	0.1	1.2
Transport, Storage and Communications	15.5	14.0	33.3	23.0	21.2	3.6	3.7	1.7	0.8	2.4
Finance, Insurance, Real Estate and Business Services	15.5	26.0	25.0	16.5	20.4	6.4	6.1	6.9	7.5	6.8
Ownership of Dwellings	22.0	13.6	5.5	26.0	16.5	4.0	2.6	1.6	0.2	1.9
Other Services	10.3	16.2	26.2	29.5	20.4	6.3	3.8	2.4	0.8	3.3
Less:Imputed bank service charges.	-6.8	25.0	96.0	12.8	17.3	3.8	3.4	2.5	4.3	3.3
TOTAL	13.8	14.0	15.3	26.2	17.1	4.1	1.6	-0.2	-0.5	1.2
2.Private Households (Domestic Services)	16.5	16.6	16.7	14.7	15.3	13.1	11.0	8.9	9.2	10.5
3.Producers of Government Services										
Public Administration	17.4	19.8	16.7	25.6	19.8					
Defence	29.4	-5.4	-4.1	19.9	8.8					
Education	11.8	21.6	18.3	11.5	15.7					
Health	17.9	9.9	16.1	21.2	16.1					
Agricultural Services	8.9	-9.3	3.6	16.0	4.2					
Other Services	8.0	-4.3	10.5	41.3	12.6					
TOTAL	13.6	14.6	15.8	19.1	15.7	4.4	3.6	2.4	2.0	3.1
TOTAL MONETARY ECONOMY	13.8	14.2	15.4	24.8	16.9	4.3	2.1	0.4	0.1	1.7
TOTAL NON-MONETARY AND MONETARY ECONOMY	13.4	13.9	15.0	24.0	16.5	4.2	2.1	0.5	0.1	1.7
GROSS DOMESTIC PRODUCT PER CAPITA	9.7	10.2	11.2	20.0	12.6	0.8	-1.2	-2.8	-3.1	-1.6

* Revised

** Provisional

*** Cummulative

PRODUCTION ACCOUNTS, 1992 AND 1993

Table 2.3 K£million

	1992*					1993**				
			Gross Domestic Product (at Factor Cost)					Gross Domestic Product (at Factor Cost)		
	Gross Output at approx. Basic Prices +	Inter-mediate Con-sumption	Total	Labour Costs	Operating Surplus***	Gross Output at approx. Basic Prices	Inter-mediate Con-sumption	Total	Labour Costs	Operating Surplus***
A. NON MONETARY ECONOMY	581.99	98.38	483.61	1.51	482.84	622.89	104.53	518.06	1.59	516.47
B. MONETARY ECONOMY										
1 .Enterprises and Non-Profit Institutions										
Agriculture	2,998.72	316.78	2,681.94	224.70	2,457.24	3,958.00	375.00	3,583.00	300.19	3,282.81
Forestry	184.07	15.46	168.61	84.55	84.06	233.76	19.63	214.13	107.38	106.75
Fishing	46.12	0.96	45.16	11.97	33.19	57.00	1.21	55.79	14.79	41.00
Mining and Quarrying	99.76	69.48	30.28	15.75	14.53	116.01	80.79	35.22	18.32	16.90
Manufacturing	11,291.02	10,060.29	1,230.73	449.74	780.99	15,122.60	13,702.92	1,419.68	467.78	951.90
Building and Construction	1,065.81	525.91	539.90	398.65	141.25	1,293.24	638.13	655.11	483.72	171.39
Electricity and Water	240.33	140.00	100.33	82.26	18.07	279.76	162.97	116.79	95.76	21.03
Trade, Restaurants and Hotels	2,083.19	566.09	1,517.10	586.60	930.50	2,637.32	716.67	1,920.65	742.64	1,178.01
Transport, Storage and Communications	1,867.30	958.60	908.70	321.60	587.10	2,164.50	1,046.80	1,117.70	366.62	751.08
Finance, Insurance, Real Estate and Business Services	1,516.21	434.87	1,081.34	362.40	718.94	2,650.65	1,390.79	1,259.86	432.57	827.29
Ownership of Dwellings	634.36	58.41	575.95	0.00	575.95	799.89	74.19	725.70	0.00	725.70
Other Services	695.67	327.02	368.65	262.68	105.97	901.77	423.90	477.87	340.50	137.37
Less: Imputed Bank Service Charges ..	-643.03	0.00	-643.03	0.00	-643.03	-725.37	0.00	-725.37	0.00	-725.37
	22,079.53	13,473.87	8,605.66	2,800.90	5,804.76	29,489.13	18,633.00	10,856.13	3,370.27	7,485.86
2.Private Households (Domestic Services)..	154.57	0.00	154.57	154.57	0.00	177.32	0.00	177.32	177.32	0.00
3.Producers of Government Services	2,446.04	723.70	1,722.34	1,717.33	5.01	2,966.10	914.82	2,051.28	2,045.12	6.16
TOTAL MONETARY ECONOMY	24,680.14	14,197.57	10,482.57	4,672.80	5,809.77	32,632.55	19,547.82	13,084.73	5,592.71	7,492.02
TOTAL MONETARY AND NON-MONETARY ECONOMY	25,262.13	14,295.95	10,966.18	4,674.31	6,292.61	33,255.44	19,652.35	13,602.79	5,594.30	8,008.49

* Revised

** 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, 1989 - 1993

Table 2.4 Percentage

	1989	1990	1991*	1992*	1993**
A. NON-MONETARY ECONOMY					
Forestry	0.8	0.7	0.7	0.8	0.8
Fishing	0.0	0.0	0.0	0.0	0.0
Building and Construction	1.8	1.7	1.7	1.7	1.8
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	5.4	5.4	11.0	5.6
B. MONETARY ECONOMY					
1. Enterprises and Non-Profit Institutions					
Agriculture	28.4	28.2	27.3	26.2	25.1
Forestry	1.0	1.0	1.1	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	13.1	13.3	13.5	13.6	13.8
Building and Construction	3.2	3.2	3.0	2.8	2.6
Electricity and Water	1.0	1.0	1.1	1.0	1.1
Trade, Restaurants and Hotels	11.2	11.0	10.9	11.1	11.1
Transport, Storage and Communications	5.9	5.9	6.0	6.1	6.1
Finance, Insurance, Real Estate and Business Services	7.7	7.9	8.2	8.7	9.4
Ownership of Dwellings	5.5	5.4	5.5	5.5	5.5
Other Services	3.2	3.2	3.3	3.3	3.4
Less: Imputed Bank Service Charges	-3.2	-3.2	-3.2	-3.3	-3.4
TOTAL	77.6	77.5	77.3	76.7	76.4
2. Private Households (Domestic Services)	1.5	1.7	1.8	2.0	2.1
3. Producers of Government Services					
Public Administration					
Defence					
Education					
Health					
Agricultural Services					
Other Services					
TOTAL	15.3	15.3	15.5	15.8	16.1
TOTAL MONETARY ECONOMY	94.5	94.6	94.6	94.5	94.6
TOTAL MONETARY & NON-MONETARY ECONOMY	100.0	100.0	100.0	100.0	100.0

* Revised
** Provisional

2.12. Tea was the only principal crop which showed increased production. The crop registered a significant increase from 188 thousand tonnes in 1992 to 211 thousand tonnes in 1993, a growth rate of 12 per cent. The growth rate may be attributed to the resumption of tea picking by some farmers who had boycotted the activity due to delayed payments and other management issues, the introduction of foreign exchange retention accounts, introduction of the dollar auction and the high demand for Kenyan tea in the world market.

2.13. The continuing effects of past neglect of coffee crop by farmers due to low prices in the world market, high input cost and delays in payments to farmers contributed to the downward trend observed in coffee production. The stalemate in the International Coffee Agreement further aggravated the situation.

2.14. The liberalization of cotton marketing led to a drastic decline in the volume of cotton purchased by Cotton Lint and Seed Marketing Board with farmers preferring to deliver their produce to the ginneries and co-operative societies, which pay higher prices with minimum delay.

2.15. The horticultural sector which has shown immense potential in increasing foreign exchange earnings was hampered by low world prices and high cost of handling and storage facilities. Nonetheless, the production in tonnes picked up from 151.4 thousand in 1992 to 265.3 thousand in 1993.

Financial Sector

2.16. In 1993, the financial sector experienced a wide range of policy changes. Tight monetary policies were effected in the second half of 1993, aimed at reducing the growth of money supply. Consequently growth in money supply decreased significantly to 28 per cent in 1993 from 35 per cent in 1992.

2.17. In the early parts of the year, the following reforms were effected (i) a 50 per cent foreign exchange retention was allowed to exporters of traditional exports and services; (ii) access to Central Bank foreign exchange at the official rate was limited to government imports while (iii) other importers had to raise their foreign exchange needs from the interbank market. However, the latter reform became increasingly redundant as the gap between market and official exchange rates narrowed down significantly. The two rates were eventually merged in October 1993 thus paving the way to full liberalisation of the shilling. The last two months of 1993 witnessed continued appreciation of the shilling against hard currencies with the exchange rate of the shilling to the US dollar falling to Ksh68.16 per dollar. Part of this appreciation may be attributed to increased inflow of foreign exchange and part to restored confidence following the announcement of resumption of donor aid to Kenya in November, 1993.

2.18. Commercial banks' Interest rates registered significant increases compared to 1992, dampening demand for bank credit funds. The increase was mainly attributable to substantial rise in Treasury bill rates following the massive exercise to mop up excess liquidity from the economy. Treasury bill discount rate increased from 23.6 per cent in March to over 70.3 per cent by end of July. The buoyant activity contributed largely to the real growth of 7.5 per cent in the financial sector in 1993, which was about one percentage point over 1992.

Electricity and Water

2.19. In Electricity sector, very large investments in plant machinery and equipment have been made in recent past in a bid to ensure adequate growth in generating capacity to meet growth in demand. Slight improvement of water levels at the Tana River hydro electricity dams and Turkwell reservoirs led to an increase of 7 per cent in hydro-based electricity. The sector recorded a real growth rate of 0.9 per cent; electricity consumption rising from 2,915 million Kwh in 1992 to 3,074 Kwh in 1993.

Building and Construction

2.20. The persistent increase in the cost of construction materials hampered progress in the Building and Construction sector. Real value added in the sector fell by 6.7 per cent in 1993, from a 5.5 per cent drop experienced in 1992. The scenario has led to depressed activity in building sub-sector in 1993. Similar impact was felt in the public sector. The general percentage increase in building and construction cost indices rose to 50.8 in 1993 compared to 17.7 per cent in 1992. This trend has persisted in the last three years, hence hampering viable building and construction projects. The price of cement, a major input into the sector, was decontrolled earlier in the year, precipitating its' price to skyrocket by over 80 per cent. Similarly, prices of reinforcement steel and other inputs more than doubled.

Transport and Communications

2.21. The 1993 drought impacted negatively on the Transport, Storage and Communication Sector. Cargo handled at the Kenya Ports Authority remained at 1992 level of about 7,900 thousand tonnes; while sluggish performance by the Kenya Railways was due to a number of major accidents during the year. Tonne-Kilometres travelled declined from 1,627 million in 1992 to 1,312 in 1993. New registration of road vehicles further declined by 12.7 per cent from 14,784 units to 12,420 units in 1993. This is attributable to the liberalized market which made the imports of both Completely Built Units (CBU) and completely Knocked Down Kits (CKDs) very expensive.

2.22. However, positive developments were recorded in pipeline throughput which transported 6.1 per cent more pipeline products than in 1992. Air traffic passengers ferried grew by 5.3 per cent while cargo handled recorded a growth rate of 3.8 per cent. The overall growth of GDP in real terms was a marginal 0.8 per cent.

Manufacturing

2.23. The manufacturing sector has a strong backward linkage with the agricultural sector. Poor performance in agriculture affects the agro-based manufacturing industries. The sector went through a difficult period in 1993, when foreign exchange became very expensive in terms of the Kenya shilling. Activity picked up in the

second half of the year, when the Kenya shilling stabilised and began to appreciate. Another factor which affected growth in the sector was the slow recovery of the world economy from recession. Nevertheless, the sector recorded a growth of 1.8 per cent which was slightly better than 1.2 per cent experienced in 1992.

2.24. In the year, the Government instituted various strategies to promote exports in a bid to increase foreign exchange earnings. These included the introduction of foreign exchange retention accounts for exporters and removal of import licensing .

2.25. The food manufacturing sector remained at almost the 1992 level accounting for 28 per cent of total manufacturing output in 1993. Both maize and wheat milling recorded decreases as a result of reduced deliveries to the mills. This shortage necessitated imports of both maize and wheat to meet the domestic shortfall.

2.26. Beef production recorded an increase of 48 per cent as a result of good prices and increased delivery of cattle to slaughter houses due to the drought.

2.27. The production of spirits recorded an increase of 53 per cent while beer and stout production declined by 5 per cent. Increases in beer prices prompted reduced consumption of the product in favour of spirits.

2.28. Plastic products have come up strongly as major substitute for metal and wood products. Latest technology and innovation has greatly benefited the plastic industry creating a shift towards a demand for plastic goods. The sub-sector in turn recorded a growth rate of 10 per cent in 1993.

The Public Sector

2.29. Priority sectors namely education, agriculture, health and defence maintained their traditional lead in terms of the share of total government expenditure. Labour costs increased by 36 per cent, as a result of the implementation of the final phase of the civil service salary review. Capital Expenditure more than doubled from K£449.57 million in 1992 to K£1,102.70 in 1993. A large amount of this capital expenditure was earmarked for the "Drought recovery programme", procurement of equipment for Kenyatta National Hospital, the Nairobi and Coast Water supply, University Investment project and the completion of Export processing zones in Athi River, among others. Capital transfers and net lending decreased marginally in line with the ongoing divestiture programme.

Terms of Trade Impact

2.30. Table 2.5 displays the effects of terms of trade on the Kenyan economy. It depicts the measure of real income as opposed to real GDP. In 1993 the terms of trade improved marginally reflecting significant gains in prices of traditional export products and stable oil prices. This had a welcome effect of increasing Kenya's real per-capita

incomes by nearly 0.6 per cent in 1993. As a result of this development, the terms of trade adjusted to real GDP improved from negative K£356 million in 1992 to negative K£204 million in 1993. The adjusted GDP per capita grew slightly from K£168 in 1992 to K£169 in 1993.

IMPACT OF COMMODITY TERMS OF TRADE ON PER CAPITA GDP, 1989 - 1993

Table 2.5

		1989	1990	1991 *	1992*	1993**
1	Unadjusted GDP at constant Factor Cost (K£mn.)	4,053.10	4,223.63	4,311.50	4,332.16	4,337.61
2	Adjustment for changes in terms of trade (K£mn)	-332.86	-523.61	-306.80	-356.10	-203.90
3	Adjusted GDP (K£mn.)	3,720.20	3,700.00	4,004.70	3,976.00	4,133.70
4	Growth in unadjusted per capita GDP	1.50	0.80	-1.20	-2.80	-3.20
5	Growth in adjusted per capita GDP	-2.70	-3.80	4.70	-3.90	0.60

* Revised

** Provisional.

TOTAL USE OF RESOURCES AT CURRENT PRICES, 1989 - 1993

Table 2.6 K£million

		1989	1990	1991*	1992*	1993**
	G.D.P. at Factor Cost	7,387.81	8,377.78	9,540.33	10,966.53	13,602.71
	Of which:					
	Non-Monetary	394.46	421.68	458.45	483.61	518.06
	Monetary	6,993.35	7,956.11	9,081.88	10,482.50	13,084.74
	Indirect Taxes	1,191.68	1,399.14	1,522.22	1,821.17	2,459.80
	Subsidies	0.05	0.10	0.06	0.05	0.07
	G.D.P. at Market Prices	8,579.44	9,776.82	11,062.49	12,787.65	16,062.44
+	Import of goods and non-factor services** *	2,612.37	3,069.54	3,166.33	3,452.07	5,939.13
-	Export of goods and services	1,977.68	2,559.28	3,025.58	3,464.37	6,745.91
=	Import Surplus	634.69	510.26	140.75	-12.30	-806.78
+	Total Resources available for Domestic					
-	Investment and Consumption	9,214.13	10,287.08	11,203.24	12,774.99	15,225.83
=	Gross Fixed Capital Formation	1,657.81	2,028.00	2,133.54	2,189.02	2,473.70
	Change in Stocks	460.43	345.32	217.55	44.89	112.23
	Gross Investment	2,118.24	2,373.32	2,351.09	2,233.91	2,585.93
	Public Consumption	1,538.46	1,831.00	1,880.32	2,073.76	2,108.91
	Private Consumption	5,557.43	6,082.76	6,971.85	8,467.32	10,648.98
	TOTAL CONSUMPTION	7,095.89	7,913.76	8,852.15	10,541.08	12,639.90

* Revised

** 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.

Resource Allocation

2.31. Table 2.6 presents total available resources and their application for the last five years. All major aggregates experienced varying increases. GDP at market prices grew by 25.6 per cent in 1993 as compared to 15.6 per cent in 1992. The liberalisation of foreign exchange controls resulting in rising foreign exchange rate during the first half of 1993 led to speculative stock accumulation. This had a more than doubling effect on the changes of stocks from K£ 44.89 million in 1992 to K£ 112.23 million in 1993. Industries that contributed to this stock piling were the Industrial Chemicals and non-electrical machinery.

2.32. Total consumption grew at a similar rate to that of 1992 largely as a result of increased private consumption. On the other hand public consumption recorded the lowest growth rate in the last five years, with its share to total resources available for domestic investment and consumption declining from 16.8 per cent in 1991 to 13.8 per cent in 1993.

2.33. The trends of gross investments and their financing are depicted in Table 2.7. In 1992 and 1993, the available data show that the economy managed to finance the gross investments wholly from domestic savings. The Kenyan economy lent K£187 million to the rest of the world in 1992, a figure which increased drastically to K£506 million in 1993. The unexpectedly high domestic savings in 1992 and 1993 were a result of unpaid arrears in interest payments. The other reason was the increased earnings particularly from exports of non-factor services which rose by 59 per cent (See Table 7.14).

FINANCING OF CAPITAL FORMATION, 1989 - 1993

Table 2.7 K£million

	1989	1990	1991 *	1992*	1993**
GROSS CAPITAL FORMATION:					
Gross Fixed Capital Formation	1,657.81	2,031.32	2,133.54	2159.07	2,473.70
Changes in Stocks	460.43	345.32	217.55	44.89	112.23
TOTAL	2,118.24	2,376.64	2,351.09	2,203.96	2,585.93
FINANCING:					
Grants from Abroad	266.57	296.10	330.12	314.01	484.62
Net borrowing from Abroad* * *	596.00	572.53	289.51	-187.09	-506.16
Domestic Saving	1,255.67	1,508.01	1,731.46	2,077.04	2,607.47
TOTAL	2,118.24	2,376.64	2,351.09	2,203.96	2,585.93

*Revised.

**Provisional

*** Includes arrears of interest payments amounting to K£ 344.37 million and K£ 218.34 million in 1992 and 1993 respectively.

2.34. Table 2.8 depicts the gross national product at nominal prices. It can be observed that nominal factor incomes have been on the increase from 1990 when it

recorded a growth rate of 13.1 per cent compared to 23.3 in 1993. This is mainly attributable to the expansion of remuneration in both the public and private sectors. The proportion of GNP going to remuneration of producer of Government services declined from 13.6 per cent in 1992 to 13.2 per cent in 1993. This drop may be attributable to the reduction and curtailment of further recruitment into the civil service. The rental surplus proportion on the other hand decreased marginally from 6.6 per cent in 1992 to 6.4 per cent in 1993.

GROSS NATIONAL PRODUCT AT CURRENT PRICES 1989 - 1993

Table 2.8 K£million

	1989	1990	1991*	1992*	1993**
FACTOR INCOMES:					
A. Non-Monetary Economy	394.46	421.68	458.45	438.60	518.06
B. 1. Remuneration of Employees :					
Enterprises	1,920.84	2,123.67	2,391.00	2,800.90	3,370.27
Private Households	97.49	113.56	132.40	154.57	177.32
Producers of Government Services	1,136.56	1,286.44	1,481.51	1,717.33	2,045.12
TOTAL	3,154.89	3,523.67	4,004.91	4,672.80	5,592.71
2. Rental Surplus (including depreciation)	592.87	699.45	791.39	830.93	1,000.57
3. Other Operating Surplus (including depreciation)	3,638.13	4,153.60	4,742.30	5,460.93	7,007.93
TOTAL MONETARY ECONOMY	7,387.81	8,377.78	9,540.33	10,966.53	13,602.71
TOTAL FACTOR INCOMES = GROSS DOMESTIC PRODUCT (AT FACTOR COST)	7,451.34	8,799.46	9,998.78	11,449.78	14,120.85
Add:Indirect Taxes	1,191.68	1,399.14	1,522.22	1,821.17	2,459.89
Deduct:Subsidies	0.05	0.10	0.06	0.05	0.07
GROSS DOMESTIC PRODUCT AT MARKET PRICES	8,642.97	10,198.50	11,520.94	13,270.90	16,580.67
Add: Factor Incomes Received From Abroad	12.32	5.54	8.18	2.75	9.70
Deduct: Factor Incomes Paid Abroad	367.17	514.50	630.80	627.42	1,073.25
GROSS NATIONAL PRODUCT	8,288.12	9,689.54	10,898.32	12,646.23	15,517.12

* Revised

** Provisional.

2.35. In 1993, factor income received from abroad more than tripled from K£2.75 million in 1992 to K£9.7 million. On the other hand factor incomes paid abroad grew by 71 per cent in 1993 or 6.9 per cent of the total GNP.

Trends in Capital Formation

2.36. Investment activity in Kenya was at its lowest ebb in 1993. Real gross fixed capital formation (GFCF) in 1993 plummeted drastically by 16 per cent thereby accentuating the declining trend for the third year in a row. Several factors contributed to this decline. First, the partial liberalisation of the foreign exchange regime coupled

with the foreign currency crunch discouraged the importation of capital goods as foreign currency became very expensive. Secondly there was the need felt by the monetary authorities to contain excessive money supply in the economy. To achieve this objective Treasury bills with very lucrative interest rates were put into the market. As a result commercial banks opted to invest in the Treasury bills which had very high returns rather than lend their funds to private investors. Thirdly, the domestic demand for goods was depressed due to the high inflationary pressures. The ongoing economic liberalisation saw the previously controlled restricted price levels soar to very high levels. Many commodities went out of consumers' reach thus reducing effective demand.

2.37. Table 2.9 shows the Gross Fixed Capital Formation (GFCF) by type of asset. The overall real GFCF of the private sector declined by 6 per cent while that of the public sector worsened by 28 per cent. The private sector residential buildings maintained the declining trend since 1989 dropping further by 41 per cent in 1993. The private non-residential buildings also declined by 59 per cent. This was probably due to the high cost of building materials and increased interest payments for mortgage.

2.38. Real investment in other construction activities declined by 21 per cent in 1993. Transport equipment for the private sector investment declined by 10 per cent. The real GFCF in transport equipment decreased from K£74.22 in 1992 to K£66.64 in 1993. The rather low investment in transport is partially attributable to high cost of imports. Investment in machinery and other equipment in real terms dropped from K£273 in 1992 to K£247 in 1993.

2.39. The distribution of gross fixed capital formation by industry, both at current and constant prices, is presented in Table 2.10. The total real GFCF in the economy declined from K£719.1 in 1992 to K£600.4 in 1993. Significant increases were recorded in two sectors namely; manufacturing with an increase of 6.7 per cent and other services with an increase of 9.5 per cent. Though the financial sector performed remarkably well in 1993, the GFCF registered a further decline of 33.5 per cent. The enterprise sector showed a decline of 10.59 per cent while the Government sector dropped drastically by 31 per cent. This reflects the government's policy of prioritising development projects due to scarcity of financial resources.

GROSS FIXED CAPITAL FORMATION BY TYPE OF ASSET, 1989 - 1993

Table 2.9 K£million

	CURRENT PRICES					CONSTANT (1982) PRICES				
	1989	1990	1991	1992*	1993**	1989	1990	1991	1992*	1993**
DWELLINGS:										
PRIVATE:										
Non-Monetary	109.49	114.51	101.45	108.95	105.92	53.93	48.55	39.63	35.10	21.94
Monetary	73.48	53.48	69.32	69.72	57.02	36.19	22.66	27.08	22.46	11.81
TOTAL	182.97	167.99	170.77	178.67	162.94	90.12	71.21	66.71	57.56	33.75
PUBLIC	48.95	94.93	75.55	51.02	42.07	24.11	40.22	29.51	16.43	8.72
TOTAL	231.92	262.92	246.32	229.69	205.01	114.23	111.43	96.22	73.99	42.47
NON-RESIDENTIAL BUILDINGS:										
PRIVATE	110.41	56.77	64.21	53.10	35.04	55.95	23.85	24.89	17.10	7.00
PUBLIC	138.56	188.21	203.54	168.35	277.03	70.21	79.08	78.89	54.23	55.31
TOTAL	248.97	244.98	267.75	221.45	312.07	126.16	102.93	103.78	71.33	62.31
OTHER CONSTRUCTION WORKS:										
PRIVATE	27.00	47.00	40.02	28.48	156.9	13.24	20.89	16.74	10.65	41.71
PUBLIC	256.06	355.01	406.41	540.13	477.98	125.53	157.78	170.04	201.89	127.01
TOTAL	283.06	402.01	446.43	568.61	634.88	138.77	178.67	186.78	212.54	168.72
LAND IMPROVEMENT AND PLANTATION DEVELOPMENT										
PRIVATE	12.33	18.99	15.51	11.16	11.01	6.37	9.41	8.08	11.18	10.95
PUBLIC	0.15	1.68	0.09	0.07	0.06	0.02	0.02	0.03	0.07	0.06
TOTAL	12.48	20.68	15.60	11.23	11.07	6.39	9.43	8.11	11.25	11.01
TRANSPORT EQUIPMENT:										
PRIVATE	166.13	181.37	226.49	215.47	248.78	63.61	61.27	61.88	54.10	48.21
PUBLIC	68.22	133.95	84.24	80.14	95.07	26.12	45.25	23.02	20.12	18.43
TOTAL	234.35	315.32	310.73	295.61	343.85	89.73	106.52	84.90	74.22	66.64
MACHINERY AND OTHER EQUIPMENT:										
PRIVATE	459.26	595.92	656.48	734.04	848.96	200.86	209.09	218.10	232.70	217.54
PUBLIC	182.37	182.41	187.67	126.34	115.88	79.76	64.00	62.35	40.05	29.69
TOTAL	641.63	778.33	844.15	860.38	964.84	280.62	273.09	280.45	272.75	247.23
BREEDING STOCK AND DAIRY CATTLE:										
PRIVATE	5.42	3.77	2.58	2.07	2.00	4.07	3.05	2.09	2.07	1.99
TOTAL:										
Non-Monetary Dwellings	109.49	114.51	101.45	108.95	105.92	53.93	48.55	39.63	35.10	21.94
Other	854.03	957.30	1,074.61	1,114.04	1359.71	380.29	350.22	358.86	350.26	339.21
TOTAL PRIVATE	963.52	1,071.81	1,176.06	1,222.99	1,465.63	434.22	398.77	398.49	385.36	361.15
TOTAL PUBLIC***	694.30	956.19	957.50	966.05	1,008.09	325.75	386.35	363.84	332.79	239.22
TOTAL PRIVATE AND PUBLIC	1,657.82	2,028.00	2,133.56	2,189.04	2,473.72	759.97	785.12	762.33	718.15	600.37

* Revised

** Provisional.

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

GROSS FIXED CAPITAL FORMATION BY INDUSTRY. 1989 - 1993

Table 2.10

K£million

	CURRENT PRICES					CONSTANT (1982) PRICES				
	1989	1990	1991	1992*	1993**	1989	1990	1991	1992*	1993**
A. NON-MONETARY ECONOMY:										
Non-Monetary Dwellings	109.49	114.53	101.45	109.14	105.31	53.93	49.93	39.63	35.10	21.94
B. MONETARY ECONOMY:										
Enterprises and Non-Profit Institutions:										
Agriculture	117.56	142.83	140.99	137.34	143.23	54.45	55.11	51.18	52.87	48.06
Forestry	1.08	1.54	2.63	5.42	16.49	0.50	0.55	0.87	2.25	3.76
Fishing	0.00	0.00	0.00	20.62	0.00	0.00	0.00	0.00	0.00	0.00
Mining and Quarrying	10.15	15.67	14.16	307.32	14.71	4.44	5.50	4.70	4.15	3.72
Manufacturing	253.86	363.28	341.64	209.28	411.73	110.52	130.90	111.47	96.36	102.85
Building and Construction	121.12	173.29	254.07	143.51	234.42	58.79	75.19	98.67	74.80	61.53
Electricity and Water	85.22	111.64	90.63	94.36	139.13	37.15	40.26	32.18	39.82	35.88
Trade, Restaurants and Hotels	26.00	40.21	136.60	451.46	93.84	11.50	14.65	47.24	37.79	21.89
Transport,Storage and Communications	280.80	321.48	420.65	40.34	556.20	117.20	113.62	138.43	141.96	129.38
Finance,Insurance,Real Estate and Business Services	54.50	69.07	69.49	125.57	58.18	25.48	27.26	26.60	20.50	13.63
Ownership of Dwellings	123.98	154.18	146.37	77.05	104.00	60.98	64.91	57.09	40.01	21.94
Other Services	124.28	72.87	44.39	67.99	106.34	59.99	27.22	15.74	24.55	26.89
TOTAL	1,198.55	1,466.06	1,661.62	1,680.26	1,878.27	541.00	555.17	584.17	535.06	469.53
Producers of Government Services										
Public Administration	128.19	162.05	170.26	183.09	165.20	58.85	62.23	62.76	60.96	39.89
Defence	0.02	0.02	0.02	0.02	0.02	0.01	0.01	0.01	0.05	0.00
Education	54.33	88.64	80.19	74.26	78.45	26.33	36.42	30.38	23.76	12.36
Health	12.38	20.08	30.20	37.19	29.97	5.76	8.08	10.90	12.01	4.60
Agricultural Services	21.38	28.07	30.31	45.27	39.82	9.78	11.11	11.22	14.63	8.75
Other Services	133.47	148.55	59.49	127.79	176.66	64.33	63.57	23.26	46.51	43.33
TOTAL	349.77	447.41	370.47	467.62	490.12	165.06	181.42	138.53	157.92	108.93
NON-MONETARY ECONOMY	109.49	114.53	101.45	109.14	105.31	53.93	48.53	39.63	35.10	21.94
MONETARY ECONOMY	1,548.32	1,913.47	2,032.09	2,079.89	2,368.41	706.06	736.59	722.70	682.98	578.46
TOTAL	1,657.81	2,028.00	2,133.54	2,189.03	2,473.72	759.99	785.12	762.33	718.08	600.40
C. PERCENTAGE RATES OF GROWTH:										
Non-Monetary Economy	12.16	4.60	-11.42	7.58	-3.51	1.05	-7.42	-20.63	-9.41	-37.49
Monetary Economy	9.01	23.58	6.20	2.35	13.87	-1.02	4.33	-1.89	-9.31	-15.32
TOTAL	9.21	22.33	5.20	2.60	13.00	-0.88	3.49	-3.08	-9.31	-16.40

* Revised

** Provisional.

CHAPTER 3 - WELFARE PERSPECTIVES

Introduction

In the 1993 Economic Survey, highlights of the results of a recent Central Bureau of Statistics (CBS) Survey on Household Welfare were presented. At that time, it was pointed out that the results presented were preliminary pending further analysis of the survey data. In addition, it was intended that relevant data from previous CBS surveys could also be incorporated in the analysis in order to provide a more comprehensive picture of the welfare situation of Kenyan households. Finally, it was also intended that the analysis should incorporate socio-economic characteritics of the poor and intertemporal comparisons of the extent and distribution of poverty.

3.2. A large part of this work has now been completed and will soon be published in two separate volumes. However, it is felt that some excerpts from the analysis be presented again in this chapter. This will include some discussion of the methodology used, especially in the construction of poverty lines, and the results obtained from the calculations. Apart from the 1992 welfare survey data, this analysis has also benefited from 1981/82 Rural Household Budget survey data.

3.3. In order to provide the reader with background information, some discussion on the concepts used are given in subsequent paragraphs as a prelude to understanding the tables that follow. In addition an attempt has been made to define poverty and provide some insights into the different levels and types of poverty.

Definition of Poverty

3.4. Poverty is normally defined in terms of consumption. Thus an individual or a household is considered poor if, despite prudent management of consumption resources at its disposal, it still finds that it cannot attain some recommended food energy intake. There are two issues of importance which are embedded in this definition. First, items of consumption other than food are taken into account. Secondly, a family which may not meet its calorific requirements but has a relatively high income is not necessarily poor. The required level of nutrient intake used here is 2250 calories a day per adult plus a minimum allowance for non-food consumption. It should however be recognised that the calorific requirement can be more or less depending on the life style, body size, age and sex of an individual and the climate of the place.

Poverty Line

3.5. There are potentially two ways of deriving poverty lines, the absolute and the relative. An absolute poverty line is fixed over time and space, i.e. over the entire

area and period to be covered in the study. An absolute poverty line will be the cost of food expenditure necessary to attain a recommended food intake, and a modest allowance for non-food items The poverty line is used to identify the poor from the non-poor (they will not be described as rich since "rich"is a relative concept). Since Kenya does not have an officially defined absolute poverty line, attempt has been made to develop one from the data of these surveys.

3.6. A relative poverty line is set at a constant proportion of the national mean income or the median. Relative definitions of poverty explicitly allow the poverty threshold to be dependent on the community one is studying, based on the notion that poverty is a situation in which one cannot take part in the ordinary way of life of the community one is living in. The notion of an absolute poverty line -- which does not vary with changes in living standards -- appear to be relevant to low income countries like Kenya, while relative poverty is more relevant to high income countries.

Measures of poverty

3.7. The simplest and best known poverty index is the "head count ratio" or the "incidence of poverty" which is simply the ratio of the number of poor individuals in the population to the total population. This is referred to in tables that follow as $P\alpha = 0$. Although $P\alpha = 0$ is the most commonly used index of poverty, its limitation is that it focuses solely on the numbers of the poor and not on the 'depth' of poverty. Thus if the poorest person became even poorer, this would not register in the $P\alpha = 0$ index since the number of the poor would not have changed. One solution to this problem is to augment the measure by bringing in the average depth of poverty or "the income gap ratio", which simply measures the proportionate shortfall of the average poor person from the poverty line. This index in the text is referred to as $P\alpha = 1$. The index $P\alpha = 1$, while an improvement on $P\alpha = 0$, has the feature that it is only sensitive to the average poor person but it cannot capture concern for the poorest of the poor. This is done through a poverty aversion refered to as $P\alpha = 2$. Hence $P\alpha = 2$ in the text is a measure of the severity of poverty.

Determination of the Poverty Line

3.8. This section shows the determination of the poverty line using a minimum basic needs approach. As already indicated, the methodology of basic needs approach is not exact because it is inevitably based on value judgements concerning minimum requirements. Nevertheless by making these assumptions explicit and showing their relative importance in the calculation of the minimum expenditure necessary to satisfy basic needs, an understanding of the link between these needs and minimum income is possible.

3.9. Table 3.1 shows a basket of goods a Kenyan adult had to consume in 1982 to meet the minimum calorific requirement. Column 2 shows monthly expenditure per capita for each item, which is then divided by unit price in column 6 to obtain

kilogrammes consumed. The quantity of kilogramme of each item is multiplied by standard weight-to-calorie ratios to obtain the calories shown in column (3). The percentage of the total calorific intake (column 4) attributable to each item is then applied to the required minimum calorific intake of 2250 k/cal. to calculate the desired consumption levels of the various food items (column 5). Finally, given these levels, the minimum expenditure (column 7) on each item is easily obtained by multiplying the quantity levels of commodities by the respective commodity prices. The total minimum food expenditure necessary to achieve the minimum calorific intake requirement assuming the consumption pattern indicated by households is Shs. 87.47. This amount (shs. 87.47) can be said to have been the rural national food poverty line in 1982.

3.10. To determine the rural national absolute poverty line, it is necessary to compute the expenditure by the poor on non-food items. In this case, beverage (soft drinks and beer) are included among the non-food items since they have low nutritional value compared to other food items. The per capita expenditure on non-food of households in the band of negative 20 per cent and 10 per cent on either side of the food poverty line is used to determine the non-food expenditure by the poor. The figure obtained for expenditure on non-food items from 1981/82 RHBS is Shs. 18.47 per capita. Hence the absolute poverty line for 1982 was shs. 105.94.

3.11. The 1982 food basket was used to derive 1992 poverty line following the procedure described above. It was not possible to construct a food basket for 1992 because the Welfare Monitoring Survey data disaggregation wouldn't lend itself to this type of analysis. Several theoretical weaknesses in this approach should be noted. Since the food expenditures of the poor rose between 1982 and 1992, it is unlikely that the shares of each food item in the total budget would remain constant, for income elasticities of demand are known to vary among food items. The relative prices of some of these items must also have changed during this period. Despite these weaknesses, the 1982 consumption pattern is a superior alternative. The rural national food poverty line so derived is Shs. 404.66 and the non-food per capita expenditure around the food poverty line is Shs. 80.32. Hence the rural national absolute poverty line in 1992 was shs. 484.98

POVERTY PROFILES

Rural Poverty

3.12. The first attempt at estimates of rural poverty in Kenya were done in 1974. The estimates were based on the first Integrated Rural Survey (IRS) conducted by CBS. For rural areas of the country as a whole, the incidence of poverty in 1974 was estimated to be about 33 per cent. Despite the impetus given to smallholder cultivation, poverty was concentrated among small holders, mainly in the Western, Nyanza and Eastern provinces, which accounted for two-thirds of all smallholder households. The estimate of "Food Poverty", those whose incomes are insufficient to permit an adequate maize/bean diet, was 25 per cent again concentrated in the same districts. The poor small-holders had less land, lower inputs, lower non-farm incomes,

less techonological innovation and lower education levels, compared to the higher-income households such as were found in Central province. Further more, practically all of the one million pastoralists were below the poverty line. The next set of data from which we have some estimates of poverty is 1981-82, based on the Income and Expenditure Survey (RHBS 1981/82) done in that year. The other is the National Welfare Monitoring Survey (WMS1) done in 1992.

Table 3.1 National Monthly Rural Food Poverty Line per Adult Equivalent. 1981/82

Food item	Monthly Consump. Expend. (Shs)	Calories produced	Calories produced as % of total intake	Quantities needed to meet require-ments(Kg/ Month)	Prices Ksh/kg	Food Expend. per month at poverty line(Shs)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Bread	2.35	1.288	1.65	0.46	4.38	2.03
Maize	24.46	45.445	58.23	11.56	1.83	21.16
Cereals	4.66	5.717	7.33	1.50	2.69	4.03
Meat	11.10	1.618	2.07	0.70	13.72	9.60
Fish	2.11	362	0.46	0.14	13.40	1.82
Milk	13.43	3.256	4.17	3.52	3.30	11.62
Eggs	1.05	187	0.24	0.12	7.88	0.91
Oils & fats	5.69	3.078	3.94	0.30	16.27	4.92
Fruits	3.74	1.082	1.39	1.04	3.11	3.23
Vegetables	6.99	1,248	1.60	2.70	2.24	6.05
Beans	9.31	5.784	7.41	1.61	4.99	8.05
Roots	5.95	3.345	4.29	2.07	2.49	5.15
Sugar	8.15	5.608	7.19	1.29	5.45	7.05
Tea/coffee	2.14	27	0.03	0.10	19.06	1.85
TOTAL	101.13	78.044	100.00			87.47

ADJUSTMENTS MADE TO RHBS 1981/82 AND WMS1 1992

Equivalence scales

3.13. Although survey data is collected at the household level, the interest is usually on the individual consumption (welfare), which is not observed directly. Since expenditure (and food consumption) levels differ by age and sex, the household data has to be adjusted to take account of the demographic factors before a meaningful comparison of household welfare is undertaken. This has been done by the use of adult equivalence scales, which take into account (a) economies of scale in household consumption and (b) the existence of child goods in contrast to adult goods. The adult equivalence scales used in analysis of "food poverty" are defined along the minimum food requirements developed by Food and Agriculture Organization (FAO) and the World Health Organization (WHO), which classifies energy requirements by age and sex. However, in actual practice, intra-household distribution of resources is unlikely to follow set normative standards.

3.14. The earlier studies on poverty in Kenya used equivalence scales developed in 1977 using the IRS data. The adult equivalence scales developed then covered

age groups of 0-4 (weighted as 0.24), 5-14 (weighted as 0.65), and ages 15 and above (weighted as 1.0). During the intervening period, 1976-1992,changes in relative costs of child to adult goods have taken place due to price liberalization and reduction in subsidies which are mainly targeted at child goods. In addition, the costs of goods for children below 4 years (who are not in school) may have increased in urban areas due to reliance on private medical facilities, while those of school age may be higher due to reduction in subsidies to Government schools and increased reliance on private provision of educational services. These factors imply a higher differentiation between rural and urban equivalence scales and less steep scales overall than the ones developed in 1977. Despite these shortcomings, however, it is these adult equivalence scales developed in 1977 which are used in this study to generate adult equivalent expenditures from the 1981/82 Rural Household Budget Survey and the 1992 Welfare Monitoring Survey.

Regional Price Deflators

3.15. One important step in spatial and inter-temporal comparison of monetised variables is to inflate (deflate) raw data in order to bring all values to a common denominator. Different households across the country face different prices because they operate in different markets. These differences were taken into account in adjusting the total household consumption (used as a measure of welfare) by deflating the data with a cost-of-living index. For each commodity or service included in the market basket a mean price over the survey period was used. The commodity weights adopted are those that CBS uses in cost-of-living indices calculations.

3.16. A regional cost-of-living index was calculated using Nairobi as a base by matching the prices of selected goods and services in a region to the base. Where the goods and services for a region would not be matched one-to-one, the index calculated was only for those that would be matched with the assumption that the regional price variation in the other commodities are in line with the general index. By deflating nominal consumption expenditure by a Paasche price index it gives a Laspeyres quantity index meaning that all consumption expenditures were valued at the Nairobi prices.

3.17. Table 3.2 shows the price deflators applied to adjust household consumption expenditure for both the 1982 Rural Household Budget Survey and the 1992 Welfare Monitoring Survey. The indices show that in 1982, Coast was a high cost region where the cost-of-living was 2.6 per cent higher than Nairobi with Mombasa towns being 7 per cent more expensive. Nyanza was the cheapest region with cost-of-living being 9 per cent lower than Nairobi. To match households with the same level of welfare among the regions, household consumption expenditures in Coast were lowered by 2.6 per cent while those in Nyanza were raised by 9 per cent. Similar adjustments were made to other areas depending on whether they were higher or lower than Nairobi.

3.18. The resulting indices for 1992 show that Nairobi was the highest-cost region in Kenya. Nyanza was the cheapest with a cost-of-living 22 per cent lower than Nairobi. In order to match households in the two regions at the same level of welfare, consumption expenditure in Nyanza were multiplied (raised) by 1.22.

Table 3.2 Regional Food Price Deflators, 1982-92

	1981/82	1992
Coast	1.026	0.914
Eastern	0.973	0.833
Central	0.963	0.918
Rift Valley	0.959	0.811
Nyanza	0.907	0.783
Western	0.984	0.818
Kisumu	0.974	0.876
Nakuru	1.041	0.870
Mombasa	1.071	0.916
Nairobi	1.000	1.000

3.19. Table 3.3 decomposes poverty measures by socio-economic groups. The measures of prevalence, depth and severity of poverty were analyzed using the absolute poverty line and using sex of head of household, occupation of household head, educational status of head of household, age of household head, household size, and land holding size. In the case of sex of household head, the results showed that prevalence, depth and severity of poverty is higher for male-headed households (using absolute poverty line of Shs. 105.94 per equivalent adult per month). The sex of household head was further broken down into "married" and "other" (single, separated, divorced) so as to be able to distinguish defacto (temporary but long-term absence of a male spouse) from de jure (lack of an adult male spouse) woman-headed households. Female-married (de facto woman-headed households) showed slightly less prevalence, depth and severity of poverty than de jure woman-headed households. The results show that female headed households were slightly better off than male-headed households over the entire income distribution, while female-married households were better off than "female -other" at every poverty line. However, sampling errors may differ by socio-economic group due to differences in relative sample sizes, thereby restricting the fortitude of the conclusions.

3.20. The ranking of poverty by occupation of household head showed that the professional/managerial class was better off than "other". This latter group was however better off than agricultural-based workers(i.e those working on own or other peoples holdings). There is a strong negative correlation between education and poverty incidence. The data showed that households whose heads attained secondary level education (including Form 6) ranked least poor, followed by primary education, while the poorest did not have any formal education.

3.21. It is generally acknowledged that, household size is positively correlated with prevalence, depth and severity of poverty. However, land holding size does not seem to be positively correlated with poverty, except where holding size is small and is less than one acre. This latter group showed less prevalence of poverty compared with the landless and households with over one acre.

Table 3.3 Decomposition of Pa Poverty Measures by Socio-economic Groups. 1981/82: Absolute Poverty Line

(Absolute poverty line: Shs 105.94)

	P Ŭ= 0	P Ŭ=1	P Ŭ=2		Contribution to national poverty (%)		
	adulteq	adulteq	adulteq	%of pop.	P Ŭ= 0	P Ŭ= 1	P Ŭ=2
TOTAL	**47.98**	**14.95**	**6.38**	**100.00**	**100.00**	**100.00**	**100.00**
Male	49.31	15.54	6.66	75.13	77.20	78.11	78.42
Female	43.99	13.16	5.53	24.87	22.80	21.89	21.58
Total	**47.98**	**14.95**	**6.38**	**100.00**	**100.00**	**100.00**	**100.00**
Male-married	49.88	15.70	6.70	71.94	74.78	75.54	75.57
Male-other	36.35	12.07	5.71	3.19	2.42	2.57	2.86
Female-married	42.04	12.49	5.17	14.47	12.67	12.08	11.74
Female-other	46.70	14.09	6.03	10.41	10.13	9.81	9.84
Total	**47.89**	**14.92**	**6.37**	**100.00**	**100.00**	**100.00**	**100.00**
Professional	16.79	5.40	2.62	3.96	1.39	1.43	1.63
Agriculture	51.52	16.31	6.98	75.10	80.78	82.10	82.34
Other	40.78	11.73	4.87	20.94	17.83	16.47	16.03
Total	**47.89**	**14.92**	**6.37**	**100.00**	**100.00**	**100.00**	**100.00**
None	56.72	18.61	8.14	52.82	62.55	65.88	67.52
Primary	41.04	11.63	4.74	41.17	35.27	32.09	30.64
Secondary	16.56	13.76	4.94	1.96	5.53	1.91	1.83
Other	26.23	6.32	1.78	0.49	0.27	0.21	0.14
Total	**47.89**	**14.92**	**6.37**	**100.00**	**100.00**	**100.00**	**100.00**
1 Person	15.39	4.30	1.81	2.59	0.83	0.75	0.74
2-3	24.39	7.29	3.08	9.85	5.02	4.82	4.76
4-5	37.17	11.19	4.68	20.18	15.66	15.14	14.84
6-7	52.22	15.84	6.62	26.19	28.56	27.81	27.23
8-9	52.18	15.43	6.34	19.87	21.64	20.54	19.77
10+	63.54	21.65	9.75	21.32	28.29	30.95	32.66
Total	**47.89**	**14.92**	**6.37**	**100.00**	**100.00**	**100.00**	**100.00**
0 Acres	42.50	15.26	7.26	7.51	6.66	7.68	8.56
0.01-0.99	32.95	10.74	4.99	4.01	2.76	2.89	3.14
1-1.99	44.80	12.77	5.19	10.54	9.86	9.02	8.60
2-2.99	45.91	14.28	5.95	13.88	13.30	13.28	12.97
3-3.99	47.51	15.07	6.65	12.29	12.20	12.42	12.84
4-4.99	51.01	16.43	7.22	8.76	9.33	9.64	9.93
5-6.99	54.45	16.27	6.52	13.09	14.89	14.28	13.41
7-9.99	53.01	15.84	6.76	9.59	10.61	10.18	10.18
10-19.99	48.13	15.58	6.83	12.58	12.65	13.14	13.50
20+	47.91	14.36	5.64	7.75	7.75	7.46	6.87
Total	**47.89**	**14.92**	**6.37**	**100.00**	**100.00**	**100.00**	**100.00**
Less than 25	30.27	9.55	4.38	4.07	2.57	2.60	2.79
25-30	31.50	9.14	3.78	11.48	7.55	7.03	6.81
31-40	43.51	12.64	4.98	23.85	21.66	20.21	18.64
41-50	54.32	17.57	7.83	20.86	23.65	24.56	25.67
50+	53.69	17.11	7.38	39.75	44.56	45.60	46.09

Source: The Rural Household Budget Survey Database. Excludes households where monthly expenditure per adultequivalent was less than Shs 30 in 1981/82.

This is probably because the database did not reveal the agricultural potential, especially if those with large holdings were in the marginal and medium-potential areas, the "holding size" variable could produce anomalous results. Poverty increases as age of household head takes its toll, with those in the age-group of below 30 having prevalence of poverty of about 31 percent, compared with 43.5 per cent for age-group 31-40, and 54.3 per cent for households heads aged 41 years and above. However, the age variable is also highly correlated with household size. At advanced age there are more dependants in a household and this naturally pushes down the per capita income.

3.22. At the aggregate level, Kenyan Rural households derived 57.9 percent of their incomes from farm sources, 10.4 percent from non-farm, 23.1 per cent from salaries/wages, and 9.7 per cent from other sources. In comparison, the absolute poor, defined as those below the absolute poverty line, derived 63.0 per cent of their incomes from farm sources, and 17.4 per cent from salaries/wages as shown in Table 3.4.

Table 3.4 Sources of Income by Rural Poverty Group, 1981/82: Absolute Poverty Line (Shs 105.94)

	All	Non-poor	Poor	All (%)	Non-poor (%)	Poor (%)
Farm enterprise	444.18	538.69	308.04	57.93	56.15	62.98
Non-farm enterprise	79.33	100.73	48.50	10.35	10.50	9.92
salaries/wages	176.73	240.31	85.13	23.05	25.05	17.41
Other income	66.47	79.71	47.40	8.67	8.31	9.69
Total	766.71	959.44	489.08	100.00	100.00	100.00

3.23. Table 3.5 shows the food expenditure patterns for all rural household, the non-poor and the poor, using the absolute poverty line. For each food item and for each group, the first column shows percentage share of expenditure on the item in total expenditure on food, while the second column shows the percentage share of expenditure of the group in total expenditure on the item. For example, although the poor were 47.9 percent of the total rural population in adult equivalents during 1981/82, they accounted for only 18.16 percent of total bread consumption, while bread accounted for 1.27 percent of the food budget of the poor. The poor spend large shares of their food budgets on maize (30.1 percent), milk products (11.5 percent), beans (9.6 per cent), and meats (8.8 per cent). The shares for the non-poor were maize (21.5 per cent), milk products (13.5 per cent), beans (9.0 per cent), and meat (10.8 per cent). On non-food, clothing takes the largest share (21.9 per cent)

followed by non-durables (13.8 per cent), fuel (12.4 per cent) and education (11.8 per cent). The relative ranking given these non-food items by both the non-poor and the poor is the same.

Welfare Monitoring Survey 1992

3.24. The absolute poverty line used on the WMSI database rural component was Shs.484.98per adult equivalent. The overall prevalence of rural absolute poverty was 46.4 percent by adult equivalents. The depth of poverty was 18.5 percent while the overall severity of poverty was 9.8 per cent. This is in contrast to the 1981/82 Rural Household Budget Survey data, which showed an overall poverty prevalence, depth and severity by all adult equivalents of 47.9 per cent, 14.9 per cent and 6.4 per cent, respectively. This shows that although the prevalence of poverty has declined slightly over the 1982-92 decade, the depth and severity of poverty has increased.

Table 3.5: Household Food Expenditure Patterns by Poverty Group, 1981/82: Absolute Poverty Line (Shs 105.94)

	All		Non-poor		Poor	
	(%)	(%)	%	(%)	(%)	(%)
Bread	2.05	100.00	2.38	81.84	1.27	18.16
Maize	24.01	100.00	21.49	63.24	30.05	36.76
Cereals	4.30	100.00	4.33	71.22	4.21	28.78
Meals	10.21	100.00	10.82	74.80	8.77	25.20
Fish	1.88	100.00	1.66	62.50	2.40	37.50
Milk products	12.93	100.00	13.53	73.89	11.50	26.11
Eggs	0.88	100.00	1.05	84.65	0.46	15.35
Oils and fats	5.06	100.00	5.38	75.16	4.28	24.84
Fruits	3.50	100.00	3.93	79.24	2.48	20.76
Vegetables	6.59	100.00	6.07	65.11	7.83	34.89
Beans	9.18	100.00	9.02	69.37	9.57	30.63
Roots	5.52	100.00	5.93	75.93	4.52	24.07
Sugar	7.58	100.00	7.65	71.32	7.40	28.68
Tea/coffee	1.93	100.00	2.10	76.94	1.52	23.06
Flavours	1.14	100.00	1.09	67.50	1.26	32.50
Other	1.00	100.00	1.18	83.49	0.56	16.51
Beverages	2.25	100.00	2.38	74.78	1.93	25.22
Total	100.00	100.00	100.00	70.63	100.00	29.37

Table 3.5cont.: Household Non-food Expenditure Patterns by Poverty Group, 1981/82: Absolute Poverty Line (Shs 105.94)

	All		Non-poor		Poor	
	(%)	(%)	%	(%)	(%)	(%)
Tobacco	2.98	100.00	2.76	76.16	4.02	23.84
Clothing	21.92	100.00	21.46	80.61	24.04	19.39
Footwear	3.84	100.00	4.03	86.39	2.95	13.61
Fuel	12.38	100.00	12.55	83.49	11.56	16.51
Furniture	9.12	100.00	9.93	89.55	5.39	10.45
Transport	9.92	100.00	10.42	86.51	7.57	13.49
Non durables	13.76	100.00	12.12	72.51	21.39	27.49
Health	3.42	100.00	3.19	76.74	4.50	23.26
Recreation	4.11	100.00	4.36	87.22	2.97	12.78
Miscellaneous	4.11	100.00	4.28	85.77	3.31	14.23
Education	11.77	100.00	11.94	83.52	10.97	16.48
Licences/insurance	2.67	100.00	2.97	91.31	1.31	8.69
Total	100.00	100.00	100.00	82.32	100.00	17.68

Memorandum Items:

	All		Non-poor		Poor	
	(%)	(%)	%	(%)	(%)	(%)
Food	63.20	100.00	59.57	70.63	74.04	29.37
Non-food	36.80	100.00	40.43	82.32	25.96	17.68
Total	100.00	100.00	100.00	74.93	100.00	25.07

3.25. Table 3.6 decomposes rural poverty measurements by socio-economic groups. The absolute poverty line used for the 1992 Welfare Monitoring Survey for rural was Shs. 484.98per adult equivalent. The overall prevalence of rural absolute poverty was 46.4 per cent by adult equivalents. The depth of poverty was 18.4 per cent while the overall severity of poverty was 9.8 per cent. Female married heads of households had

Table 3.6: Decomposition of Rural P a Poverty Measures by Socio-economic Groups, Rural 1992: Absolute poverty Line (Shs 484.98)

	P α = 0	Pα=1	Pα = 2	%of pop.	Contribution to national poverty (%) Pα=0	Pα = 1	P α =2
TOTAL	**46.36**	**18.37**	**9.75**	100.00	**100.00**	**100.00**	**100.00**
Male	45.64	18.24	9.73	74.06	72.91	73.54	73.86
Female	48.42	18.73	9.83	25.94	27.09	26.46	26.14
TOTAL	**46.37**	**18.37**	**9.76**	**100.00**	100.00	100.00	**100.00**
Male-married	45.73	18.30	9.78	70.28	69.30	70.01	70.49
Male-other	44.31	17.17	8.71	3.77	3.60	3.53	3.37
Female-married	44.61	16.14	8.19	14.06	13.52	12.35	11.80
Female-other	52.91	21.80	11.77	11.89	13.57	14.11	14.35
TOTAL	**46.29**	**18.34**	**9.73**	**100.00**	**100.00**	**100.00**	**100.00**
Cash crop	40.88	16.36	8.63	7.11	6.28	6.34	6.31
Subsistence farmer	52.32	21.29	11.44	61.56	69.58	71.46	72.36
Pastoralists	42.65	17.13	9.64	2.30	2.12	2.15	2.27

Table 3.6: Decomposition of Rural Pa Poverty Measures by Socio-economic Groups, Rural 1992: Absolute poverty Line (Shs 484.98)

	P α = 0	P α=1	P α=2	% of pop.	Contribution to national poverty Pα=0	P α= 1	P α= 2
Public sector workers	21.24	6.56	2.90	9.70	4.45	3.47	2.89
Formal private sector	34.93	11.53	5.73	4.93	3.72	3.10	2.90
Informal sector	41.35	13.62	6.30	9.32	8.33	6.92	6.03
Landless/students/ inactive	50.29	23.63	13.82	5.09	5.53	6.56	7.23
TOTAL	**46.29**	**18.34**	**9.73**	**100.00**	**100.00**	100.00	100.00
None	57.42	23.74	13.14	16.20	20.10	20.97	21.88
Primary	45.49	17.59	9.07	50.14	49.28	48.09	46.72
Secondary	26.65	24.8.1	8.43	3.74	16.44	9.47	7.56
Others	56.89	24.90	14.18	17.22	21.16	23.38	25.09
TOTAL	**46.29**	**18.34**	**. 9.73**	100.00	**100.00**	100.00	100.00
1 Person	23.60	9.17	5.17	2.80	1.43	1.40	1.49
2-3	35.10	13.92	7.66	10.28	7.79	7.80	8.09
4-5	40.94	15.81	8.47	20.87	18.46	17.99	18.16
6-7	44.54	16.55	8.49	26.8.1	25.81	24.21	23.39
8-9	53.61	21.75	11.56	21.17	24.52	25.11	25.15
10+	56.36	23.87	12.79	18.05	21.98	23.49	23.73
TOTAL	**46.29**	**18.34**	**9.73**	100.00	100.00	100.00	100.00

prevalence of poverty of 44.6 per cent, whereas "female other" heads of households had 52.9 per cent. When rural Kenyan households are ranked by economic status, the

highest prevalence of absolute poverty was among subsistence farmers (52.3 per cent), compared with informal sector workers (41.4 per cent) and was lowest for public sector workers (21.2 per cent). On education the lowest prevalence of absolute poverty was among heads of households with secondary education (26.7 per cent), compared with primary education (45.5 per cent) and "no education" (57.4per cent). Also, the larger the size of the household, the higher the prevalence of poverty. As in 1982, the incidence of poverty rises with the age of household head. This can be explained as mentioned earlier, in terms of larger household sizes as age advances rather than by decrease in household incomes.

Table 3.6: Decomposition of Rural Pa Poverty Measures by Socio-economic Groups, Rural 1992: Absolute poverty Line (Shs 484.98)

	Pα= 0	Pα = 1	Pα =2		Contribution to national poverty (%)		
				%of pop.	Pα=0	Pα=1	Pα=2
0 Acres	31.08	11.84	6.10	7.08	4.75	4.57	4.43
0.01-0.99	49.63	20.67	1 1.54	6.66	7.14	7.51	7.90
1-1.99	53.69	21.23	11.57	15.72	18.24	18.20	18.69
2-2.99	46.05	18.72	10.26	17.24	17.15	17.59	18.18
3-3.99	45.10	17.53	8.99	12.18	11.87	11.64	11.24
4-4.99	50.75	21.79	11.87	9.10	9.98	10.81	11.10
5-6.99	44.61	16.97	8.75	11.48	11.06	10.63	10.32
7-9.99	49.15	17.65	8.59	7.12	7.56	6.85	6.28
10-19.99	47.62	19.09	9.86	8.33	8.57	8.67	8.44
20+	33.43	12.70	6.53	5.08	3.67	3.52	3.41
TOTAL	46.29	18.34	9.74	100.00	100.00	100.00	100.00
< =25 Years	35.84	14.02	7.51	3.30	2.55	2.52	2.54
26-30	35.91	11.59	5.39	8.64	6.71	5.46	4.78
31-40	42.62	15.70	7.94	26.72	24.61	22.88	21.78
41-49	47.89	19.31	10.36	22.59	23.37	23.77	24.02
> 50	51.09	21.48	11.78	38.75	42.77	45.37	46.87

Source: Welfare Monitoring Survey, 1992 database.

3.26. From Table 3.7 it is observed that the poor (using absolute poverty line) spent a larger proportion of their food budgets, including own consumption, on maize purchases (27.7 per cent), followed by sugar (13.7 per cent), compared with the non-poor whose expenditure on maize purchases was lower at 23.8 per cent. The table also shows that for the non food expenditure,clothing had the highest share (24.5 per cent), followed by education (14.7 per cent), transportation (9.8 per cent), and domestic wages (9.0 per cent). The proportion of the poor's budget spent on recreation was a meagre 2.3 per cent of their non food expenditures, while education took 19.5 per cent.

3.27. In general food expenditure is known to account for more than 50 per cent of total household expenditure. However food component of total expenditure as shown in Table 3.7 was lower than expected: 48.7 per cent for the entire rural population, 61.2 percent for the poor (using the absolute poverty line).

Table 3.7: Rural Household Food Expenditure Patterns by Poverty Group, 1992: Absolute Poverty line (. 484.98)

	All		Non-poor		Poor	
	(%)	(%)	%	(%)	(%)	(%)
Maize	24.65	100.00	23.16	74.63	27.71	25.37
Cereals	8.03	100.00	8.42	81.12	6.72	18.88
Vegetables	5.87	100.00	5.75	75.94	6.26	24.06
Meats	9.45	100.00	9.55	78.21	9.13	21.79
Dairy products	7.59	100.00	8.21	83.81	5.44	16.19
Sugar	10.60	100.00	9.71	70.95	13.65	29.05
Oils and tats	5.21	100.00	4.87	72.42	6.37	27.58
Roots	1.84	100.00	1.97	72.42	1.42	27.58
Own consumption	24.95	100.00	25.70	82.57	22.38	17.43
Other food	1.80	100.00	2.05	79.76	0.93	20.24
Total food	100.00	100.00	100.00	77.43	100.00	22.57

Table 3.7cont.: Rural Household Non-Food Expenditure Patterns by Poverty Group, 1992: Absolute Poverty Line (Shs. 484.98)

	All		Non-poor		Poor	
	(%)	(%)	%	(%)	(%)	(%)
Clothing	24.49	100.00	24.12	85.15	26.83	14.85
Utilities	0.79	100.00	0.83	90.51	0.55	9.49
Insurance	0.44	100.00	0.49	96.50	0.11	3.50
Non-durables	6.88	100.00	5.93	74.51	12.93	25.49
Domestic wages	9.03	100.00	10.06	96.35	2.43	3.65
Rent	2.62	100.00	2.48	81.76	3.52	18.24
Transfers	0.70	100.00	0.70	86.25	0.71	13.75

Table 3.7 cont.: Rural Household Non-Food Expenditure Patterns by Poverty Group, 1992: Absolute Poverty Line (Shs 484.98)

	All		Non-poor		Poor	
	(%)	(%)	.%	(%)	(%)	(%)
Beverages		100.00		82.26		17.74
	5.55		5.28		7.26	
Cooking fuel		100.00		81.55		18.45
	2.62		2.47		3.56	
Transport		100.00		85.84		14.16
	9.82		9.75		10.26	
Recreation		100.00		96.47		3.53
	8.79		9.81		2.29	
Health		100.00		81.75		18.25
	2.31		2.18		3.10	
Education		100.00		82.02		17.98
	14.73		13.98		19.54	
Harambee		100.00		85.30		14.70
	0.57		0.57		0.62	
Durables		100.00		94.32		5.68
	2.09		2.28		0.88	
Other expenditure		100.00		91.48		8.52
	8.58		9.08		5.39	
Total non-food		100.00		86.44		13.56
	100.00		100.00		100.00	

Memorandum items

	All		Non-poor		Poor	
	(%)	(%)	%	(%)	(%)	(%)
Food		100.00		77.43		22.57
	48.65		45.91		61.20	
Non-food		100.00		86.44		13.56
	51.35		54.09		38.80	
Total		100.00		82.06		17.94
	100.00		100.00		100.00	

OVERVIEW OF THE EXTENT OF URBAN POVERTY, 1992

3.28. To estimate the extent of urban food poverty, the 1981/82 rural food basket was used, and the weights derived from the 1981/82 Rural Household Budget Survey, and 1992 Nairobi prices. The urban food poverty line obtained was Kshs. 514.25. This would, undoubtedly, tend to under-estimate the food poverty line due to the rural-urban differences in consumption patterns characterized by the tendency to consume expensive food e.g. alcohol and food preservatives/additives in urban areas. The urban areas taken for the analysis were Mombasa and Nairobi. The share of non-food consumption expenditure per adult equivalent within the range of negative 20 per cent and 10 per cent of the food poverty line was taken as the non-food share for the urban poor, given a non-food share of Shs. 495.45,and overall poverty line of Shs. 1,009.70.

3.29. As shown in Table 3.8 below, the prevalence of urban absolute poverty (represented by Nairobi and Mombasa) in 1992 was 29.3 per cent by adult equivalents compared with rural poverty of 47.9 per cent. The results should be judged in the light of the methodology used to derive poverty lines which tended to under-estimate food poverty by imposing rural consumption patterns, and only using information on urban prices.

Table 3.8 Decomposition of Pa Poverty Measures by Region, Urban 1992 Absolute Poverty (Shs 1,009.70)

	Pα=0	Pα = 1	Pα = 2		Contribution to urban poverty(%)		
				% of pop.	Pα = 0	Pα = 1	Pα = 2
OVERALL	29.29	8.92	3.94	100.00	100.00	100.00	100.00
NAIROBI	26.45	7.68	3.42	77.63	70.09	66.78	67.32
MOMBASA	39.17	13.25	5.76	22.37	29.91	33.22	32.68

3.30. Table 3.9provide data on urban household expenditure patterns from the 1992 survey. The table shows that maize consumption takes about 17.8 per cent of total food consumption while the comparable figure for the poor at the absolute poverty line is 22.4 per cent. Cereals combined, maize and other cereals take about 30 per cent of food consumption. The poor's share of protein sources e.g. vegetables (11.6 per cent), meats (14.6 per cent) and milk 14 per cent are lower than for the overall urban population. The share of food on total expenditure was 31.4 per cent for the whole urban population and 50.9 percent for the poor when evaluated at the absolute poverty line level.

Table 3.9: Urban Household Food Expenditure Patterns by Poverty Group, 1992: Absolute Poverty Line (Shs 1009.70)

	All		Non-poor		Poor	
	(%)	(%)	(%)	(%)	(%)	(%)
Maize	17.79	100.00	16.95	80.73	22.41	19.27
Cereals	12.35	100.00	12.52	85.83	11.45	14.17
Vegetables	12.16	100.00	12.26	85.39	11.62	14.61
Meats	16.77	100.00	17.18	86.74	14.55	13.26
Dairy products	15.19	100.00	15.41	85.94	13.96	14.06
Sugar	8.09	100.00	7.74	81.01	10.05	18.99
Oils and fats	6.41	100.00	6.12	80.86	8.02	19.14
Roots	3.20	100.00	3.19	80.86	3.21	19.14
Own consumption	0.08	100.00	0.01	84.66	0.52	15.34
Other food	7.96	100.00	8.63	6.47	4.22	93.53
Total food	100.00	100.00	100.00	84.71	100.00	15.29

Table 3.9 cont. Urban Household Non-Food Expenditure Patterns by Poverty Group, 1992: Absolute Poverty Line (Shs. 1009.70)

	All		Non-poor		Poor	
	(%)	(%)	(%)	(%)	(%)	(%)
Clothing	16.92	100.00	17.09	94.19	14.54	5.81
Utilities	3.38	100.00	3.35	92.45	3.77	7.55
Insurance	0.71	100.00	0.76	98.82	0.12	1.18
Non-durables	3.89	100.00	3.67	87.79	7.03	12.21
Domestic wages	6.27	100.00	6.49	96.46	3.29	3.54
Rent	19.20	100.00	18.74	90.98	25.62	9.02
Transfers	0.92	100.00	0.93	94.14	0.79	5.86
Beverages	6.72	100.00	6.77	94.00	5.96	6.00
Cooking fuel	3.21	100.00	2.88	83.63	7.77	16.37
Transport	9.61	100.00	9.49	92.07	11.28	7.93
Recreation	11.30	100.00	11.92	98.37	2.73	1.63
Health	1.19	100.00	1.12	87.98	2.12	12.02
Education	6.68	100.00	6.46	90.14	9.75	9.86
Harambee	0.30	100.00	0.31	97.00	0.13	3.00
Durables	5.02	100.00	5.24	97.30	2.00	2.70
Other expenditure	4.68	100.00	4.80	95.52	3.10	4.48
Total non-food	100.00		100.00	93.24	100.00	6.76

Memorandum items

	All		Non-poor		Poor	
	(%)	(%)	(%)	(%)	(%)	(%)
Food	31.39	100.00	29.36	84.71	50.86	15.29
Non-food	68.61	100.00	70.64	93.24	49.14	6.76
Total	100.00	100.00	100.00	90.56	100.00	9.44

Table 3.7 cont.: Rural Household Non-Food Expenditure Patterns by Poverty Group, 1992: Absolute Poverty Line (Shs 484.98)

	All		Non-poor		Poor	
	(%)	(%)	(%)	(%)	(%)	(%)
Beverages	5.55	100.00	5.28	82.26	7.26	17.74
Cooking fuel	2.62	100.00	2.47	81.55	3.56	18.45
Transport	9.82	100.00	9.75	85.84	10.26	14.16
Recreation	8.79	100.00	9.81	96.47	2.29	3.53
Health	2.31	100.00	2.18	81.75	3.10	18.25
Education	14.73	100.00	13.98	82.02	19.54	17.98
Harambee	0.57	100.00	0.57	85.30	0.62	14.70
Durables	2.09	100.00	2.28	94.32	0.88	5.68
Other expenditure	8.58	100.00	9.08	91.48	5.39	8.52
Total non-food	100.00	100.00	100.00	86.44	100.00	13.56

Memorandum items

	All		Non -Poor		Poor	
	(%)	(%)	(%)	(%)	(%)	(%)
Food	48.65	100.00	45.91	77.43	61.20	22.57
Non-food	51.35	100.00	54.09	86.44	38.80	13.56
Total	100.00	100.00	100.00	82.06	100.00	17.94

OVERVIEW OF THE EXTENT OF URBAN POVERTY, 1992

3.28. To estimate the extent of urban food poverty, the 1981/82 rural food basket was used, and the weights derived from the 1981/82 Rural Household Budget Survey, and 1992 Nairobi prices. The urban food poverty line obtained was Kshs. 514.25. This would, undoubtedly, tend to under-estimate the food poverty line due to the rural-urban differences in consumption patterns characterized by the tendency to consume expensive food e.g. alcohol and food preservatives/additives in urban areas. The urban areas taken for the analysis were Mombasa and Nairobi. The share of non-food consumption expenditure per adult equivalent within the range of negative 20 per cent and 10 per cent of the food poverty line was taken as the non-food share for the urban poor, given a non-food share of Shs. 495.45,and overall poverty line of Shs. 1,009.70.

Other Related Data

3.31. In order to throw some light on some of the data and analysis presented in previous paragraphs, Table 3.10 presents data on percentage share of household income by source. It is noteworthy that most Kenyan households derive income from farming and farm related activities. Thus, although wage income accounts for about 26 per cent of total household income, income from crop and livestock sales and own consumption combined account for about 34 per cent of total household income. At provincial level, nearly 80 per cent of households in Nairobi, derive their income from wage employment. By contrast, 25 per cent of households in Central province earn their income from this source. Corresponding figures for other provinces are; Coast 40 per cent; Eastern 18 per cent; North Eastern 59 per cent (urban only), Nyanza only 9 per cent; Rift Valley 22 per cent and Western 17 per cent. These figures confirm the fact that taken on its own, Wage employment is the major source of income for most households in Kenya. However, as mentioned earlier, when different farm related sources of income are combined, it becomes the major source in most provinces in Kenya except Nairobi.

3.32. Table 3.11 provides data on main occupation of household head. It is noted again that farm related activities occupy most of the time of household heads. This is particularly true for Central, Eastern, Nyanza, Rift Valley and Western provinces. However, again, as with income sources, casual and wage employment provides the main occupation for household heads in Nairobi, Coast province (because of the influence of Mombasa and the tourist industry) and North Eastern province (urban areas only). These data will help explain the various tables presented in earlier paragraphs.

Concluding Remarks

3.33. Assessment of poverty is a protracted and complicated exercise because accurate measurement is hampered by lack of regular survey data. In addition, by its very definition poverty is also difficult to define categorically especially because of the different methods and approaches to measurement. However, since work on measurement of poverty started in Kenya a few years back some progress has been made as is shown in the presentations in this chapter.

3.34. Further work will still need to be done by way of repeated surveys of both quantitative and qualitative nature. This work is still being undertaken by CBS and others and it is hoped that after the surveys and studies become a regular feature of our poverty assessment programme, it will be possible to provide annual analysis of the poverty situation in Kenya. This work should be considered as a pioneering exercise in an area still requiring extensive data collection and analysis activity. This is becoming more important as Structural Adjustment Programmes continue to be implemented in Kenya.

Table 3.10 Percent share of households income by source, province and district

	Income crop sales	Income crop consum-ption	Income livest-ock sales	Income livest-ock consum-ption	Income from wage	Income from self	Income from rents	Income from others	Total income
All households	6.63	14.07	11.25	1.74	25.53	13.73	1.09	12.35	100.00
Rural or urban area									
Rural clusters	8.23	17.47	13.91	2.14	16.24	12.05	0.72	13.49	100.00
Urban clusters	0.21	0.39	0.55	0.17	62.83	20.50	2.54	7.74	100.00
Nairobi province	0.00	0.00	0.14	0.00	76.37	19.50	1.36	3.99	100.00
Central province	**17.39**	**12.14**	**15.76**	**1.03**	**25.53**	**15.23**	**0.85**	**15.72**	**100.00**
Kiambu	4.58	10.43	11.98	0.23	39.48	16.13	0.84	8.96	100.00
Kirinyaga	20.67	16.95	12.51	1.05	16.64	8.42	0.83	15.58	100.00
Muranga	2.74	9.73	18.66	1.25	20.53	10.92	0.56	27.96	100.00
Nyandarua	14.34	14.34	26.23	2.30	11.92	9.40	1.01	13.26	100.00
Nyeri	7.01	14.40	14.90	1.48	20.51	21.62	1.19	11.89	100.00
Coast Province	**2.23**	**6.44**	**5.29**	**1.17**	**40.48**	**21.94**	**1.29**	**13.85**	**100.00**
Kilifi	0.86	7.63	2.41	1.33	39.78	22.30	1.11	17.09	100.00
Kwale	4.80	14.87	3.45	0.85	29.26	26.88	0.94	11.29	100.00
Lamu	9.24	2.92	3.27	1.00	31.47	25.80	0.26	17.69	100.00
Mombasa	0.02	0.17	0.37	0.26	60.23	24.41	2.31	5.93	100.00
T.Taveta	4.46	6.18	13.09	2.25	20.93	10.53	0.26	33.95	100.00
Tana River	6.30	10.80	43.07	4.50	7.22	6.54	0.18	12.99	100.00
Eastern Province	**6.88**	**18.84**	**12.27**	**1.85**	**17.53**	**13.91**	**0.58**	**12.02**	**100.00**
Embu	3.45	23.29	13.08	1.94	15.28	5.69	0.59	20.57	100.00
Isiolo	0.58	0.21	3.35	0.15	51.77	21.51	1.49	5.73	100.00
Kitui	4.16	5.12	21.63	2.20	24.09	11.54	0.21	14.57	100.00
Machakos	7.79	15.62	10.40	0.56	24.08	14.92	1.02	13.92	100.00
Meru	11.81	26.50	9.93	2.86	9.06	16.14	0.34	7.00	100.00
North E.Province	**0.22**	**1.22**	**3.67**	**3.26**	**58.82**	**22.50**	**0.07**	**10.30**	**100.00**
Garissa	0.32	1.73	1.30	0.10	76.28	9.84		10.44	100.00
Mandera			9.14	11.55	16.74	52.96		9.60	100.00
Wajir			12.68	3.45	14.49	55.38	2.85	14.00	100.00
Nyanza Province	**6.59**	**24.16**	**9.02**	**2.70**	**9.26**	**14.22**	**1.34**	**12.34**	**100.00**
Kisii	9.40	22.21	11.84	2.73	8.22	7.91	1.40	15.99	100.00
Kisumu	2.23	22.72	6.60	1.84	20.52	12.52	2.41	11.88	100.00
Siaya	5.90	27.46	8.09	1.86	3.99	19.19	1.64	12.82	100.00
Homabay	7.63	24.26	8.94	3.90	6.72	17.68	0.35	9.17	100.00
R.Valley Province	**9.73**	**11.32**	**16.58**	**1.69**	**22.10**	**9.90**	**1.45**	**9.78**	**100.00**
Kajiado	4.24	1.57	15.05	2.20	35.55	12.79	2.77	9.71	100.00
Kericho	11.53	11.62	20.76	0.34	17.96	8.98	0.13	9.92	100.00
Laikipia	10.98	11.82	9.05	1.87	25.10	10.60	0.66	11.69	100.00
Nakuru	10.20	11.40	9.38	0.79	26.51	12.61	0.39	10.22	100.00
Nandi	7.40	13.90	18.86	1.33	23.22	7.42	0.29	8.98	100.00
Narok	16.47	11.48	24.00	4.44	11.59	7.95	2.30	5.16	100.00
Baringo	8.10	6.87	17.40	2.35	29.17	10.54	0.29	6.67	100.00
Elgeyo Marakwet	12.08	22.03	16.09	1.46	12.88	10.71	0.41	5.85	100.00
Trans Nzoia	4.41	11.52	11.81	2.77	27.75	8.97	0.10	13.87	100.00
Uashin Gishu	8.26	8.48	16.29	1.10	21.83	10.09	8.91	15.04	100.00
West Pokot	11.39	16.06	26.24	4.19	10.43	7.99	1.08	4.80	100.00
Western Province	**7.73**	**16.69**	**9.93**	**2.86**	**17.11**	**9.13**	**0.68**	**18.36**	**100.00**
Bungoma	10.46	8.67	9.24	3.24	23.58	13.84	0.98	12.77	100.00
Busia	10.90	22.81	11.44	4.40	7.20	7.62	0.25	17.42	100.00
Kakamega	5.39	21.96	8.53	2.01	16.08	8.59	0.77	19.24	100.00
Vihiga	4.61	13.06	11.87	2.26	19.38	4.64	0.52	25.98	100.00

Percentage distribution of main occupation of household heads (by province and district), 1992

HH head main job last 1 2 mons

Table 3.11

	Farmer	Pastor-alist	Regular wage earner	Casual wage earner	Business /Trade	Domestic work	Student	None	Total
All households	50%	2%	22%	10%	11%	2%	0%	2%	100%
Rural or Urban area									
Rural Clusters	63	2	14	9	8	2	0	2	100
Urban Clusters	4	1	55	15	20	2	0	3	100
Nairobi Province	**4**	**0**	**54**	**18**	**17**	**2**	**0**	**4**	**100**
Central Province	**54**	**1**	**17**	**14**	**11**	**1**	**0**	**2**	**100**
Kiambu	35	1	28	18	13	1	0	3	100
Kirinyaga	60	2	10	16	12	0	0	0	100
Muranga	68	1	10	10	9	2	0	0	100
Nyandarua	70	1	12	9	6	1	0	1	100
Nyeri	55	2	15	12	12	1	0	2	100
Coast Province	**25**	**3**	**37**	**11**	**17**	**3**	**1**	**3**	**100**
Kilifi	26	1	36	12	13	5	2	5	100
Kwale	37	0	22	14	24	0	0	4	100
Lamu	38	0	29	11	14	4	0	5	100
Mombasa	5	0	60	9	23	1	0	1	100
T.Taveta	64	2	12	10	5	4	0	3	100
Tana river	25	47	9	4	3	7	0	4	100
Eastern Province	**61**	**1**	**16**	**8**	**11**	**2**	**0**	**1**	**100**
Embu	60	2	17	8	8	3	0	3	100
Isiolo	15	0	56	11	18	0	0	0	100
Kitui	55	0	18	12	8	4	0	2	100
Machakos	56	1	22	8	11	1	0	0	100
Meru	68	2	8	6	12	3	0	0	100
North E. Province	**4**	**9**	**29**	**33**	**17**	**9**	**0**	**0**	**100**
Garissa	6	0	19	49	13	13	0	0	100
Mandera	0	25	50	0	25	0	0	0	100
Wajir	29	29	14	0	14	0	0	14	100
Nyanza Province	**69**	**0**	**11**	**4**	**10**	**4**	**0**	**2**	**100**
Kisii	75	0	14	2	4	1	0	3	100
Kisumu	52	0	23	5	15	2	0	3	100
Siaya	61	0	5	7	15	12	0	1	100
Homabay	81	0	6	2	9	2	0	1	100
Rift Valley Province	**50**	**4**	**24**	**12**	**6**	**1**	**0**	**2**	**100**
Kajiado	14	16	29	19	19	3	0	1	100
Kericho	67	0	23	5	2	2	0	2	100
Laikipia	60	0	21	12	6	0	0	0	100
Nakuru	49	1	17	26	6	1	1	1	100
Nandi	57	0	28	7	4	2	0	3	100
Narok	52	17	19	5	6	0	0	0	100
Baringo	32	11	35	12	9	0	1	0	100
Elgeyo Marakwet	77	2	14	4	2	2	0	0	100
Trans Nzoia	39	0	25	19	7	1	0	8	100
Uasin Gishu	36	0	45	6	10	2	0	1	100
West pokot	48	25	12	3	6	1	0	5	100
Western Province	**64**	**1**	**14**	**8**	**9**	**1**	**0**	**4**	**100**
Bungoma	53	0	20	10	12	1	0	3	100
Busia	76	0	6	6	6	1	0	4	100
Kakamega	63	1	16	5	11	3	0	1	100
Vihiga	67	1	8	10	6	0	0	9	100

CHAPTER 4 - EMPLOYMENT, EARNINGS AND CONSUMER PRICES

Overview

There has been a significant slowdown in the growth in employment in the modern sector of the economy since 1990; partly due to a steady decline in public sector employment. On the other hand, a large proportion of the surplus labour in the economy has continued to join the expanding informal sector, which in the course of 1993 engaged 1,466,500 persons, and created 229,000 additional jobs. Inflation rate, estimated by the revised Nairobi Consumer Price Indices, rose significantly from 19.6 per cent in 1991 to 27.3 per cent in 1992, and to 46.0 per cent in 1993. As a result, real average earnings declined by 22.1 per cent during the year, despite an improvement of 13.7 per cent in nominal terms.

Employment

4.2. In the course of 1993, total employment outside small-scale agriculture increased by 8.9 per cent to 3 million persons. The overall growth was slightly higher than 7.7 per cent growth recorded for 1992, largely due to a significant expansion of employment in the informal sector. Table 4.1 shows that employment in the expanding informal sector rose by 18.5 per cent to 1,466,500 persons, and accounted for 48.9 per cent of total persons engaged outside small-scale agriculture in 1993. The notable expansion of employment in the sector underscores its potential in absorbing the estimated 410,000 unemployed urban labour force. Employment in the modern sector rose only marginally by 1.0 per cent to 1,531,100 persons.

PERSONS ENGAGED: RECORDED TOTALS, JUNE, 1990 - 1993

Table 4.1 '000's

	1990	1991	1992	1993*
Modern Establishments - Urban and Rural Areas:				
Wage Employees	1,409.4	1,441.7	1,461.9	1,474.9
Self-employed and unpaid family workers	48.2	62.2	53.8	56.2
Informal Sector**	937.4	1,063.2	1,237.5	1,466.5
TOTAL	2,395.0	2,557.1	2,753.2	2,997.6

* Provisional.

** Revised Series

4.3. *Modern Sector* - The sluggish performance of the domestic economy during the recent past, coupled with restrictive Government policy on employment in public institutions, adversely affected growth in employment within the modern sector. As shown in Table 4.1, wage employment in the modern sector stood at 1,474,900 persons in 1993, with growth decelerating from 1.4 per cent in 1992 to 0.9 per cent in 1993. The number of self-employed and unpaid family workers, mostly engaged in agricultural and trade activities, rose by 4.5 per cent from 53,800 in 1992 to 56,200 in 1993. Informal sector employment shown in Table 4.1 is discussed below.

4.4. Table 4.2 presents wage employment by industry and sector. Sectoral analysis shows that in 1993, the private sector contributed 53.5 per cent of total wage employment in the modern sector of the economy. Despite the high proportion, wage employment in the private sector was adversely affected by depressed levels of activity in some important sub-sectors of the economy. The sector's employment grew by 3.4 per cent to 789,500 persons, compared with a growth of 5 per cent recorded for the sector in 1992.

WAGE EMPLOYMENT BY INDUSTRY AND SECTOR, 1989- 1993

Table 4.2 '000's

	1989	1990	1991	1992	1993*	% change
PRIVATE SECTOR:						
Agriculture and Forestry	195.1	202.4	200.9	203.0	205.9	1.43
Mining and Quarrying	3.4	3.4	3.6	3.7	3.8	2.70
Manufacturing	141.8	146.1	149.8	151.0	154.3	2.19
Electricity and Water	0.2	0.5	0.5	1.0	1.2	20.00
Building and Construction	33.4	36.8	40.7	42.0	42.4	0.95
Wholesale and Retail Trade, Restaurants and Hotels	101.4	104.6	108.8	111.0	114.1	2.79
Transport and Communications	24.5	26.1	27.3	28.7	36.4	26.83
Finance,Insurance, Real Estate and Business services	45.3	47.1	47.3	51.5	54.8	6.41
Community, Social and Personal Services	137.7	142.5	147.7	171.3	176.6	3.09
TOTAL PRIVATE SECTOR	682.8	709.5	726.6	763.2	789.5	3.45
PUBLIC SECTOR:						
Agriculture and Forestry	66.7	67.3	71.1	70.9	68.4	-3.53
Mining and Quarrying	0.6	0.7	0.8	0.7	0.7	0.00
Manufacturing	41.0	41.6	39.1	39.3	39.3	0.00
Electricity and Water	22.2	21.9	21.9	21.3	20.9	-1.88
Building and Construction	35.3	34.6	31.7	31.2	30.2	-3.21
Wholesale and Retail Trade, Restaurants and Hotels	8.9	9.3	7.9	7.5	7.0	-6.67
Transport and Communications	51.3	48.4	48.9	48.1	40.9	-14.97
Finance, Insurance, Real Estate and Business services	18.4	18.2	19.0	19.1	17.8	-6.81
Community, Social and Personal Services	441.2	457.8	474.7	460.6	460.2	-0.09
TOTAL PUBLIC SECTOR	685.6	699.8	715.1	698.7	685.4	-1.90

*Provisional.

4.5. Of the leading activities, wage employment in agricultural activities in the private sector grew by 1.4 per cent to 205,900 persons and absorbed 26.1 per cent of total wage employment in the sector. The slow growth in employment within agricultural activities was largely due to adverse weather conditions. Wage employment in manufacturing activities within the private sector expanded at a modest rate of 2.2 per cent to 154,300 persons. The other significant changes in employment within the private sector were in the transport and communications activities, which grew by 26.8 per cent compared to a growth rate of 5.5 per cent recorded in 1992. The creation of 7,700 jobs by the sector in the course of 1993 was largely attributed to expansion in employment in both the private parcel and courier services, and supporting services to water and air transport.

4.6. As a result of the Government's efforts aimed at reducing the size of the public sector, employment in the sector was constrained to 685,400 persons, with total employment declining by 1.9 per cent in 1993. Consequently, the public sector's share in total employment declined from 47.8 per cent in 1992 to 46.5 per cent in 1993. None of the industries falling under the public sector recorded positive growth in employment, partly due to the Government's divesting in some non-strategic parastatals coupled with restrictive policies on employment in public institutions. Transport and communications institutions under the majority control of the public sector suffered a 15.0 per cent decline in employment; while the size of employment in manufacturing, and mining and quarrying sub-sectors almost stagnated at the 1992 levels.

4.7 Table 4.3 presents data on employment in the public sector by type of employer. After declining by 1.0 per cent in the previous year, the number of civil servants further declined by 1.2 per cent from 270,900 in 1992 to 267,700 in 1993 as the Government continued to trim the size of the Civil Service. The number of persons employed by the Teachers' Service Commission rose slightly from 210,100 in 1992 to 211,700 in 1993. As a result of privatization and restructuring programmes, employment in the parastatals (institutions which are wholly Government owned) and institutions with a majority control by the public (institutions where the Government, though not wholly owning them, has shareholding of 51 per cent and over) declined by 7.2 per cent and 3.0 per cent, respectively. Employment in the local authorities declined by 3.5 per cent from 51,200 to 49,400 persons.

WAGE EMPLOYMENT IN THE PUBLIC SECTOR, 1989 - 1993

Table 4.3 '000's

	1989	1990	1991	1992	1993*	Annual Percentage Change 1993/1992
Central Government	277.6	273.7	273.7	270.9	267.7	-1.2
Teachers Service Commission	195.1	203.0	219.2	210.1	211.7	0.8
Parastatal Bodies**	107.9	117.4	117.3	116.1	107.7	-7.2
Majority Control by the Public Sector***	50.5	54.0	52.8	50.4	48.9	-3.0
Local Government	54.4	51.7	52.1	51.2	49.4	-3.5
TOTAL	685.5	699.8	715.1	698.7	685.4	-1.9

* Provisional.

** Refers to Government wholly-owned corporations.

*** Refers to institutions where the Government has 51 per cent or more shareholding, but does not fully own them.

4.8. Wage employment in the modern sector is not uniformly distributed among the provinces of Kenya. As shown in Table 4.4. Nairobi province had 376,100 paid employees and accounted for the highest share of 25.5 per cent of the paid work-force in 1993. However, employment creation in Nairobi has been low in the recent past, and grew at 0.3 per cent in 1993, the lowest growth rate among the eight provinces. This trend is partly explained by Government intervention in encouraging growth of

other urban centres, and also curbing rural-urban migration. Rift Valley Province with 316,600 paid employees, absorbed the second largest share of 21.5 per cent of wage employment in 1993. On the other hand, North Eastern Province absorbed only 0.9 per cent of total wage employment and registered the highest growth of 2.3 per cent in wage employment among the provinces in 1993.

WAGE EMPLOYMENT BY PROVINCE, 1990 - 1993

Table 4.4 '000's

Province	1990	1991	1992	1993*	Percentage Change 1993/1992
Nairobi	370.4	374.4	375.0	376.1	0.3
Coast	177.6	181.6	186.3	187.3	0.5
North Eastern	12.5	12.9	13.1	13.4	2.3
Eastern	116.2	123.4	125.5	127.3	1.4
Central	203.2	205.8	206.3	208.9	1.3
Rift Valley	300.8	307.6	312.4	316.6	1.3
Nyanza	136.3	142.3	144.6	146.1	1.0
Western	92.4	93.7	98.7	99.2	0.5
TOTAL	1,409.4	1,441.7	1,461.9	1,474.9	0.9

*Provisional

4.9. Table 4.5 presents wage employment in major towns by six dominant industries for the years 1988 and 1993. Over the last five years some 60,709 jobs were generated in the urban areas, giving an overall increase of 9.1 per cent. Within the five-year period, Thika and Kisumu municipalities recorded high employment growth rates of 35.5 per cent and 21.9 per cent, respectively. The growth in employment in Thika was mostly in hotels and distributive trades, and the financial sector. The growth in employment in Kisumu for the period 1988 to 1993 is largely in activities related to domestic trade and community services. Malindi town registered a negative growth rate in employment of 14.6 per cent between 1988 and 1993. The decline was largely in wage employment within construction and transport activities. Among the main activities represented in the major towns, high growths in wage employment during the period 1988 to 1993 were recorded in the domestic trades and manufacturing activities.

4.10. The number of females in wage employment rose from 334,800 in 1992 to 340,900 in 1993, with their share in the total rising marginally from 22.9 per cent to 23.1 per cent. As shown in Table 4.6, educational services, followed by agricultural activities remained the major female employer. The former industry engaged 92,100 females while the latter engaged 64,600 females, with corresponding shares of 35.7 per cent and 23.5 per cent of females to total wage employment in the two industries. However the proportion of females employed in industries traditionally dominated by males, such as electricity and water, and manufacturing remained low. Further analysis of employment status shows that there were 304,300 female regular employees, and 39,800 female casual employees in 1993.

b.

4.11. *Wage Earnings in the Modern Sector* - Table 4.7 presents analysis of total wage payments by industry and sector for the period 1990 to 1993. The overall nominal wage bill increased by 14.7 per cent, rising from K£ 3,048.9 million in 1992 to K£3,496.6 million in 1993. Total payments in the private sector rose by 20.5 per cent from K£1,573.5 million to K£ 1,896.2 million, largely due to an improvement in average nominal wages. Because of a slowdown in wage employment in the public sector, the sector's wage bill was, in contrast with recent past trends, lower than that of the private sector in both 1992 and 1993; and amounted to K£1,600.4 million, absorbing 45.8 per cent of total earnings in 1993. Growth in the sector's wage bill decelerated from 11.6 per cent in 1991 to 9.0 per cent in 1992 and 8.5 per cent in 1993. Wage bill for the public community social services rose by 11.7 per cent to K£ 1,044.3 million in 1993, with its share to total wage bill in the public sector rising from 61.7 per cent in 1990 to 65.3 per cent in 1993.

4.12. Table 4.8 summaries the total wage payments in the public sector by type of employer. The wage bill of the Teachers Service Commission rose by 11.5 per cent to K£397.4 million. The growth is attributed to a slight improvement in average earnings. The Central Government wage bill increased by 6.5 per cent to K£660.0 million in 1993, due to a rise in average earning. Wage bill for the parastatals and corporations controlled by the public sector grew by 8.7 per cent to K£306.3 million and 11.0 per cent to K£ 142.6 million, respectively.

4.13. During 1993, total average earnings per person expanded by 13.7 per cent, rising from K£2,085.5 per annum in 1992 to K£2,370.7 per annum in 1993. As shown in Table 4.9, average earnings in the private sector increased from K£2,061.6 in 1992, by 16.5 per cent to K£2,401.6 per annum in 1993, and were higher than the corresponding earnings for workers in the public sector. In the private sector, average earnings within the financial, transport and communications industries were on the average higher than those in the other activities. On the other hand, average earnings from wage employment in primary activities of agriculture, mining and quarrying, and building and construction were below the national average.

4.14. Average earnings in the public sector rose by 10.6 per cent from K£2,111.7 in 1992 to K£2,335.2 per annum, in 1993. This growth was due in part to an upward salary revision in some institutions within the public sector. Average earnings in the financial, and electricity and water activities were higher than those in the other activities in the public sector. On the other hand, average earnings in agriculture, mining and construction activities were below the national average.

4.15. Of the public sector employers, average earnings for employees of the Teachers Service Commission rose by 10.7 per cent. This was due to an upward salary revision resulting from the implementation of the revised scheme of service for teachers, and the implementation of the final phase of the Mbithi Salary Review Commission. Average earnings for civil servants in the Central Government rose by 7.8 per cent to K£ 2,465.5 per annum. The slight growth is due in part to an upward revision effected

WAGE EMPLOYMENT BY MAJOR TOWNS AND SELECTED INDUSTRIES, 1988 AND 1993

Table 4.5

'000's

Towns	Manufacturing		Construction		Wholesale and Retail Trade, Restaurants and Hotels		Transport and Communica-tions		Finance, Insurance, Real Estate and Business Services		Community, Social and Personal Services		Total Six Industries	
	1988	1993*	1988	1993*	1988	1993*	1988	1993*	1988	1993*	1988	1993*	1988	1993*
Nairobi	64,102	67,894	32,534	35,499	43,667	47,308	30,338	28,081	40,592	42,111	120,930	141,866	332,163	362,759
Mombasa	22,081	26,534	5,564	4,632	16,579	17,382	25,601	26,427	8,015	11,452	34,003	42,091	111,843	128,518
Kisumu	4,595	5,718	2,137	1,926	2,403	3,357	1,526	1,244	1,991	2,033	12,679	16,598	25,331	30,876
Nakuru	6,013	6,573	2,597	1,962	3,947	4,275	1,220	1,110	1,016	1,521	8,716	9,344	23,509	24,785
Thika	9,885	12,679	460	416	1,307	2,272	257	231	552	1,164	3,389	4,709	15,850	21,471
Eldoret	7,861	9,679	1,319	1,016	1,635	3,372	587	720	1,313	2,164	4,887	3,119	17,602	20,070
Malindi	278	330	346	135	1,743	2,128	230	189	279	304	3,668	2,489	6,544	5,575
Kericho	2,408	3,097	574	802	733	962	98	152	251	246	4,270	4,797	8,334	10,056
Others	15,558	19,059	11,660	15,440	12,545	18,488	3,626	7,342	3,314	3,520	81,392	62,021	128,095	125,870
TOTAL	132,781	151,563	57,191	61,828	84,559	99,544	63,483	65,496	57,323	64,515	273,934	287,034	669,271	729,980

*Provisional.

during the year. Average earnings for employees in parastatals stood at K£ 2,844.7 per annum; and recorded a high growth rate of 17.2 per cent in 1993 compared with 9.5 per cent growth in 1992. Average earnings for employees of institutions under Governments majority control were higher than average earnings for other categories of public employees.

WAGE EMPLOYMENT BY INDUSTRY AND SEX, 1992 AND 1993

Table 4.6 '000's

INDUSTRY	MALES		FEMALES		TOTAL	
	1992	1993*	1992	1993*	1992	1993*
Agriculture and Forestry	209.5	209.7	64.4	64.6	273.9	274.3
Mining and Quarrying	3.5	3.5	0.9	1.0	4.4	4.5
Manufacturing	168.4	170.2	21.9	23.3	190.3	193.5
Electricity and Water	19.1	19.0	3.1	3.1	22.2	22.1
Building and Construction	69.1	68.8	4.1	3.9	73.2	72.7
Trade, Restaurants and Hotels	98.3	99.7	20.2	21.4	118.5	121.1
Transport and Communications	66.1	66.4	10.8	10.9	76.9	77.3
Finance, Insurance, Real Estate and Business Services	55.1	56.3	15.5	16.4	70.6	72.7
Community, Social and Personal Services-						
Public Administration	143.0	140.6	41.8	40.4	184.8	181.0
Education Services	164.3	165.7	90.6	92.1	254.9	257.8
Domestic Services	55.3	56.1	20.8	21.1	76.1	77.2
Other Services	75.4	78.0	40.7	42.8	116.1	120.8
TOTAL	1,127.1	1,134.0	334.8	341.0	1,461.9	1,475.0
Of which: Regular	996.5	999.5	296.5	304.3	1,293.0	1,303.8
Casual	130.6	134.5	38.3	36.7	168.9	171.2

* **Provisional**

4.16. Table 4.10 presents percentage changes in wage employment and average earnings for the period 1988 to 1993. During the five-year period, total employment rose by 9.6 per cent; with wage employment in the private and public sectors rising by 16.7 per cent and 2.4 per cent, respectively. Within the same period, employment in the Central Government and local authorities declined by 1.1 per cent and 23.4 per cent, respectively. Total average earnings rose by 66.6 per cent, partly due to the indexing of wages to inflation. Average earnings in the private sector rose by 83.0 per cent; while earnings within the public sector expanded by 55.9 per cent within the same period.

ESTIMATED TOTAL WAGE PAYMENTS BY INDUSTRY AND SECTOR, 1990 - 1993

Table 4.7 K£million

	1990	1991	1992	1993*
PRIVATE SECTOR:				
Agriculture and Forestry	115.4	130.1	160.0	197.4
Mining and Quarrying	3.9	4.7	5.4	6.5
Manufacturing	276.3	308.3	345.7	403.5
Electricity and Water	1.0	1.1	2.1	2.8
Building and Construction	52.1	64.3	75.8	91.4
Wholesale and Retail Trade, Restaurants and Hotels	260.0	291.9	333.0	396.7
Transport and Communications	73.7	84.2	102.7	143.2
Finance, Insurance .Real Estate and Business Services	174.4	194.0	239.5	287.3
Community, Social and Personal Services	191.4	217.3	309.3	367.4
TOTAL PRIVATE SECTOR	1,148.2	1,295.9	1,573.5	1,896.2
PUBLIC SECTOR:				
Agriculture and Forestry	60.3	69.9	74.9	79.0
Mining and Quarrying	1.9	2.0	2.0	2.2
Manufacturing	68.8	68.3	75.5	83.3
Electricity and Water	59.4	64.7	67.9	76.7
Building and Construction	44.8	49.6	55.3	58.1
Wholesale and Retail Trade, Restaurants and Hotels	22.0	20.2	21.6	21.9
Transport and Communications	117.4	131.3	136.6	125.0
Finance, Insurance .Real Estate and Business Services	90.0	100.1	107.1	109.9
Community, Social and Personal Services	747.4	847.0	934.5	1,044.3
TOTAL PUBLIC SECTOR	1,212.0	1,353.1	1,475.4	1,600.4
TOTAL PUBLIC AND PRIVATE	2,360.2	2,649.0	3,048.9	3,496.6

* Provisional.

TOTAL WAGE PAYMENTS IN THE PUBLIC SECTOR, 1990 - 1993

Table 4.8 K£million

	1990	1991	1992	1993*
Central Government	512.1	556.2	619.8	660.0
Teachers Service Commission	271.5	334.1	356.3	397.4
Parastatal Bodies**	246.1	260.0	281.7	306.3
Majority Control by the Public Sector***	109.2	119.2	128.5	142.6
Local Government	73.1	83.6	89.1	94.1
TOTAL	1,212.0	1,353.1	1,475.4	1,600.4

* Provisional.

** Refers to Government wholly-owned corporations.

*** Refers to institutions where the Government has 51 per cent or more shareholding but does not fully own them.

4.17. Real average earnings per employee by sector and industry are shown in Table 4.11 and 4.12. Despite upward wage adjustments by both the Government and the private sector employers, inflationary pressures continued to erode the purchasing power of workers. As a result, real average earnings declined in both public and private sectors across all industries. In general, real average earnings declined by 22.1 per cent to K£ 653.6 in 1993; compared with a decline of 10.9 per cent in 1992. Real average earnings in the private sector declined by 20.2 per cent to K£662.2 per annum in 1993; while earnings in the public sector recorded a higher rate of decline of 24.2 per cent to stand at K£643.9 per annum.

AVERAGE WAGE EARNINGS PER EMPLOYEE, 1990 - 1993

Table 4.9 K£ per annum

	1990	1991	1992	1993*
PRIVATE SECTOR:				
Agriculture and Forestry	570.3	647.8	788.3	958.5
Mining and Quarrying	1,139.5	1,297.4	1,465.9	1,709.5
Manufacturing	1,890.8	2,058.5	2,289.3	2,616.0
Electricity and Water	1,987.1	2,122.3	2,134.2	2,384.0
Building and Construction	1,414.9	1,580.2	1,805.2	2,154.1
Trade, Restaurants and Hotels	2,484.9	2,682.0	2,997.9	3,476.6
Transport and Communications	2,829.1	3,088.7	3,562.2	3,932.4
Finance, Insurance .Real Estate and Business Services	3,703.6	4,100.0	4,655.3	6,239.5
Community, Social & Personal Services	1,343.2	1,470.8	1,806.1	2,080.4
TOTAL PRIVATE SECTOR	1,618.3	1,783.5	2,061.6	2,401.6
PUBLIC SECTOR:				
Agriculture and Forestry	896.0	982.1	1,056.5	1,156.2
Mining and Quarrying	2,596.6	2,655.6	2,773.6	3,028.9
Manufacturing	1,656.0	1,749.4	1,920.9	2,119.7
Electricity and Water	2,709.7	2,953.8	3,192.7	3,664.8
Building and Construction	1,296.4	1,564.2	1,774.0	1,922.7
Trade, Restaurants and Hotels	2,351.7	2,548.9	2,894.4	3,150.7
Transport and Communications	2,424.5	2,683.7	2,839.7	3,056.8
Finance, Insurance .Real Estate and Business Services	4,957.4	5,265.6	5,589.3	6,173.3
Community, Social & Personal Services	1,632.6	1,784.3	2,028.9	2,269.2
TOTAL PUBLIC SECTOR	1,731.9	1,892.1	2,111.7	2,335.2
TOTAL PRIVATE AND PUBLIC SECTOR	1,674.7	1,837.4	2,085.5	2,370.7
MEMORANDUM ITEMS IN PUBLIC SECTOR:				
Central Government	1,871.2	2,032.2	2,287.6	2,465.5
Teachers Service Commission	1,337.5	1,523.7	1,695.8	1,877.8
Parastatal Bodies ***	2,096.6	2,216.5	2,426.8	2,844.7
Majority Control by the Public Sector	2,021.3	2,257.3	2,549.6	2,915.2
Local Government	1,412.7	1.605.0	1,741.3	1,903.9
TOTAL PUBLIC SECTOR	1,731.9	1,892.1	2,111.7	2,335.2

*Provisional.

** Refers to Government wholly-owned corporations.

PERCENTAGE CHANGES IN WAGE EMPLOYMENT AND AVERAGE EARNINGS, 1993/88 - 1993/92

Table 4.10

	EMPLOYMENT		AVERAGE EARNINGS	
	1993 */1988	1993 */1992	1993*/1988	1993*/1992
PRIVATE SECTOR:				
Agriculture and Forestry	3.6	1.4	66.6	21.6
Mining and Quarrying	15.2	2.7	79.6	16.6
Manufacturing	9.4	2.2	69.2	14.3
Electricity and Water	500.0	20.0	55.0	11.7
Building and Construction	36.3	1.0	61.1	19.3
Trade, Restaurants and Hotels	16.4	2.8	72.8	16.0
Transport and Communications	56.9	26.8	77.7	10.4
Finance, Insurance,Real Estate and Business Services	24.0	6.4	74.6	12.5
Community, Social & Personal Services	28.6	3.1	82.3	15.2
TOTAL PRIVATE SECTOR	16.7	3.4	83.0	16.5
PUBLIC SECTOR:				
Agriculture and Forestry	0.0	-3.5	38.9	9.4
Mining and Quarrying	16.7	0.0	29.7	9.2
Manufacturing	0.5	0.0	43.1	10.3
Electricity and Water	0.0	-1.9	76.8	14.8
Building and Construction	-21.4	-3.2	106.9	8.4
Trade, Restaurants and Hotels	-16.7	-6.7	55.6	8.9
Transport and Communications	-16.8	-15.0	40.2	7.6
Finance, Insurance .Real Estate and Business Services	4.1	-6.8	56.2	10.4
Community, Social and Personal Services	6.0	-0.1	57.7	11.6
TOTAL PUBLIC SECTOR	2.4	-1.9	55.9	10.6
TOTAL PUBLIC AND PRIVATE	9.6	0.9	66.6	13.7
MEMORANDUM ITEMS IN PUBLIC SECTOR:				
Central Government	-1.1	-1.2	49.6	7.6
Teacher's Service Commission	14.4	0.6	56.1	10.7
Parastatal Bodies**	3.6	-7.2	60.9	17.2
Majority Control by the Public Sector	7.9	-3.0	65.5	14.3
Local government	-23.4	-3.5	65.5	9.3
TOTAL PUBLIC SECTOR	2.4	-1.9	55.9	10.6

* Provisional.

** Refers to Government wholly-owned corporations

4.18. *Informal Sector* - To establish the true employment levels in the informal sector, a survey of Micro Small and Medium Enterprises (MSMES) was carried out in 1993. The survey was carried out in both rural and urban areas, and covered all on-site activities within the selected clusters. Thus, all informal economic activities, including those carried out within households were covered. This was an improvement over the earlier annual informal sector surveys, which were enterprise-based and were concentrated only on informal economic activities carried out in urban areas. Consequently, the earlier employment series in the sector have been revised based on the bench-mark data generated by the survey.

ESTIMATED REAL AVERAGE WAGE EARNINGS* PER EMPLOYEE, 1990 - 1993

Table 4.11 K£ per annum

	1990	1991	1992	1993**
PRIVATE SECTOR:				
Agriculture and Forestry	349.6	332.0	317.3	264.3
Mining and Quarrying	698.6	664.9	590.0	471.3
Manufacturing	1,159.2	1,055.0	921.4	721.3
Electricity and Water	1,218.2	1,087.7	859.0	657.3
Building and Construction	867.4	809.9	726.6	593.9
Trade, Restaurants and Hotels	1,523.4	1,374.6	1,206.6	958.6
Transport and Communications	1,734.4	1,583.0	1,433.8	1,084.2
Finance, Insurance .Real				
Estate & Business Services	2,270.7	2,101.3	1,873.7	1,444.6
Community, Social & Personal Services	823.5	753.8	726.9	573.6
TOTAL PRIVATE SECTOR	992.1	914.1	829.8	662.2
PUBLIC SECTOR:				
Agriculture and Forestry	549.3	503.3	425.2	318.8
Mining and Quarrying	1,591.9	1,361.0	1,164.4	835.1
Manufacturing	1,015.2	896.6	773.2	584.4
Electricity and Water	1,661.2	1,513.9	1,285.1	1,010.5
Building and Construction	794.8	801.7	714.0	530.1
Trade, Restaurants and Hotels	1,441.7	1,306.3	1,165.0	868.7
Transport and Communications	1,486.4	1,375.4	1,143.0	842.8
Finance, Insurance,Real				
Estate & Business Services	3,039.2	2,698.7	2,249.7	1,702.1
Community, Social & Personal				
Services	1,000.9	914.5	816.6	625.7
TOTAL PUBLIC SECTOR	1,061.8	969.7	850.0	643.9
TOTAL PRIVATE AND PUBLIC	1,026.7	941.7	839.4	653.6
MEMORANDUM ITEMS IN PUBLIC SECTOR:				
Central Government	1,147.2	1,041.5	920.8	679.8
Teacher's Service Commission	820.0	780.9	682.6	517.7
Parastatal Bodies ***	1,285.4	1,136.0	976.8	784.3
Majority Control by the Public +				
Sector	1,239.2	1,156.9	1,026.2	803.8
Local government	866.1	822.6	700.9	524.9
TOTAL PUBLIC SECTOR	1,061.8	969.9	850.0	643.9

* 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.

*** Refers to Government wholly-owned corporations.

\+ Refers to institutions where the Government has 51 per cent or more shareholding but does not fully own them

4.19. As shown in Table 4.13, an estimated 1,466,512 persons were engaged in informal economic activities in 1993, representing an increase of 18.5 per cent over the 1992 level. The large number of persons engaged in this sector underscores its

important role in absorbing a large proportion of the unemployed labour force. The urban areas accounted for 65.5 per cent of informal sector employment in 1993.

CHANGES IN WAGE EMPLOYMENT. PRICES AND REAL EARNINGS. 1990 - 93

Table 4.12 Percentage

	1990	1991	1992	1993*
Wage employment	3.0	2.3	1.4	0.9
Average earnings at current prices	9.0	9.7	13.5	13.7
Consumer prices (Inflation rates)**	15.8	19.6	27.3	46.0
Real average earnings	-5.9	-8.3	-10.9	-22.1

* Provisional.

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

INFORMAL SECTOR, 1990 - 1993

NUMBER OF PERSONS ENGAGED BY PROVINCE

Table 4.13 Number

Province	1990	1991	1992	1993
	212,052	251,068	298,890	366,332
Central	155,988	173,455	196,886	226,305
Nyanza	110,229	126,975	149,418	177,921
	66,249	73,428	84,400	98,254
Rift Valley	176,263	198,912	234,020	279,260
	97,972	107,626	121,065	138,852
Coast	114,839	127,727	148,342	174,582
North Eastern	3,782	4,027	4,459	5,006
TOTAL	937,374	1,063,218	1,237,480	1,466,512
Of which				
Urban	611,496	709,034	817,106	960,801
Rural	325,878	354,184	420,374	505,711

4.20. Nairobi province had the highest employment of 366,332 persons, absorbing 25.0 per cent of total employment in the informal sector. Rift Valley and Central provinces occupied the second and third positions in providing employment in the sector with 279,260 and 226,305 persons engaged, respectively. The corresponding shares in informal sector employment for the two provinces were 19.0 per cent and 15.4 per cent. North Eastern Province had the lowest employment of 5,006 persons, with a share of 0.3 per cent of total informal sector employment.

INFORMAL SECTOR, 1990- 1993
NUMBER OF PERSONS ENGAGED BY ACTIVITY

Activity	1990	1991	1992	1993
Manufacturing	245,855	286,628	342,653	418,252
Construction	14,163	15,690	17,884	20,591
Wholesale and Retail Trade, Hotels and Restaurants	597,469	673,391	777,263	909,879
Transport and Communications*	14,079	16,050	18,962	23,642
Community, Social and Personal Services	65,809	71,459	80,719	94,148
TOTAL	937,375	1,063,218	1,237,481	1,466,512

* Includes mainly support services to transport activity

4.21. Table 4.14 presents persons engaged in the informal sector by broad economic activities. Among the main activities, hotels and distributive trades, with an employment of 909,879 persons, had the largest share in employment, and absorbed 62 0 per cent of total employment in the sector. Manufacturing was the second leading employer with 418,252 persons, and a share of 28.5 per cent of total employment in the sector. On the other hand, construction industry had the smallest share of persons engaged.

Wage Awards and Registered Collective Agreements

4.22. The gazetted minimum wage for agricultural workers was, on the average, raised by 31.4 per cent with effect from 1st May, 1993, to a monthly wage of Kshs. 941 from the previous level of Kshs. 716. As shown in Table 4.15, the lowest paid employees within the sector, i.e. unskilled employees under 18 years, had their minimum wages raised from Kshs. 412 to Kshs. 539; while the highest paid such as the farm foremen and clerks, had their minimum wages raised from Kshs. 1040 to Kshs. 1363.

4.23. The general minimum wage for other categories, that is for workers in urban areas within the private sector was raised by 30.5 per cent. As shown in Table 4.16, monthly basic wages for Nairobi and Mombasa were on the average raised from Kshs. 1,706 to Kshs. 2,227. For workers in all other municipalities, the minimum wage was raised from Kshs. 1,576 to Kshs. 2,066. Workers in all other towns had the minimum wage raised from Kshs. 1,343 to Kshs. 1,760.

4.24. The number of collective agreements registered with the industrial court rose from 247 in 1992 to 301 in 1993. As shown in Table 4.17, the 301 collective agreements benefited some 78,014 unionsiable employees, mostly in the transport and communications industry; compared with 61,377 employees who benefitted from agreements registered in 1992. The agreements registered offered an average basic

minimum wage of Kshs. 2,779 per month against Kshs. 2,279 per month offered through registered agreements in 1992. The 1993 agreements also offered an average minimum housing allowance of Kshs. 520.6, compared with an average housing allowance of Kshs. 467 per month offered through agreements registered in 1992.

Basic Gazetted Minimum Monthly Wages for Rural Agricultural Industry

Table 4.15 Kshs.

Type of Employee	1991	1992	1993
UNSKILLED EMPLOYEES			
18 years & above	520	577	756
Under 18 years	371	412	539
STOCKMAN, HERDSMAN AND WATCHMAN			
18 year & above	430	477	625
under 18 years	599	665	872
SKILLED AND SEMI-SKILLED EMPLOYEES			
House servant or cook	594	659	863
Farm foreman	937	1,040	1,363
Farm clerk	937	1,040	1,363
section foreman	607	647	883
Farm artisan	622	690	904
Tractor driver	659	731	958
Combined harvester driver	725	805	1,055
Lorry driver or car driver	761	845	1,107
AVERAGE	647	716	941

Consumer Prices

4.25. As shown in Table 4.18, the inflation rate measured by the revised Nairobi Consumer Price Indices has been rising steadily since 1991. The rate rose from 19.6 per cent in 1991 to 27.3 per cent in 1992 and further to 46.0 per cent in 1993. The inflationary pressures were more pronounced in the upper income group whose index rose by 53.3 per cent in 1993, compared with 16.3 per cent increase recorded in 1992. Indices for both lower and middle income groups rose by 45.8 per cent and 45.9 per cent, respectively; compared with corresponding increases of 29.5 per cent and 21.1 per cent.

4.26. The high inflationary pressures are ascribed to a number of factors, among them the devaluation of the shilling and bad weather conditions. The shilling was officially devalued by 25 per cent on 9th March, and again by 31 per cent on 20th April, and further by 6 per cent on 14th May, 1993. As a result, there were significant price increases for most imported goods, and manufactured goods requiring imported raw materials. There was a significant increase followed by a slight fall of retail prices for petrol and petroleum products during the month of March. Further increases in fuel prices were announced in April and June, 1993. Other factors included the high

volume of money in the economy and further price decontrols. Prices were also pushed up by the widening of the Value Added Tax (V.A.T.) base to encompass the retailing of motor vehicle spare parts and the hotel business.

Gazetted Monthly Basic Minimum Wages in Urban Areas (Excluding Housing Allowance)

Table 4.16 Kshs.

Occupation	Nairobi Area & Mombasa			Other Municipals plus Mavoko & Ruiru Town Councils			All other towns		
	1991	1992	1993	1991	1992	1993	1991	1992	1993
General Labourer	964	1,080	1,416	889	996	1,306	543	608	796
Miner, stone cutter, turnboy, waiter, cook	1,042	1,167	1,526	925	1,036	1,357	595	666	873
Night watchman	1,076	1,205	1,580	998	1,118	1,465	614	688	902
Machine attendant	1,093	1,224	1,604	1,017	1,139	1,493	825	924	1,211
Machinist	1,248	1,398	1,832	1,168	1,308	1,714	955	1,070	1,402
Plywood machine operator	1,302	1,458	1,911	1,202	1,346	1,764	994	1,113	1,459
pattern designer	1,487	1,665	2,182	1,358	1,521	1,994	1,158	1,297	1,700
Tailor, driver (medium vehicle)	1,638	1,935	2,404	1,506	1,687	2,210	1,342	1,503	1,969
Dyer, Crawler tractor driver, Salesman	1,808	2,025	2,654	1,687	1,889	2,476	1,522	1,705	2,235
Saw doctor, Caretaker (building)	2,001	2,241	2,937	1,869	2,093	2,742	1,741	1,950	2,555
Cashier, Driver (heavy commercial)	2,178	2,439	3,196	2,049	2,295	3,007	1,921	2,152	2,820
Artisan (Upgraded)	1,302	1,458	1,911	1,202	1,346	1,764	994	1,113	1,459
Artisan Grade III	1,638	1,835	2,404	1,506	1,687	2,210	1,342	1,503	1,969
Artisan Grade II	1,808	2,025	2,654	1,687	1,889	2,476	1,522	1,705	2,235
Artisan Grade I	2,178	2,439	3,196	2,049	2,295	3,007	1,921	2,152	2,820
AVERAGE	1,518	1,706	2,227	1,407	1,576	2,066	1,199	1,343	1,760

4.27. Tables 4.19, 4.20 and 4.21 show a six year series of the revised Nairobi consumer price indices for lower, middle and upper income groups, respectively. In 1993, consumer price indices for all income groups more than doubled from their 1988 levels; and were above 1992 levels by more than 100 points. The upper income group index, which had the highest increase among the three income groups, rose from 242.8 in 1992 to 372.1 in 1993, representing an increase of 129.3 points, with the highest increase being recorded in December, 1993.

4.28. Table 4.22 sets out the revised Nairobi indices for food, rent and all other groups combined. There were substantial increases in the food index during the year for all the three income groups. Staple items such as rice, maize flour, wheat and wheat products, cooking fat, meat, milk, beans and sugar recorded price increases of more than 50 per cent, partly due to price liberalization and adverse weather conditions. The increases mostly affected the lower income group since food costs account for 44.2 per cent of their total expenditures. Consequently, the food index for the lower income group rose from 276.70 in December, 1992 to 417.51 in December,

1993.

Collective Agreements Registered by the Industrial Court

Table 4.17

Industry	No. of Agreement		No. of Unionisabe Employees		Monthly Basic Wage Offered (Kshs)		Monthly Basic Housing Allowance Offered (Kshs)	
	1992	1993	1992	1993	1992	1993	1992	1993
Agriculture Hunting Forestry & Fishing	16	20	2,115	1,720	1,452	2,115	483	539
Mining & Quarrying	6	1	2,360	384	1,729	2,360	375	455
Food Beverage & Tobacco	23	50	10,944	7,494	1,843	2,845	409	533
Textile Waring Apparels & Leather Industry	15	30	3,843	8,597	2,123	2,096	434	472
Wood & Wood Industry	9	4	191	711	1,616	2,187	266	343
Paper & Paper Products Printing & Publishing	17	13	419	1,182	2,407	3,851	413	497
Chemical Petroleum Rubber & Plastic Product	36	27	2,138	1,580	2,295	3,572	402	578
Glass Ceremic & Cement	8	6	732	992	4,366	3,195	487	325
Motor Mechanic & Engineering Products		3		61	-	2,645	-	410
Electronics & Electrical Products	40	37	1,746	2,003	2,304	2,442	399	459
Other Manufacturing Products	4	2	1,709	82	3,006	2,542	420	469
Electricity And Water	1	-	9,358	-	1,813	-	710	-
Building & Construction	5	7	116	84	2,415	1,832	409	323
Wholesale & retail Trade, Restaurant & hotels	33	45	2,793	10,286	2,023	2,469	479	568
Transport and Communication	5	32	12,948	37,732	2,065	3,584	463	894
Finance, Insurance, Real Estate & Business Service	11	19	297	1,984	3,255	3,990	850	886
Community & Social Services	34	25	11,783	3,122	1,751	2,745	501	580
Total	247	301	61,377	78,014	2,279	2,779	469	521

PERCENTAGE INCREASES IN NAIROBI CONSUMER PRICES*, 1989/88 - 1993/92

Table 4.18

Income Group**	1989/88	1990/89	1991/90	1992/91	1993/92
Nairobi Lower Income Index	12.9	15.6	19.8	29.5	45.8
Nairobi Middle Income Index	14.6	16.5	18.9	21.1	45.9
Nairobi Upper Income Index	14.9	14.5	19.9	16.3	53.3
Weighted Average Increases for 12 Months (Inflation rates)***	13.3	15.8	19.6	27.3	46

* 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.

NAIROBI REVISED LOWER INCOME GROUP CONSUMER PRICE INDEX, 1988-1993

Table 4.19 Base: Feb/March 1986= 100

Months	1988	1989	1990	1991	1992	1993
January	114.53	129.23	146.99	175.01	203.90	276.24
February	115.19	129.92	147.95	180.50	205.39	302.41
March	116.34	132.42	151.21	183.74	224.17	305.73
April	117.71	133.90	153.22	183.36	226.36	327.72
May	118.65	135.73	154.11	188.61	235.06	338.77
June	121.20	137.00	156.98	-189.77	265.74	363.32
July	121.98	138.10	157.13	192.61	261.84	367.00
August	124.31	138.76	158.91	193.40	262.51	381.46
September	126.14	141.22	163.98	197.81	267.00	405.93
October	126.77	142.92	166.83	198.05	262.62	409.28
November	127.73	143.66	172.57	199.41	267.10	414.51
December	128.55	145.12	174.97	200.15	275.13	418.55
Annual average	121.59	137.33	158.74	190.20	246.40	359.24

NAIROBI REVISED MIDDLE INCOME GROUP CONSUMER PRICE INDEX, 1988-1993

Table 4.20 Base: Feb/March 1986=100

Months	1988	1989	1990	1991	1992	1993*
January	124.37	144.46	166.94	196.45	228.91	280.27
February	125.09	145.15	168.05	198.63	232.64	289.73
March	127.84	148.04	170.49	202.89	250.80	318.34
April	129.38	149.42	172.09	204.58	251.54	335.82
May	130.19	151.03	172.88	208.33	255.47	349.50
June	132.82	153.47	176.32	211.91	259.93	380.05
July	133.41	154.24	176.51	213.09	259.37	397.81
August	135.45	154.96	177.62	213.38	261.87	405.41
September	138.17	156.76	182.68	221.78	266.13	423.08
October	139.43	157.65	186.58	222.16	266.67	430.58
November	140.28	158.88	189.71	222.36	269.60	432.21
December	142.86	165.31	196.01	224.81	276.26	449.03
Annual average	133.27	153.28	177.99	211.70	256.60	374.32

*Provisional

NAIROBI REVISED UPPER INCOME GROUP CONSUMER PRICE INDEX, 1988 - 1993

Table 4.21 Base: Feb/March 1 986 = 100

Months	1988	1989	1990	1991	1992	1993
January	123.51	142.26	163.46	195.14	223.61	265.85
February	124.27	143.43	165.39	196.25	224.33	270.12
March	128.22	145.92	166.16	199.45	233.95	309.89
April	129.06	147.88	167.05	201.08	235.65	330.23
May	129.65	149.02	167.83	207.76	239.53	356.55
June	131.48	152.37	171.57	211.12	244.27	385.09
July	132.08	153.39	171.97	211.27	246.02	393.02
August	133.88	154.36	173.49	211.84	246.36	400.62
September	137.19	156.61	178.83	214.99	250.73	431.86
October	138.15	157.49	183.91	215.72	251.81	434.68
November	138.94	160.01	185.79	217.78	254.54	438.59
December	140.68	161.66	192.85	221.52	262.86	449.17
Annual average	132.26	152.03	174.03	208.66	242.80	372.14

4.29. Housing rental costs for the three income groups went up substantially during the year. The index for the upper income group, accounting for 32 per cent of their total expenditure, was estimated at 449.8 at the end of the second quarter of 1993, representing an increase of 87.85 points during the quarter, which was the highest quarterly rental increase among the income groups. Rent index for the middle income group, accounting for 30 per cent of the group's total expenditure, recorded the highest increase of 78.33 points during the second quarter and peaked at 482.6 in June, 1993.

4.30. As shown in Table 4.22 the highest quarterly price increases for all item groups combined (composite index) were recorded in the second quarter for all the income groups with the combined upper income group index registering the highest increase of 75.2 points. Further analysis shows significant increases in the item group indices for household equipment and transport and communication for the three income groups. The increase in transport and communication index was due to increases in the price of petrol and petroleum products as a result of the devaluations of the shilling, while the rise in the household equipment index can also be attributed to the same cause as a good portion of the household equipments are imported.

4.31. Consumer Price Indices for the other three major urban centers are given in Table 4.23. Inflation rates of 32.79 per cent, 24.35 per cent and 24.43 per cent were recorded for Mombasa, Kisumu and Nakuru, respectively. Among the broad item categories for the three towns, there was substantial growth in the food, clothing and footwear, and transport and communications indices. On the other hand, recreation, entertainment and education groups registered mild increases of less than 20 per cent.

REVISED NAIROBI CONSUMER PRICE INDICES

Table 4.22 Base: Feb/March 1986 = 100

Year	Income Group		Food	Rent	Others	All Groups
	LOWER INCOME	Weights	0.442	0.250	0.308	1.000
1993		March	297.21	373.13	263.25	305.73
		June	350.98	443.41	316.02	363.32
		September	403.81	495.37	336.37	405.93
		December	417.51	510.77	345.19	418.55
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
	MIDDLE INCOME	Weights	0.21	0.30	0.48	1.00
1993		March	287.04	404.13	285.05	318.34
		June	352.54	482.46	336.00	380.05
		September	397.60	537.09	371.79	423.08
		December	434.70	570.03	389.03	449.03
1992		March	222.45	318.38	226.19	250.80
		June	240.91	329.98	229.89	259.93
		September	243.23	337.84	236.87	266.13
		December	259.42	350.70	242.85	276.25
	UPPER INCOME	Weights	0.14	0.32	0.54	1.00
1993		March	280.01	361.99	286.76	309.89
		June	360.66	449.84	353.05	385.09
		September	405.82	504.48	395.58	431.86
		December	437.14	524.69	407.54	449.17
1992		March	202.46	273.29	218.80	233.95
		June	223.34	285.34	225.36	244.27
		September	225.03	292.88	232.42	250.73
		December	243.60	307.05	241.67	262.86

CONSUMER PRICE INDICES* FOR MOMBASA,KISUMU AND NAKURU, 1988-1993

Table 4.23 Base: 1976 = 100

YEAR		Mombasa	Kisumu	Nakuru
1988	Annual Average	352.20	356.10	331.60
1989	Annual Average	393.20	378.20	361.90
1990	Annual Average	454.60	429.20	411.90
1991	Annual Average	503.60	476.20	461.60
1992	Annual Average	593.20	563.40	627.70
1993	March	667.91	603.52	661.11
	June	780.96	678.55	760.08
	September	817.86	754.43	809.24
	December	884.11	766.10	893.90
	Annual Average	787.71	700.60	781.07

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

Overall Trends

The Monetary Authorities pursued tight monetary policy in 1993. The main objective of this policy was to reduce the growth of money and credit to rates sufficient to support economic growth at a moderate increase in the general price level. Money supply grew by 28 per cent in 1993, a deceleration compared to 35 per cent in 1992. Net foreign assets holdings of the banking system increased by K£1,411 million while total domestic credit declined by 1 per cent. The monthly average liquidity ratio for both commercial banks and Non-Bank Financial Institutions (NBFIs) rose to 50 per cent in December, 1993 from 31 per cent in December 1992. Interest rates rose substantially in the first half of the year but tended to decline towards the end of the period, falling below the inflation rate of 46 per cent. Thus, all interest rates became negative in real terms by the end of the year.

5.2. Monetary indicators are summarized in Table 5.1. Holdings of net foreign assets by the banking system increased by K£1,411 million to record a high positive value of K£1,156 million, compared with negative K£255 million recorded in 1992. It may be noted that positive net foreign assets were last recorded in 1986. The remarkable improvement in net foreign assets holdings reflects good performance in the overall balance of payments, which recorded a surplus of K£1,284 million in 1993. Much improvement in the holdings of net foreign assets occurred during the fourth quarter of 1993, due mainly to weak demand for imports and disbursements of external resources which had been frozen in 1991.

MONETARY INDICATORS, 1989 - 1993

Table 5.1

Date		Net Foreign Assets K£m	DOMESTIC CREDIT K£m			Money ** Supply K£m	Commercial Bank Liquidity Ratio per cent	Advances/ Deposits Ratio Per cent
			Private*	Government	Total			
1989	December	-87.92	1,913.44	924.07	2,837.51	2,484.38	26	83
1990	December	-231.51	2,147.15	1,438.68	3,585.85	2,978.55	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
1993	March	8.74	3,617.31	1,494.25	5,111.56	4,913.95	29	78
	June	29.77	3,471.43	996.35	4,467.78	5,065.89	36	75
	September	347.02	3,386.22	1,525.72	4,911.94	5,556.30	45	65
	December	1,155.70	3,480.10	1,387.05	4,867.15	6,181.75	50	61

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 decreased by K£52 million or 1 per cent in 1993, compared with increases of 22 per cent and 15 per cent

in 1991 and 1992, respectively. The decrease in total credit resulted from a 10 per cent drop in credit to Government from the banking system. Private sector (including other public bodies) borrowing on the other hand, increased by 3 per cent compared with 25 per cent increase in 1992; increasing from K£3,377 million in 1992 to K£3,480 million in 1993. These developments are in line with the government policy to reverse the deteriorating economic situation that prevailed in 1992. Government share in total credit extended to the economy by the banking system represented 28 per cent in 1993 compared with 37 per cent and 31 per cent in 1991 and 1992, respectively. The declining trend of Government share in the total banking system credit was however compensated for by increase in credit from domestic non-bank sources.

5.4. The average liquidity ratio of commercial banks increased from 31 per cent in 1992 to 50 per cent in 1993. Consequently, the liquidity ratio was 30 percentage points above the minimum requirement. Total liquid assets increased two-fold largely due to increases in commercial banks holdings of treasury bills, and both balances at the Central Bank and with banks abroad. The liquid assets grew faster during the last quarter in comparison to growth in deposit liabilities as shown in Table 5.10. The advances and deposits ratio dropped from 79 per cent in 1992 to 61 per cent in 1993, the lowest level recorded in the last two decades. This is mainly attributed to the high interest rates prevailing in the year, that discouraged borrowing.

MONEY AND QUASI-MONEY SUPPLY, 1989 - 1993

Table 5.2 K£million

As at end of		Money*	Quasi-Money* *	Total
1989	December	1,315.78	1,168.60	2,484.38
1990	December	1,678.17	1,300.38	2,978.55
1991	December	1,935.21	1,651.86	3,587.07
1992	December	2,902.93	1,924.35	4,827.28
1993	December	3,826.85	2,354.90	6,181.75
1993	January	2,850.96	1,983.76	4,834.72
	February	2,899.66	2,045.65	4,945.31
	March	2,844.23	2,069.72	4,913.95
	April	3,113.69	2,154.50	5,268.19
	May	3,104.63	1,969.54	5,074.17
	June	3,124.20	1,941.69	5,065.89
	July	3,174.60	1,858.34	5,032.94
	August	3,306.94	1,951.18	5,258.12
	September	3,563.64	1,992.66	5,556.30
	October	3,607.97	1,998.41	5,606.38
	November	3,546.25	2,214.10	5,760.35
	December	3,826.85	2,354.90	6,181.75

Source: Central Bank of Kenya.
* (M1) 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
NB: Money Supply, M2, is defined as sum of Narrow Money (M1) and Quasi-Money

5.5. The growth in Money Supply (M2) decelerated from 35 per cent in 1992 to 28 per cent in 1993; increasing from K£4,827 million in 1992 to K£6,182 million in 1993. The slowdown in the growth of money supply reflected the decline in total credit by the banking system. However, growth in money supply in 1993 was below the 46 per cent inflation rate.

5.6. The major components of money supply are summarized in Table 5.2. Narrow Money (M1) grew by 32 per cent in 1993 compared with 15 per cent and 50 per cent in 1991 and 1992, respectively. Quasi money on the other hand, grew by 22 per cent in 1993 compared with 27 per cent and 16 per cent in 1991 and 1992, respectively. Reflecting the faster growth in the narrow money (M1), its share in the total money supply (M2) rose to 62 per cent, compared with 54 per cent and 60 per cent in 1991 and 1992, respectively.

CONSOLIDATED ACCOUNTS OF THE BANKING SYSTEM, 1989-1993

Table 5.3 K£Million

	AS AT THE END OF							
					1993			
	1989	1990	1991	1992	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
LIABILITIES-								
1. Money:								
1.1 Demand Deposits	603.01	836.95	949.71	1,472.58	1,342.43	1,545.81	1,834.07	1,901.52
Call and 7 days deposits	230.04	299.75	347.48	570.08	639.33	689.64	792.05	857.58
1.2 Currency outside banks .	482.73	541.47	638.02	860.27	862.47	888.75	937.52	1,067.75
Sub-Total	1,315.78	1,678.17	1,935.21	2,902.93	2,844.23	3,124.20	3,563.64	3,826.85
2. Quasi-Money:								
2.1 Savings Deposits	705.29	796.79	891.19	1,090.70	1,146.55	1,184.02	1,202.13	1,420.27
2.2 Time Deposits	463.31	503.59	760.67	833.65	923.17	757.67	790.53	934.64
Sub-Total	1,168.60	1,300.38	1,651.86	1,924.35	2,069.72	1,941.69	1,992.66	2,354.91
3. Other Items (Net)	265.21	375.78	342.33	-163.03	206.35	-568.34	-297.35	-158.91
TOTAL	2,749.59	3,354.33	3,929.40	4,664.25	5,120.30	4,497.55	5,258.95	6,022.85
ASSETS-								
4. Net Foreign Assets	-87.92	-231.51	-361.44	-254.88	8.74	29.77	347.02	1,155.70
5. Domestic Credit								
5.1 Central Government(Net)	924.07	1,438.68	1,588.07	1,541.79	1,494.25	996.35	1,525.72	1,387.05
5.2 Private Sector	1,775.58	1,985.70	2,499.41	3,177.43	3,443.58	3,314.95	3,246.16	3,279.55
5.3 Other Public Bodies	137.86	161.46	203.36	199.91	173.73	156.48	140.05	200.55
TOTAL	2,749.59	3,354.33	3,929.40	4,664.25	5,120.30	4,497.55	5,258.95	6,022.85

Source:Central Bank of Kenya.

5.7. Consolidated accounts of the banking system are presented in Table 5.3. The total assets and liabilities of the banking system increased by 29 per cent in 1993 compared with 17 per cent and 19 per cent in 1991 and 1992, respectively. Although economic growth continued to deteriorate in the last few years, the banking system as a whole performed better in 1993 than in the last two years. Narrow money (M1)

increased by 32 per cent, mainly due to 29 per cent and 24 per cent increases in demand deposits and currency outside banks, respectively. The growth in money supply (M2) reflected the improvements in net foreign assets holding of the banking system.

5.8. Analysis of changes in the Money supply and sources of these changes is presented in Table 5.4. Substantial increase in net foreign assets was the main source of changes in money supply. This was in turn a result of disbursement of external resources and the effects of devaluation of the Kenya shilling reflected in the overall balance of payments position which recorded a surplus of K£1,284 million. Decline in total domestic credit was entirely accounted for by K£155 million decrease in credit to the government.

CHANGES IN MONEY SUPPLY AND SOURCES OF CHANGES, 1989 - 1 993

Table 5.4 K£million comparing year-end values

	1989	1990	1991	1992	1993
MONEY SUPPLY—					
1. Currency plus demand deposits	+ 104.31	+ 362.38	+ 257.04	+ 967.72	+ 923.92
2. Quasi-money	+172.47	+ 121.78	+ 428.23	+ 272.49	+ 430.57
3. Total money supply	+ 276.78	+ 484.16	+ 685.27	+ 1,240.21	+ 1,354.49
SOURCES OF CHANGES—					
4. Net foreign assets	+ 105.81	-143.59	-129.94	+106.56	+ 1,410.58
5. Domestic credit —					
(a) to Central Government(net)	-26.18	+ 504.61	+226.13	-46.28	-154.74
(b) to other public sector	-34.05	+ 23.60	+ 41.90	-3.45	+ 0.64
(c) to private sector	+ 239.81	+ 210.12	+ 513.71	+ 678.02	+ 102.12
(d) all domestic credit	+179.58	+ 738.33	+ 781.74	+ 628.29	-51.98
6. Other Items (Net)	-8.61	+ 110.58	-33.46	-505.36	+4.11
7. Total sources of changes	+ 276.78	+484.16	+ 685.27	+ 1,240.21	+ 1,354.49

5.9. Table 5.5 presents real values of selected financial aggregates obtained by deflating the nominal values by weighted Consumer Price Index (CPI). Due to high inflation rate observed in 1993, all real values of selected financial aggregates recorded negative growth rates. In real terms, money and quasi-money declined by 10 per cent and 16 per cent respectively in 1993, while total liabilities of the banking system declined by 12 per cent. Commercial bank credit to private sector and total commercial bank credit, also declined by 28 per cent. Total liabilities of the NBFIs dropped by 18 per cent in 1993 in real terms.

TRENDS IN THE REAL VALUE OF CERTAIN FINANCIAL AGGREGATES*, 1989-1993

Table 5.5 K£million at constant (1986) prices

	1989	1990	1991	1992	1993
1. Money	891.8	985.7	991.8	1,168.4	1,055.2
2. Quasi-money	746.8	718.7	846.6	774.5	649.3
3. Total liabilities of banking system	1,818.3	1,924.6	2,013.8	1,877.3	1,660.7
4. Commercial bank credit to private sector	1,100.4	1,055.5	1,184.1	1,192.5	864.1
5. Total commercial bank credit	1,262.8	1,217.7	1,356.3	1,294.9	928.2
6. Total liabilities of non-bank financial institutions	1,124.9	1,249.1	1,251.9	1,142.8	939.6
Memorandum Item:					
7. Line 6 as per cent of lines 3 and 6	61.9	64.9	62.2	60.9	56.6

* Deflated by average Consumer Price Indices.

Interest Rates

5.10. Interest rates increased significantly during the year, compared with modest and almost constant rates observed in 1992 as shown in Table 5.6. The upward pressure on interest rates was mainly due to high yields on treasury bills. The discount rate on treasury bills rose from 16.96 per cent in December 1992 to 70.64 per cent in June 1993, before falling gradually to 39.34 per cent in December 1993. The discount rate on other government securities and on the direct advances to commercial banks against government securities all increased by 25.04 percentage points. On the other hand, coupon rates on treasury bonds remained unchanged for the fourth consecutive year.

5.11. All commercial bank's interest rates were reviewed upwards in 1993, thus increasing the cost of investment funds. The inter-bank rate increased from 26.91 per cent in December, 1992 to 61.15 per cent in June 1993, before dropping to 36.79 per cent in December, 1993. The maximum deposit rate on term (three months and less) and saving deposits with commercial banks rose from 22.0 per cent and 17.0 per cent, respectively in 1992 to 60.0 per cent and 40.0 per cent in 1993. The ranges of interest rates oscillated in 1993 compared to almost uniform ranges observed in 1992. Interest rates offered by other financial institutions maintained the 1992 levels. The interest rates differential by hire purchase companies and merchant banks increased from 5.5 percentage points in 1992 to 38.0 percentage points in 1993 for time deposits, and from 2.0 percentage points to 24.0 percentage points on loans. Building Societies paid between 15.0 per cent to 19.0 per cent on deposits in 1993 compared with a range of 13.0 per cent to 15.0 per cent in 1992 and charged 8 percentage points more on loans in 1993.

PRINCIPAL INTEREST RATES, 1991 - 1993

Table 5.6 Percentage

	1991	1992	1993	
			June	December
CENTRAL BANK OF KENYA				
Discount Rate for 90 day Treasury Bills	16.77	16.96	70.64	39.34
Advances against Treasury Bills	19.27	19.46	75.50	44.50
Bills and Notes under Crop Finance Scheme:				
Discounts	20.27	20.46	76.50	45.50
	20.27	20.46	76.50	45.50
Other Bills and Notes:				
Discounts	20.27	20.46	76.50	45.50
Advances	20.27	20.46	76.50	45.50
Treasury Bonds (Coupon Rates):				
One Year	15.00	15.00	15.00	15.00
Two Years	16.50	16.50	16.50	16.50
Five Years	17.00	17.00	17.00	17.00
KENYA COMMERCIAL BANKS				
Time Deposits:**				
0-3 Months	8.50 - 22.00	8.50 - 22.00	5.00 - 55.00	9.00 - 60.00
3-6 Months	9.00 - 19.50	9.00 - 22.00	5.00 - 40.50	9.00 - 60.00
6-9 Months	9.00 - 19.50	9.00 - 22.00	5.00 - 40.50	9.00 - 45.00
9-12 Months	9.00 - 20.00	9.00 - 21.00	5.00 - 40.50	9.00 - 55.00
Over 12 Months	9.00 - 20.00	9.00 - 21.00	5.00 - 40.50	9.00 - 40.00
Savings Deposits	13.50 - 16.50	12.50 - 17.00	5.00 - 33.00	5.00 - 40.00
Loans and Advances(Maximum)*	29.00	30.00	60.00	72.00
Inter-bank Rate	19.73	26.91	61.15	36.79
OTHER FINANCIAL INSTITUTIONS				
Kenya Post Office Savings Bank deposits	10.00	10.00	10.00	10.00
Agricultural Finance Corporations, Loans:				
(a) Land Purchase	12.00	12.00	12.00	20.00
(b) Seasonal Crop Loan	14.00	17.00	17.00	20.00
(c) Other	13.00	13.00	13.00	20.00
HIRE-PURCHASE COMPANIES AND				
MERCHANT BANKS				
Deposits(time)	13.50 - 19.00	13.50 - 19.00	13.50 - 38.00	14.00 - 52.00
Loans	19.00 - 21.00	19.00 - 21.00	19.00 - 40.00	19.00 - 43.00
Building Societies:				
Deposits	13.00 - 15.00	13.00 - 15.00	13.00 - 15.00	15.00 - 19.00
Loans	19.00	21.00	21.00	29.00

Source: Central Bank of Kenya

* Loans and advances for less than 3 years.

** For all commercial banks consolidated

5.12. Table 5.7 presents interest rates adjusted for inflation rate as measured by the Nairobi Consumer Prices Index (CPI). Although high interest rates prevailed in 1993, the Government objective of maintaining positive real interest rates was compromised by the overall 46.0 per cent inflation rate recorded in 1993. The high inflation rate rendered all interest rates negative in real terms, thus discouraging savings.

TRENDS IN SELECTED REAL INTEREST RATES, 1991 - 1993

Table 5.7 Percentage

		Year	Nominal Interest	Inflation Rate*	Real Interest**
1	Discount Rate for Treasury Bills				
		1991	16.8	19.6	-2.8
		1992	17.0	27.5	-10.5
		1993	39.3	46.0	-6.7
2	Advances against Treasury Bills				
		1991	19.3	19.6	-0.3
		1992	19.5	27.5	-8.0
		1993	44.5	46.0	-1.5
3	Commercial bank savings deposits (ave)				
		1991	14.5	19.6	-5.1
		1992	14.8	27.5	-12.7
		1993	22.5	46.0	-23.5
4	Commercial bank loans and advances (max)				
		1991	29.0	19.6	9.4
		1992	30.0	27.5	2.5
		1993	72.0	46.0	26.0
5	Inter-Bank Rate				
		1991	19.7	19.6	0.1
		1992	26.9	27.5	-0.6
		1993	36.8	46.0	-9.2
6	POSB deposits***				
		1991	11.0	19.6	-8.6
		1992	11.0	27.5	-16.5
		1993	11.0	46.0	-35.0
7	Building society loans (max)				
		1991	19.0	19.6	-0.6
		1992	21.0	27.5	-6.5
		1993	29.0	46.0	-17.0

* Taken from Table 4.15.

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

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

Central Bank of Kenya - Assets and Liabilities

5.13. Table 5.8 presents assets and liabilities of the Central Bank of Kenya. The assets and liabilities more than doubled in 1993, a remarkable growth compared with the last four years. Increase in assets was mainly due to increases in foreign exchange holdings; which increased almost six times and the other assets including Kenya treasury bills and bonds, which almost tripled. High growth in foreign exchange holdings was largely in balances with external banks, which shot up more than six-fold. Securities issued or guaranteed by Kenya Government, advances and discounts more than doubled; increasing from K£789 million in 1992 to K£1,697 million in 1993.

Commercial bank's loans and advances accounted for 36 per cent of these outstanding debts. Advances to Kenya Government reduced to K£10 million in 1993 from K£504 million in 1992. This was mainly due to the imposition of tighter control on the use of the Government overdraft facilities at the Central Bank.

CENTRAL BANK OF KENYA - ASSETS AND LIABILITIES, 1989 - 1993

Table 5.8 K£million

ASSETS	1989	1990	1991	1992	1993			
					1st Qr	2nd Qr	3rd Qr	4th Qr
1. Foreign Exchange-								
1.1 Balances with External Banks	288.73	268.85	185.70	235.02	201.60	477.84	533.19	1,500.32
1.2 Treasury Bills	2.25	3.41	13.16	1.74	60.42	146.66	7.23	92.29
1.3 Other Investments	32.79	24.30	30.28	33.04	35.65	51.05	48.80	48.80
1.4 Special Drawing Rights	11.50	4.22	4.50	8.73	13.35	1.76	4.83	10.32
TOTAL	335.27	300.78	233.64	278.53	311.02	677.31	594.05	1,651.73
2. Securities issued or Guaranteed by Kenya Government, Advances & Discounts	212.54	172.00	204.82	788.71	634.20	1,1 14.99	1,846.82	1,697.10
3. Advances to Kenya Government	410.27	814.34	945.45	503.70	10.00	10.00	10.00	10.00
4. Other Assets including Kenya Treasury Bills & Bonds	346.38	305.59	512.63	922.31	1,590.27	2,610.76	2,689.97	2,534.80
TOTAL ASSETS	1,304.46	1,592.71	1,896.54	2,493.25	2,545.49	4,413.06	5,140.84	5,893.63
LIABILITIES :								
1. Capital and General Resources Fund	50.42	62.95	79.97	102.88	102.88	25.00	25.00	25.00
2. Currency in Circulation-								
2.1 Notes	545.67	620.23	729.90	981.66	963.99	987.03	1,047.80	1,216.51
2.2 Coins	17.25	17.49	19.15	21.24	21.58	21.73	21.92	22.35
TOTAL CURRENCY	562.92	637.72	749.05	1,002.90	985.57	1,008.76	1,069.72	1,238.86
3. Deposits-								
3.1 Kenya Government					78.86	1,188.82	1,633.04	1,914.46
3.2 Kenya Banks	126.95	149.09	151.20	283.74	287.17	329.69	469.76	867.75
3.3 External Banks	446.15	563.72	666.06	707.51	679.83	1,297.43	1,240.28	1,301.61
3.4 Other	35.26	94.43	121.18	278.85	253.27	314.08	324.89	277.95
TOTAL	608.36	807.24	938.44	1,270.10	1,299.13	3,130.02	3,667.97	4,361.77
4. Revaluation Account								
5. Other Liabilities	82.76	84.80	129.08	117.37	157.91	249.28	378.15	268.00
TOTAL LIABILITIES	1,304.46	1,592.71	1,896.54	2,493.25	2,545.49	4,413.06	5,140.84	5,893.63

Source: Central Bank of Kenya.

5.14. Under liabilities, currency in circulation increased by 24 per cent while deposits more than tripled. Notes in circulation increased by 24 per cent and coins almost remained at the 1992 levels. The notable change was in Government deposits which had recorded zero balances since 1982, but grew gradually in 1993 to peak at K£1,914 million in December. These were balances in special current accounts which were set up to receive the proceeds of Treasury bill sales aimed at mopping up excess liquidity. The deposits of Kenya banks tripled while external banks deposits grew by 84 per cent. Capital and General Resources remained at the 1992 level during the first quarter,

before leveling down to K£25 million over the remaining period. Other liabilities grew gradually over the period to peak at K£378 million in the third quarter and finally dropped to K£268 million at the end of 1993.

COMMERCIAL BANKS - BILLS, LOANS AND ADVANCES', 1989 - 1993

Table 5.9 K£million

	1989 Dec.	1990 Dec.	1991 Dec.	1992 Dec.	1993 Dec.
PUBLIC SECTOR:					
Central Government	59.09	58.98	68.61	71.21	39.47
Local Government	2.47	3.12	4.03	7.40	10.97
Enterprises, Parastatal bodies and other Public entities	135.49	157.50	197.91	175.69	182.48
TOTAL PUBLIC SECTOR	197.05	219.60	270.55	254.30	232.92
PRIVATE ENTERPRISES:					
Agriculture	291.73	300.73	340.09	412.19	478.79
Mining and Quarrying	9.67	9.80	23.58	18.15	12.18
Manufacturing	420.16	450.97	563.80	581.03	775.47
Building and Construction	105.97	121.71	142.77	212.42	177.89
Transport, Storage and Communication	63.65	84.01	109.12	115.34	136.25
Trade	323.79	355.68	439.26	491.16	461.75
Financial Institutions	37.72	49.75	108.55	63.70	94.83
Other Business	369.56	422.88	562.77	982.26	873.90
TOTAL PRIVATE ENTERPRISES	1,622.25	1,795.53	2,289.94	2,876.25	3,011.06
COMMUNITY AND PERSONAL SERVICES (including non-profit making institutions)	43.97	57.95	68.42	93.04	122.33
TOTAL BILLS, LOANS AND ADVANCES	1,863.27	2,073.08	2,628.91	3,223.59	3,366.31

Source: Central Bank of Kenya.

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

Commercial Banks - Credit and Liquidity

5.15. The growth in total commercial banks' lending in the form of bills, loans and advances decelerated to 5 per cent in 1993 from 23 per cent in 1992, as shown in Table 5.9. Public sector borrowing from the Commercial banks decreased by 8 per cent in 1993, compared with a decrease of 6 per cent in 1992. The decrease was wholly in credit to Central Government. Lending to local Government and parastatal bodies and other Public entities increased by 48 per cent and 4 per cent, respectively. The share of public sector in total lending by the commercial banks decreased for the third consecutive year.

5.16. Private sector credit increased by 6 per cent in 1993 compared with 29 per cent in 1992, increasing from K£2,969 million in 1992 to K£3,133 million in 1993. Out of

the total lending to private sector, the shares received by agriculture and manufacturing increased respectively to 15 per cent and 25 per cent in 1993, compared with 14 per cent and 20 per cent in 1992. On the other hand, share received by trade decelerated to 15 per cent in 1993 from 17 per cent in 1992. Lending to financial institutions increased by 49 per cent in 1993 compared with 41 per cent drop in 1992, while lending to other business decreased by 11 per cent in 1993.

COMMERCIAL BANKS - DEPOSIT LIABILITIES AND LIQUID ASSETS*, 1989 - 1992

Table 5.10

		Deposit Liabilities K£mn	Liquid Assets** K£mn	Current Liquidity Ratio*** per cent
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
1993	December	4,708.29	2,376.58	50
1993 -				
	January	3,793.51	982.83	26
	February	3,961.24	1,043.27	26
	March	4,039.76	1,165.72	29
	April	4,234.79	1,465.75	35
	May	4,186.14	1,427.41	34
	June	4,176.33	1,498.10	36
	July	4,163.43	1,582.78	38
	August	4,281.85	1,560.29	36
	September	4,184.33	1,868.95	45
	October	4,324.64	1,958.64	45
	November	4,582.80	2,214.76	48
	December	4,708.29	2,376.58	50

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. Table 5.10 summarises the deposits liabilities and liquid assets of commercial banks for the last four years. The deposit liabilities growth rate decelerated from 32 per cent in 1992, to 29 per cent in 1993. On the other hand, the liquid assets of the commercial banks more than doubled in 1993. The liquidity ratio rose from 31 per cent in December 1992 to 50 per cent in December 1993. The high liquidity ratio was due to increases in holdings of treasury bills and both balances at the Central Bank and with banks abroad. The cash ratio which remained fixed at 6 per cent since December 1986, increased to 8 per cent, 10 per cent, 12 per cent and 14 per cent in April, July, October and December 1993, respectively.

Non-Bank Financial Institutions

5.18. Table 5.11 summarises the performance of Non-Bank Financial Institutions (NBFIs) for the last five years. Total assets and liabilities increased from K£2,839 million in 1992 to K£3,408 million in 1993 or by 20 per cent, compared with 16 per cent increase in 1992. Deposits of Central and Local Government almost remained at the same level as the previous year, while those of other public sector declined by 1 per cent. Deposits of other depositors increased by 15 per cent, increasing from K£1,675 million in 1992 to K£1,924 million in 1993. Other liabilities registered a remarkable growth of 42 per cent in 1993. As a source of domestic credit, NBFIs continue to play an important role in mobilization of resources as reflected in the ratio of total liabilities of the NBFIs to total liabilities of the banking system which stood at 57 per cent in 1993 as shown in Table 5.5.

ASSETS AND LIABILITIES OF NON-BANK FINANCIAL INSTITUTIONS, 1989 - 1993

Table 5.11 K£million

	AS AT END OF							
					1993			
	1989	1990	1991	1992	1st Qr	2nd Qr	3rd Qr*	4th Qr*
LIABILITIES:								
Deposits-								
Central & Local Government	32.75	62.34	45.93	36.37	34.74	32.97	30.91	36.56
Other Public Sector	190.53	296.95	330.02	370.88	397.05	366.91	348.65	368.70
Other Depositors	1,051.00	1,301.93	1,460.86	1,675.00	1,715.20	1,525.50	1,668.17	1,924.39
Other Liabilities	385.52	465.39	605.79	756.89	744.09	823.62	949.66	1,078.03
TOTAL LIABILITIES	1,659.80	2,126.61	2,442.60	2,839.14	2,891.08	2,749.00	2,997.39	3,407.68
ASSETS:								
Cash and Banks	142.25	201.65	209.78	275.12	258.62	228.54	288.91	289.05
Other Financial Institutions	140.47	145.08	158.53	171.89	186.81	90.09	87.41	149.85
Associated Companies	21.95	58.20	59.37	50.35	45.74	48.91	33.61	44.10
Investments, Bills,								
Loans & Advances:-								
Public Sector	184.36	189.45	262.67	401.42	513.53	553.09	655.25	949.17
Private Sector	1,079.13	1,423.71	1,594.52	1,765.88	1,736.65	1,674.81	1,778.71	1,803.73
Other Assets	91.64	108.52	157.73	174.48	149.73	153.56	153.50	171.78
TOTAL ASSETS	1,659.80	2,126.61	2,442.60	2,839.14	2,891.08	2,749.00	2,997.39	3,407.68

Source: Central Bank of Kenya

* Provisional

5.19. On the assets side, cash in hand and balances with banks increased by 5 per cent in 1993, compared with 31 per cent in 1992. Balances with other financial institutions and with associated companies declined by 13 per cent and 12 per cent respectively in 1993. Loans and advances to Public sector more than doubled, while borrowing by Private sector only increased by 2 per cent in 1993. Other assets almost remained at the 1992 levels.

Developments in the Financial Sector in 1993

Money Market Developments

5.20. Despite the slowdown in economic activity, the financial sector continued to expand in 1993. The number of operational commercial banks and NBFIs stood at 30 and 51 by December 1993 while building societies remained fixed at 5. To safeguard the stability of the financial system, the Central Bank intensified supervision of banks and NBFIs and continued to administer the Deposit Protection Fund. Seven weak financial institutions and two Commercial banks were liquidated, while two banks were placed under Statutory Management.

5.21. To maintain public confidence in the financial system, the Central Bank of Kenya put in place new measures to mop up excess liquidity and curb monetary expansion. In order to achieve this, use was made of both direct and indirect instruments of monetary control. On the direct controls, Central Bank issued guidelines on the growth of Net Domestic Assets (NDA) of Commercial banks, with penalty placed on defaulters. However, monetary credit guidelines were abolished in December 1993. The Central bank also adopted stringent conditions on its credit to banks and imposed tighter controls on the use of the Government overdraft facilities that it offers. The year witnessed large scale use of Open Market Operations (OMO) by the Central Bank, involving weekly sales of high yielding treasury bills in order to mop up excess liquidity in the economy. The rediscounting of the government securities at the Central bank were also restricted, while the cash ratio of commercial banks which remained fixed at 6 per cent since 1986, was over the year increased four times to finally settle at 14 per cent in December 1993.

5.22. Towards total liberalization of the exchange control, the Government extended the foreign exchange retention scheme to cover the service sector. More use was made of the inter-bank market as a source of foreign exchange needed by importers, restricting official source for Government use only.

Capital Markets Developments

5.23. Activity in the capital markets remained high in 1993. A total of 27,425,147 shares worth K£41.3 million were traded in the Nairobi Stock Exchange (NSE). A total of 18,019 deals were recorded during the year and the market capitalization at the NSE stood at K£3,620 million at the end of the year. No Government stocks were traded in the NSE in 1993. Under the on-going Government privatization programme, 3,602,720 Government shares worth K£3.1 million in two companies that were already listed at the NSE, were privatised. The NSE Price Index which continues to reflect an upward trend rose from 1,176.0 in December 1992 to 2,522.9 in December, 1993.

5.24. Three conferences were convened by the NSE and Capital Markets Authority (CMA) in Nairobi in 1993. In April 1993, the NSE hosted the first African Stock Exchanges Association Conference for fourteen Sub-Sahara Africa Stock Exchange. The Capital Markets Authority in May, 1993 hosted the International Organization of Securities Commissions (IOSCO) conference, drawing delegates from 45 member countries of the organization's Development Committee. In August, 1993 the CMA in conjunction with the US-based Finance and Economic Association hosted the first African Capital Markets conference in Nairobi. By the end of December 1993, seven new professional firms had been licensed as Investment Advisers. All these led towards development of a sound and efficient capital market.

Insurance Sector Developments

5.25. The Preferential Trade Area Re-insurance Company (Mandatory Reinsurance Cessions) Act 1993, received Presidential assent in August, 1993. The act provides for mandatory re-insurance cessions to the PTA Reinsurance Company. The Insurance (Amendment) Bill, 1993 was instituted to amend the Insurance Act to provide for the imposition of an insurance training levy of 0.35 per cent of gross direct premiums written by insurance companies. Four new insurance companies were registered and became operational in 1993, increasing the total operational number to 43.

CHAPTER 6 - PUBLIC FINANCE

The 1993/94 budget contained strong fiscal measures aimed at putting Government finances on a sounder footing and restoring prudence in overall economic management. Additionally firm monetary policies including mopping up excess liquidity were gradually put in place to ease inflationary pressures, stem rising interest rates and bring stability in exchange rates. The stage was thus set for transition to a strong and sustainable non-inflationary economic growth.

6.2. While significant progress was made in the monetary front, the target of a low fiscal deficit was not achieved despite considerable rise in revenue yields. For instance, the already over-stretched budgetary resources had to be diverted to famine relief measures in drought stricken parts of the country. Other aspects of expenditure patterns are likely to shift as the economy undergoes rapid economic-adjustment and transformation. The expected increase in Government outlays by 32 per cent from K£6,192 million in 1992/93 to K£8,143 million in 1993/94 is attributed mainly to higher debt service payments which, to a large extent, reduced government consumption and investment in real terms. There are strong indications that the fiscal deficit will worsen considerably from the budget estimate to reach K£942 million in 1993/94. The need for deficit-financing instruments will therefore be heavy which will aggravate the debt situation. The present level of indebtedness must therefore be considerably reduced if a sustainable fiscal deficit is to be realised so that the re-emergence of inflationary tendencies is also contained.

Overall results

6.3. The evolution of the Budget out-turn for the last five fiscal years beginning 1989/90 is highlighted in Table 6.1. It should be noted in the context of Table 6.1 and all other tables in this chapter that the 1993/94 out-turns are preliminary, based on the budget estimates on revenue and budget, plus supplementary estimates on expenditure. Going by past experience, the actuals may be considerably different from preliminary estimates. Subject to this caveat, current revenue trend in Table 6.1 show a sustained and consistent growth pattern over the five-year period and particularly after 1991/92. While the acceleration in growth can, in part, be attributed to the Tax Modernisation Project being implemented by the Treasury, there have been gains from major policy changes in the economy. Thus current revenue is expected to increase significantly by K£1,085 million in 1993/94 compared with an increase of K£609 million in 1992/93. Overall growth in current expenditure decelerated substantially from a peak of 42 per cent in 1992/93 to 16 per cent in 1993/94. This resulted in a lower current deficit of K£67 million, thus freeing extra resources to finance the development expenditure. The modest rise in current expenditure enabled the Government to meet increased debt service requirements, boost security apparatus, implement the third phase of the Mbithi salary review and part of the "early retirement scheme" for civil servants, make

substantial financial allocations to the most vulnerable population groups including bursaries to poor students, take active famine relief measures, increase drug supplies especially to rural dispensaries, and undertake water maintenance and rehabilitation services.

CENTRAL GOVERNMENT OUT-TURN OF REVENUE AND EXPENDITURE*, 1989/90 - 1993/94

Table 6.1 K£million

	1989/90	1990/91	1991/92	1992/93 **	1993/94 +	Percentage Increases 1989/90 to 1993/94
Current Revenue	2,049.96	2,420.36	2,852.04	3,460.91	4,545.83	121.75
CurrentExpenditure***	2,210.21	2,722.96	2,814.54	3,985.97	4,612.76	108.70
Current Surplus	-160.25	-302.33	37.50	-525.06	-66.93	-58.23
Capital Revenue	6.15	16.19	1.99	18.64	5.31	-13.66
Capital Expenditure* **	525.38	554.86	453.78	449.57	1,102.70	109.39
Net Lending* * *	70.82	79.28	24.02	74.90	72.35	2.16
External Grants	217.25	208.25	231.85	197.10	294.60	35.60
OVERALL DEFICIT	-533.05	-712.03	-206.46	-833.79	-942.07	76.73
FINANCING OF DEFICIT:						
External Loans (Net)	301.20	206.50	11.50	318.00	329.05	9.25
Total Domestic Borrowing	265.25	530.05	344.90	2,011.95	4,323.71	1,530.05
Long-term(net)	96.25	248.75	346.45	143.90	1,518.20	1,477.35
Short-term(net)	169.00	281.30	-1.55	1,868.05	2,805.51	1,560.07
CHANGES IN CASH BALANCES:						
Increase = (-)	33.40	-24.52	-149.94	-1,496.16	-3,710.69	11,009.85
MEMORANDUM ITEMS:						
Public Debt Redemption	453.34	741.74	1,140.11	1,672.45	2,345.62	417.41
(a) External	212.15	391.25	360.05	269.56	897.39	323.00
(b) Internal	241.19	350.49	780.06	1,402.89	1,448.23	500.45

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.

\+ Preliminary

6.4. Despite major economic difficulties confronting the country, the Government is committed to the need to maintain a reasonable level of capital accumulation commensurate with the needs of a rapidly growing population. Towards this goal, capital outlays increased almost threefold in 1993/94 after declining to a low K£450 million in 1992/93. Budgetary pressures are therefore expected to remain strong despite the resumption of donor disbursements, which partly explains the recovery in the capital outlays. A large portion of the expenditure is earmarked for the Drought Recovery Program, the procurement of equipment for Kenyatta National Hospital, the Nairobi and Coast water supply projects, Universities Investment Project, the completion of the Export Processing Zone (EPZ) at Athi River and rebuilding of physical infrastructures including rural access roads to boost agricultural production and marketing.

6.5. For the second consecutive year, the fiscal deficit is expected to be high at K£942 million, about K£108 million higher than the previous year. Pressure on deficit financing will therefore remain high. Medium-term domestic borrowing in form of Treasury bonds increased more than tenfold on a net-basis from a low K£144 million in 1992/93 to K£1,518 million in 1993/94. The high profile trend in the issue of short-term Treasury bills is likely to decelerate as the financing plan shifts towards securities with longer maturity periods.

6.6. An analysis of key fiscal trends for the period 1989/90 to 1993/94, as shown in Table 6.2, illustrates mixed performance by leading economic indicators. The ratio of capital expenditure to current expenditure improved to 23.9 per cent in 1993/94 compared to 11.3 per cent in the previous year, as more resources continue to be freed to enhance capital formation. The share of current revenue and total expenditure to GDP increased modestly by 1.2 percentage and 2.2 percentage points, respectively over 1992/93, the latter principally due to increased internal debt service payments. The share of overall deficit to GDP declined somewhat to 5.9 per cent as the latter grew by 25.6 per cent from K£12,787 million in 1992 to K£16,063 million in 1993 compared to a slower 13 per cent increase in the overall deficit.

ANALYSIS OF KEY FISCAL TRENDS, 1989/90 - 1993/94

Table 6.2

	1989/90	1990/91	1991/92	1992/93"	1993/94*
1. Current Surplus/Deficit as % *of* Current Revenue	-7.8	-12.5	1.3	-15.2	-1.5
2. Current Surplus/Deficit as % of Capital Expenditure plus Net Lending	-26.9	-47.7	7.9	-100.1	-5.7
3. Ratio of Capital Expenditure to Current Expenditure	23.8	20.4	16.1	11.3	23.9
4. Overall Deficit as % of Current Revenue	-26.0	-29.4	-7.2	-24.1	-20.7
5. Overall Deficit as % of Total Expenditure	-16.4	-17.4	-4.7	-13.5	-11.6
6. External Grants and Loans as % of Capital Expenditure plus Net Lending	87.0	65.4	50.9	98.2	53.1
7. Net Short-Term Borrowing as % of Capital Expenditure plus Net Lending	28.4	44.4		356.2	238.8
8. Current Revenue as % of GDP at Current Market Prices	24.2	24.8	25.8	27.1	28.3
9. Total Government Expenditure as % of GDP at Current Market Prices	38.4	41.9	40.1	48.4	50.6
10. Overall Deficit as % of GDP at Current Market Prices	6.3	7.3	1.9	-6.5	-5.9

*Provisional

6.7. Table 6.3 compares the original budget estimates with the actual out-turns for the fiscal years 1990/91 to 1993/94. There are indications that revenue out-turn will surpass the targets in 1993/94 similar to 1992/93 underscoring the ability of the economy to rebound after a sluggish growth. The trend of expenditures especially those associated with external resources will depend entirely on the timing of donor disbursements. Recurrent expenditure out-turn for 1993/94 is likely to fall below the budgeted proposals by about K£25 million.

CENTRAL GOVERNMENT

COMPARISON OF BUDGET ESTIMATES WITH ACTUAL OUT-TURNS, 1990/91 - 1993/94

Table 6.3. K£million

	1990/91			1991/92		
	Budget	Actual	Difference	Budget	Actual	Difference
Recurrent Revenue	2,406.52	2,436.82	30.30	2,887.52	2,854.03	-33.49
Recurrent Expenditure	3,002.02	3,278.29	276.22	3,526.70	3,794.98	268.28
Recurrent Balance	-595.80	-841.42	-245.92	-639.18	-940.95	-301.77
Development Expenditure + Net Lending	937.51	634.14	-303.37	807.26	477.80	-329.46
External Financing (Net)**	628.44	414.75	-213.69	768.46	243.35	-525.11
Balance for Domestic Financing (Net)	904.57	1,060.81	156.24	677.98	1,175.40	497.42
	1992/93*			1993/94*		
	Budget	Actual	Difference	Budget	Actual	Difference
Recurrent Revenue	3,263.46	3,479.55	216.09	4,525.04	4,551.14	26.10
Recurrent Expenditure	4,503.78	5,314.28	810.50	6,613.51	6,588.40	-25.11
Recurrent Balance	-1,240.32	-1,834.73	-594.41	-2,088.47	-2,037.26	51.21
Development Expenditure + Net Lending	802.21	524.47	-277.74	1,004.90	1,175.05	170.15
External Financing (Net)**	815.33	515.10	-300.23	1,056.00	623.65	-432.35
Balance for Domestic Financing (Net)	1,227.20	1,844.10	616.90	2,037.37	2,588.66	551.29

* Provisional.

** Includes external grants.

6.8. Sources of gross receipts on current account are outlined in Table 6.4. Gross receipts more than doubled from K£2,056 million in 1989/90 to K£4,551 million in 1993/94. This is partly attributable to the policy of increasing tax-elasticity through broader coverage, and at the same time striving to lower the tax-burden. The shift from the emphasis on direct taxation to that on consumption has again contributed enormously to this positive trend. As a result, the ratio of indirect taxes to gross receipts increased consistently from 58 per cent in 1991/92 and 60 per cent in 1992/93 to 62 per cent in 1993/94.

6.9. Current results indicate significant improvement in income tax receipts in 1993/94, even though the ratio to total receipts has remained almost constant since 1992/93. The discontinuation of the Presumptive Tax on agricultural produce and the widening of tax brackets has not unduly affected overall performance of Income Tax revenues. There are positive indications that the re-introduction of the Personal Identification Number (PIN) will further boost income tax revenue as tax evasion is likely to be minimised.

6.10. Import duty collections by end-use category rallied to register the highest growth in 1993. This in sharp contrast to the noticeable decrease of 22 per cent in 1992, as shown in Table 6.5. Major import duty sources were machinery, chemicals, fuels and transport equipment with relative shares of 18 per cent, 17 per cent, 16 per cent and 13 per cent respectively. In particular, duties on fuels and chemicals were raised during the year. There was a significant increase in import duty receipts on food due to increased importation of maize, rice and sugar to supplement local production. A rapidly depreciating shilling further ensured more receipts in absolute terms.

6.11. Table 6.6 is an analysis of excise revenue from locally manufactured goods. Beer and spirits continue to be the largest source of excise revenue maintaining a constant share of 54 per cent in both 1993 and 1992. There was a marginal increase in the share of cigarettes and tobacco excise revenues from 32 per cent to 35 per cent in the same period. Similarly, excise duty on sugar increased by 15 per cent from K£16 million to K£19 million in 1993. An eroded consumer purchasing power notwithstanding, the exchequer seized the advantage of price increases involving major categories of decontrolled items to reap maximum returns in excise duties.

CENTRAL GOVERNMENT

GROSS RECEIPTS ON RECURRENT ACCOUNT', 1989/90 - 1993/94

Table 6.4 K£million

	1989/90	1990/91	1991/92	1992/93"	1993/94"
DIRECT TAXATION:					
Income Tax	599.15	713.08	851.39	997.94	1,243.76
Other		-	-	-	
Total	599.15	713.08	851.39	997.94	1,243.76
INDIRECT TAXATION:					
Sales Tax/VAT on Domestic Manufacture	323.74	421.85	335.63	418.55	487.00
Sales Tax /VAT on imports	316.61	344.22	592.14	688.59	931.29
Import Duties***	347.96	334.68	255.93	459.15	733.39
Excise Duties	149.36	185.16	340.46	418.35	550.90
Export Duties	0.73	0.07	0.74	0.24	0.32
Trading Licences	9.05	10.25	13.57	11.28	12.76
Licences and Fees Under Traffic Act	16.61	16.09	16.31	16.26	18.83
Other Taxes, Licences and Duties	67.42	77.48	70.28	59.59	66.24
TOTAL	1,231.48	1,389.80	1,625.06	2,072.01	2,800.73
OTHER REVENUE AND INCOME:					
Compulsory Fees, Fines and Penalties	20.86	43.82	32.96	40.59	56.72
Income From Property	104.09	149.51	186.24	244.33	253.09
Current Transfers	12.39	18.02	10.77	8.74	6.84
Sales of Goods and Services	57.98	83.11	74.37	83.06	104.15
Other	30.16	39.48	7.27	32.88	85.85
TOTAL	225.48	333.94	311.61	409.60	506.65
TOTAL	2,056.11	2,436.82	2,788.06	3,479.55	4,551.14
MEMORANDUM ITEM:					
Loan Repayments to Government	3.40	7.53	12.41	9.46	9.85

* 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.

IMPORT DUTY COLLECTIONS, 1989 - 1993

Table 6.5 K£million

END-USE CATEGORY	1989	1990	1991	1992	1993"
Food, drinks and tobacco	16.94	12.63	6.82	5.59	17.88
Basic materials	13.31	13.30	20.17	33.41	69.95
Fuels	29.53	34.00	32.19	1.51	102.34
Chemicals	58.31	60.57	62.73	50.83	108.80
Textiles	14.35	6.04	5.63	4.97	27.53
Semi-manufactures	25.66	24.86	26.14	20.49	38.02
Metals	32.68	34.58	30.10	29.34	57.05
Transport Equipment	42.70	53.79	41.20	19.08	80.54
Machinery	63.20	65.94	50.19	47.84	113.25
Miscellaneous commodities	12.34	12.04	9.16	9.63	27.49
TOTAL	309.02	317.75	284.33	222.69	642.85

* Provisional.

CENTRAL GOVERNMENT

EXCISE REVENUE BY COMMODITIES, 1989 - 1993

Table 6.6 K£'000

	1989	1990	1991	1992	1993*
Beer and spirits	27,929	23,781	54,581	194,849	256,756
Sugar	30,590	19,392	17,844	16,150	18,505
Cigarettes	95,711	108,540	91,321	117,651	165,622
Other commodities**	1,572	252	6,385	35,832	34,846
TOTAL	155,802	151,965	170,131	364,482	475,729

* Provisional.

** Includes transfer adjustments not allocated by commodity.

CENTRAL GOVERNMENT

FINANCING OF CAPITAL EXPENDITURE AND NET LENDING, 1989/90 - 1993/94

Table 6.7 K£million

	1989/90	1990/91	1991/92	1992/93*	1993/94*
EXPENDITURE:					
Capital Expenditure	525.38	554.86	453.78	449.57	1,102.70
Net Lending	70.82	79.28	24.02	74.90	72.35
TOTAL	596.20	634.14	477.80	524.47	1,175.05
FINANCING:					
Surplus on Current Account	-160.25	-302.33	37.50	-525.06	-66.93
Capital Revenue	6.15	16.19	1.99	18.64	5.31
External Loans (Net)	301.20	206.50	11.50	318.00	329.05
External Grants	217.25	208.25	231.85	197.10	294.60
Long-Term Domestic Borrowing (Net)	96.25	248.75	346.45	143.90	1,518.20
SHORT TERM BORROWING:					
Cereals and Sugar Finance Corporation (Net)	-0.35				
Treasury Bills (Net)	-107.75	-168.50	21.50	2,451.90	672.40
Other Short-Term Borrowing (Net)	277.10	449.80	-23.05	-583.95	2,133.11
Change in Cash Balances(decrease = +)	-33.40	-24.52	-149.94	-1,496.06	-3,710.69
TOTAL	596.20	634.14	477.80	524.47	1,175.05

* Provisional.

6.12. As detailed in Table 6.7, the urge to boost capital formation and spur future growth resulted in an upsurge in total capital expenditure and net lending. The total outlay on these more than doubled from K£524 million in 1992/93 to an expected level of K£1,175 million in 1993/94. Net lending however decreased slightly from K£75 million to K£72 million in the same period underlying the policy to minimise Government participation in activities better left to the private sector. The share of external resources is projected to increase with the resumption of donor support. Tremendous growth in domestic borrowing led to a surplus K£3,711 million in cash balances in 1993/94.

Analysis of Government Expenditure

6.13. In line with the responsibility to maintain economic growth and stability, the Government is expected to provide essential public services which by their very characteristics cannot be provided by the private sector. High on the agenda has been financial allocations to ease the burden of economic adjustment, especially to the most vulnerable groups. Consequently, while expenditure on main services increased only marginally by 8 per cent in 1991/92, its growth averaged 36 per cent between 1992/93 and 1993/94 as highlighted in Table 6.8.

6.14. Priority sectors, mainly education, agriculture, health, and defence maintained their traditional lead with relative shares of the total expenditure in 1993/94 of 14 per cent, 7 per cent, 4 per cent and 4 per cent, respectively . The increase in allocations for agriculture and related activities is particularly noticeable, almost doubling from K£304 million in 1992/93 to K£602 million in 1993/94. The revision upwards reflects the commitment to the recovery of this sector after a sluggish spell in the recent past. Other notable increases in Government expenditures occurred in road, transport and communications with a combined budget of K£300 million in the current period. Apart from the need to increase and rehabilitate the existing road-network, this growth resulted from allocations to rehabilitate and modernise both the Kenya Railways and the Kenya Ports Authority.

6.15. Table 6.9 presents the economic analysis of expenditure. Both current and capital expenditure are likely to increase markedly in 1993/94. In particular, labour costs is likely to expand to K£289 million in 1993/94 compared with K£109 million in 1992/93. This is attributed to the implementation of the final phase of the civil service salary review and part of the lumpsum payments under the early retirement scheme for civil servants currently being implemented. While gross fixed capital formation increased about threefold from K£411 million in 1992/93 to K£1,066 million in 1993/94, capital-transfers and net-lending decreased marginally in line with the divestiture programme. High on the priority list is the implementation of "the drought recovery and the maize safety-net program" and the Kenyatta Hospital equipment project. Overall, the ratio of capital expenditure to current expenditure posted a significant recovery narrowing to 0.24 in 1993/94 after declining consistently to 0.11 in 1992/93 from 0.24 in 1989/90. This roughly translates to only 19 cents for every available shilling in the 1993/94 fiscal year, the rest going to current costs.

CENTRAL GOVERNMENT EXPENDITURE ON MAIN SERVICES, 1990/91 - 1993/94

K£million

	1990/91			1991/92			1992/93*			1993/94*		
	Recur-rent Account	Deve-lopment Account	Total	Recur-rent Account	Deve-lopment Account	Total	Recur-rent Account	Deve-lopment Account	Total	Recur-rent Account	Deve-lopment Account	Total
GENERAL PUBLIC ADMINISTRATION:												
General Administration	156.20	166.08	322.28	177.57	147.85	325.42	242.23	213.97	456.20	381.23	360.10	741.33
External Affairs	51.40	2.24	53.64	61.27	1.34	62.61	68.18	5.27	73.45	85.91	3.22	89.13
Public Order and Safety	160.94	23.67	184.61	182.78	15.46	198.24	213.91	17.65	231.56	275.68	39.85	315.53
TOTAL	368.54	191.99	560.53	421.62	164.65	586.27	524.32	236.89	761.21	742.82	403.17	1,145.99
Defence	261.57	33.92	295.49	206.52	25.86	232.38	243.70	26.61	270.31	310.61	14.00	324.61
Education	619.96	66.99	686.95	663.16	59.06	722.22	783.72	71.20	854.92	1,029.52	99.21	1,128.73
Health	133.39	39.52	172.91	152.44	37.58	190.02	175.30	56.97	232.27	235.34	118.46	353.80
Housing and Community Welfare	4.17	13.09	17.26	4.66	9.49	14.15	4.37	4.76	9.13	6.41	6.59	13.00
Social Welfare	42.41	38.91	81.32	46.88	31.49	78.37	51.96	45.23	97.19	63.22	54.25	117.47
ECONOMIC SERVICES:												
General Administration	23.01	121.19	144.20	26.61	75.36	101.97	56.93	43.45	100.38	44.29	92.15	136.44
Agriculture, Forestry and Fishing	91.05	104.88	195.93	101.29	110.71	212.00	104.01	199.94	303.95	160.67	440.89	601.56
Mining,Manufacturing & Construction	38.63	40.23	78.86	40.83	8.82	49.65	47.00	17.04	64.04	45.24	61.59	106.83
Electricity, Gas, Steam and Water	25.81	57.84	83.65	27.46	41.01	68.47	33.14	41.34	74.48	43.91	63.75	107.66
Roads	13.25	94.20	107.45	15.34	84.18	99.52	18.05	116.14	134.19	55.31	121.48	176.79
Other Transport & Communications	11.43	18.61	30.04	10.56	0.21	10.77	11.14	17.16	28.30	46.24	77.43	123.67
Other Economic Services**	106.59	6.76	113.35	106.03	1.46	107.49	137.43	1.33	138.76	70.85	1.91	72.76
TOTAL ECONOMIC SERVICES	309.77	443.71	753.48	328.12	321.75	649.87	407.70	436.40	844.10	466.51	859.20	1,325.71
OTHER SERVICES; INCLUDING												0.00
PUBLIC DEBT	1,538.43		1538.43	1,971.58	0.00	1,971.58	3,123.21	0.00	3,123.21	3,733.97	0.00	3,733.97
TOTAL***	3,278.24	828.13	4,106.37	3,794.98	649.88	4,444.86	5,314.28	878.06	6,192.34	6,588.40	1,554.88	8,143.28

* Provisional.

** Includes Export Compensation.

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

CENTRAL GOVERNMENT
ECONOMIC ANALYSIS OF EXPENDITURE, 1989/90 - 1993/94

Table 6.9 K£million

	1989/90	1990/91	1991/92	1992/93*	1993/94*
CURRENT EXPENDITURE:					
CONSUMPTION EXPENDITURE ON GOODS AND SERVICES:					
Labour Costs	575.61	635.92	691.75	800.75	1,089.87
Other Goods and Services	618.47	726.32	620.35	808.67	1,054.74
TOTAL	1,194.08	1,362.24	1,312.10	1,609.42	2,144.61
SUBSIDIES**	46.20	82.82	78.20	102.23	30.40
INTEREST:					
Foreign	160.89	223.00	238.85	203.87	506.58
Domestic	339.33	523.12	546.01	1,188.79	921.70
TRANSFERS TO:					
Households and Unincorporated Enterprises including Private Non-profit Institutions	70.76	72.87	102.95	75.37	}
Financial and Non-Financial Enterprises	0.01				}
General Government	386.22	444.39	563.17	701.32	1006.97
Rest of the World	7.22	11.05	9.07	9.14	}
Funds	4.83	2.61	4.16	88.05	}
TOTAL TRANSFERS	469.04	530.92	679.35	873.88	1,006.97
OTHERS	0.67	0.86	0.03	7.78	2.50
1. TOTAL CURRENT EXPENDITURE	2,210.21	2,722.96	2,854.54	3,985.97	4,612.76
2. CAPITAL EXPENDITURE:					
Gross Fixed Capital Formation	490.59	495.38	391.58	410.90	1,065.73
Capital Transfers	34.79	59.48	62.20	38.67	36.97
TOTAL	525.38	554.86	453.78	449.57	1,102.70
3. NET LENDING:					
Purchase of Equity in Enterprises	9.37	4.60	3.78	3.45	3.70
Loans to Households, Enterprises and General Government Agencies	64.85	82.21	32.65	80.91	78.50
Less Loan Repayments to Government	-3.40	-7.53	-12.41	-9.46	-9.85
TOTAL	70.82	79.28	24.02	74.90	72.35
4. PUBLIC DEBT REDEMPTION	453.34	741.74	1,140.1 1	1,672.45	2,345.62
5. Total Expenditure (1 + 2 +3 + 4)	3,259.75	4,098.84	4,432.45	6,182.89	8,133.43
MEMORANDUM ITEM:					
Export Compensation	46.15	82.80	78.10	102.20	30.33

* Provisional.
** Includes Export Compensation.

Public debt

6.16. Domestic and external debt liabilities (excluding short-term borrowing) are outlined in Table 6.10. Total outstanding debt almost doubled from K£8,347 million to K£15,949 million between 1992 and 1993. While domestic debt grew modestly by K£137 million, external debt increased much faster by K£7,465 in the same period. The latter is attributed to the rapid depreciation of the shilling against the currencies in which the liabilities are denominated.

CENTRAL GOVERNMENT

PUBLIC DEBT, 1989 - 1993

Table 6.10 K£ million

As at 30th June	Public Debt*								
	Funded			Unfunded			Total		
	External	Internal	Total	External	Internal**	Total	External	Internal	Total
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	1,066.79	5,525.74	4,458.95	1,591.89	6,050.84
1992		474.12	474.12	6,112.98	1,759.50	7,872.48	6,112.98	2,233.62	8,346.60
1993		432.60	432.60	13,578.41	1,937.56	15,515.97	13,578.41	2,370.16	15,948.57

* Excludes Short-term borrowing.

** Includes Treasury bonds.

CENTRAL GOVERNMENT

SOURCES OF UNFUNDED DEBT. 1989 - 1993

Table 6.11 K£million

Outstanding as at 30th June	1989	1990	1991	1992	1993
EXTERNAL DEBT:					
Lending Countries:					
Germany	0.00	15.44	30.74	56.96	111.23
Japan	299.62	428.03	702.38	929.61	2,153.76
France	163.41	61.91	25.97	213.22	661.45
U.S.A	76.10	120.42	126.46	141.79	334.23
Netherlands	93.74	120.94	133.84	176.16	321.70
Denmark	55.81	74.99	85.68	100.28	185.95
Finland	2.13	5.89	6.74	6.53	9.55
Other	731.98	771.05	877.75	1,445.68	3,291.34
Total	1,422.79	1,598.67	1,989.56	3,070.23	7,069.21
International Organizations:					
I.D.A	628.66	1,018.17	1,519.04	2,001.46	4,466.47
I.B.R.D	398.82	493.20	526.55	523.96	768.52
African Development Bank	105.75	156.28	233.42	279.43	610.63
O.P.E.C	13.77	16.19	20.01	1 18.00	293.51
E.E.C	63.34	74.06	91.58	20.32	34.06
I.M.F.	4.73	0.41	-	-	-
Arab League	2.53	2.50	2.75	2.71	5.86
Badea	3.96	5.01	5.87	4.54	40.41
I.F.A.D	6.58	9.27	16.14	26.25	64.05
C.D.C	7.44	7.90	7.21	7.11	7.59
A.D.F	17.89	37.34	46.82	58.97	218.10
Total	1,253.47	1,820.33	2,469.39	3,042.75	6,509.20
Total External	2,676.26	3,419.00	4,458.95	6,112.98	13,578.41
INTERNAL DEBT:					
Central Bank of Kenya	10.00	10.00	10.00	10.00	10.00
Other	658.45	773.55	1,056.79	1,749.50	1,927.56
TOTAL INTERNAL	668.45	783.55	1,066.79	1,759.50	1,937.56
TOTAL UNFUNDED DEBT	3,344.71	4,202.55	5,525.74	7,872.48	15,515.97

6.17. Table 6.11 details sources of public unfunded debt to the period ending June 1993. Bilateral sources consisting of friendly countries continue to provide the major share of the funds. Among bilateral donors, Japan and France maintained the lead with relative shares of 16 per cent and 5 per cent respectively of total external debt in 1993. The World Bank and its affiliate, the IDA (International Development Association) accounted for over 80 per cent of the multilateral funding in 1993. The stock of bilateral debt in the current period stood at K£7,069 million compared with K£6,509 million from multilateral sources. The contribution from the African Development Bank (ADB) continued to rise significantly to stand at K£611 million in 1993 up from K£279 million in 1992.

6.18. The holders of public funded debt from 1989 to 1993 as shown in Table 6.12, indicate that major holders of this debt continue to be the National Social Security Fund (NSSF), the Central Bank and the Central Government Sinking Fund. While the contribution of the Central Bank remained constant at K£154 million, that of the NSSF and the Central Government decreased by 11 per cent and 9 per cent respectively. The trend of commercial banks holdings decreased further as a measure to avoid crowding-out private sector investments.

ANALYSIS OF PUBLIC FUNDED DEBT AT BOOK VALUE BY HOLDERS
ON LOCAL REGISTER AS AT 30TH JUNE, 1989 - 1993

Table 6.12 K£million

	1989	1990	1991	1992	1993
PUBLIC BODIES:					
National Social Security Fund	276.97	263.28	245.08	211.57	188.08
Central Government	74.46	72.20	69.42	65.36	59.58
Local Government	0.25	0.25	0.22	0.22	0.22
Kenya Post Office Savings Bank	5.12	4.47	4.37	4.37	2.30
Former E.A.Community Institutions*	15.37	15.37	15.37	14.77	8.70
Central Bank	162.76	162.76	162.76	154.41	154.04
Other Public Sector	1.16	1.11	1.10	1.10	1.10
OTHER INTERNAL:					
Commercial Banks	5.43	5.43	5.03	5.03	4.99
Insurance Companies	9.11	8.84	8.46	7.47	4.43
Other Companies	21.83	21.79	13.20	9.74	9.08
Private Individuals	0.09	0.09	0.09	0.08	0.08
TOTAL	572.55	555.59	525.10	474.12	432.60

* And their successors

Source: Central Bank of Kenya.

6.19. Information on debt servicing and its relationship with the export of goods and services is shown in Table 6.13 and Table 6.14. Net service charges increased by K£1,142 million between 1992 and 1993. The upsurge is particularly apparent in the cost of internal debt which almost doubled in the same period. This is attributed to the sale of high-yield treasury bills as a measure to bring down inflationary pressures. While export of goods and services rose to a record K£6,745 million in 1993, debt service charges on external debt showed a marked decline of 21 per cent precipitating a

fall in debt service ratio to a low 7 percentage points. However, the ratio series would be much higher if accumulation of arrears in interest payments was taken into account.

CENTRAL GOVERNMENT
DEBT SERVICING CHARGES*, 1989 1993

Table 6.13 K£million

Year ending 30th June	ANNUAL DEBT SERVICING CHARGES			INTEREST AND LOAN REPAYMENT RECEIPTS			NET SERVICING CHARGES		
	External	Internal	Total	External	Internal	Total	External	Internal	Total
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	1,326.07	1,924.97		20.24	20.24	598.90	1,305.84	1,904.74
1993	473.43	2,591.68	3,065.11		18.29	18.29	473.43	2,573.39	3,046.82

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

CENTRAL GOVERNMENT
DEBT SERVICE CHARGES ON EXTERNAL DEBT RELATED TO EXPORT
OF GOODS AND SERVICES, 1989 - 1993

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	
1989	368.82	1,997.68	18.46
1990	373.04	2,553.25	14.61
1991	614.25	3,022.63	20.32
1992	598.90	3,464.37	17.29
1993**	473.43	6,745.00	7.02

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

** Provisional.

Local Authorities

6.20. The ability of local authorities to provide adequate facilities at reasonable cost continues to be hampered by several factors namely; the ever rising rural-urban migration which has increased demand for services and inefficient revenue raising mechanisms. The proliferation of often inadequately financially prepared urban centres with poor resource bases has further compounded the problem.

6.21. As illustrated in Table 6.15, provisional results indicate that overall expenditure by local authorities increased by 21 per cent from K£389 million in 1992/93 to K£471 million in 1993/94. The relative share of total expenditure by Nairobi City Council dropped from 37 per cent to 34 per cent over the same period. Expenditure by town, urban and county councils grew from K£70 million to K£92 million as more rural market-centres achieved urban status.

EXPENDITURE ON LOCAL AUTHORITIES, 1989/90 - 1993/94

Table 6.15 K£million

	MUNICIPALITIES			Town, Urban and County Councils	Total
	Nairobi City Council	Other Municipal Councils	Sub-Total		
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	126.77	171.33	298.10	66.15	364.25
1992/93*	142.97	175.65	318.62	69.91	388.53
1993/94*	161.94	217.04	378.98	91.81	470.79

* Provisional

6.22. Analysis of expenditure on main services for municipal councils between 1989/90 to 1993/94 is given in Table 6.16. Over the span of five years, expenditure on main services grew by 36 per cent from K£278 million to K£379 million as leading municipal councils made efforts to launch, improve and rehabilitate socio-economic projects. Expenditure on economic services maintained its dominance with water and housing having a share of 34 per cent of total expenditure in 1993/94.

MUNICIPAL COUNCILS: CURRENT AND CAPITAL EXPENDITURE ON MAIN SERVICES, 1989/90 - 1993/94

Table 6.16 K£million

	1989/90	1990/91	1991/92	1992/93*	1993/94*
ADMINISTRATION	29.91	42.57	63.95	54.42	76.95
COMMUNITY SERVICES:					
Roads	11.12	30.33	29.65	52.65	36.06
Sanitation	84.65	39.50	21.03	48.11	25.74
Other	17.60	3.10	3.75	10.41	6.56
Total	113.37	72.93	54.43	111.17	68.36
SOCIAL SERVICES					
Education	8.81	9.68	13.02	11.21	14.04
Health	17.26	15.04	16.86	15.42	25.94
Other	0.60	0.89	1.11	0.92	0.79
Total	26.67	25.61	30.99	27.55	40.77
ECONOMIC SERVICES:					
General Administration	3.17	3.69	4.52	4.12	5.83
Water Undertaking	64.89	95.01	44.94	53.52	62.39
Housing Estates(including staff housing)	4.45	32.53	54.21	40.27	67.66
Other	35.66	7.70	45.06	27.57	57.02
Total	108.17	138.93	148.73	125.48	192.90
TOTAL EXPENDITURE	278.12	280.04	298.10	318.62	378.98

*Provisional

6.23. Tables 6.17 and 6.18 highlight the economic analysis and the corresponding revenue raising efforts by municipal councils for the period ending June 1994. Capital expenditure continues to dominate the expenditure patterns with gross capital formation accounting for 93 per cent of the total in 1993/94. Capital expenditure has however shown erratic fluctuations increasing only marginally in the five year period. Current expenditure almost doubled from K£78 million in 1989/90 to K£154 million in 1993/94, even though the share of labour costs fell marginally from 53 per cent to 49 per cent during the same period. This contributed positively to the shift of available resources towards the provision of other services. On the other hand, efforts to raise enough revenue to match increased demand for services has not been very successful. Thus, even as current revenue more than doubled from K£140 million in 1989/90 to K£339 million in 1993/94, the councils continue to suffer from serious deficits particularly on the capital account. Loans raised have however shown a marked improvement from K£32 million in 1989/90 to K£107 million in 1993/94.

MUNICIPAL COUNCILS: ECONOMIC ANALYSIS OF EXPENDITURE, 1989/90 - 1993/94

Table 6.17 K£million

	1989/90	1990/91	1991/92	1992/93*	1993/94*
CURRENT EXPENDITURE:					
Labour Cost	41.54	61.08	67.59	70.18	75.72
Other Goods and Services	32.32	44.55	42.57	45.99	71.83
Transfer to Households & Enterprises	3.67	0.59	2.25	0.28	5.77
Transfer to Funds (Current)	0.24	0.01	0.59	0.45	0.62
Interest					
Total	77.77	106.23	113.00	116.90	153.94
CAPITAL EXPENDITURE:					
Gross Fixed Capital Formation	182.41	167.51	177.06	183.59	208.54
Loan Repayment**	16.72	6.49	7.87	17.13	16.31
Transfer to Funds (capital)	1.22	0.17	0.17	1.00	0.19
Total	200.35	174.17	185.10	201.72	225.04
TOTAL EXPENDITURE	278.12	280.40	298.10	318.62	378.98

* Provisional.

** Includes interest.

6.24. Information on economic analysis of expenditure and revenue by town, urban and county councils is given in Table 6.19. Their financial status is similar to that of municipal councils. Between 1992/93 and 1993/94, increase in total expenditure outstripped increase in total revenue by more than threefold to peak at K£92 million while the latter increased sluggishly by K£6 million to K£66 million. The financial gap thus worsened from K£10 million in 1992/93 to K£26 million in 1993/94.

MUNICIPAL COUNCILS: ECONOMIC ANALYSIS OF REVENUE. 1989/90 - 1993/94

Table 6.18 K£million

	1989/90	1990/91	1991/92	1992/93*	1993/94*
CURRENT REVENUE:					
Direct Taxes (Rates **)	34.02	32.83	43.55	41.49	58.96
Indirect Taxes (Licences and cesses)	2.38	2.17	9.82	8.88	18.00
Income from Property	2.20	9.16	9.84	12.04	16.01
Current Transfers	0.00	0.19	0.01	0.02	0.03
Sale of Goods and Services***	69.73	56.16	73.08	103.40	139.16
TOTAL	106.33	100.51	136.30	165.83	232.16
CAPITAL REVENUE:					
Loans Raised	31.92	11 8.71	101.40	96.40	106.84
Loan Repayment	0.1 2	0.00	0.00	0.06	0.07
TOTAL	32.04	118.71	101.40	96.46	106.91
TOTAL REVENUE	140.37	219.22	237.70	262.29	339.07

* Provisional

** Paid by households and enterprises.

*** Includes service charge

TOWN, URBAN AND COUNTY COUNCILS:

ECONOMIC ANALYSIS OF EXPENDITURE AND REVENUE, 1989/90 - 1993/94

Table 6.19 K£million

	1989/90	1990/91	1991/92	1992/93*	1993/94*
CURRENT EXPENDITURE					
Labour Cost	18.24	22.06	25.14	30.83	32.30
Other Goods and Services	9.68	10.80	12.25	15.35	21.68
Transfer to households & Enterprises	0.35	0.02	3.16	0.01	7.42
Transfer to Funds (Current)	0.24	0.25	0.15	0.49	0.48
Interest					
Total	28.51	33.13	40.70	46.68	61.88
CAPITAL EXPENDITURE:					
Gross Fixed Capital Formation	4.50	23.42	24.91	22.51	29.16
LoanRepayments**	0.36	0.50	0.52	0.83	0.77
Transfer to Funds (capital)	0.00	0.00	0.02	0.00	0.00
Total	4.86	23.92	25.45	23.34	29.93
TOTAL EXPENDITURE	33.37	57.05	66.15	70.02	91.81
CURRENT REVENUE:					
Direct Taxes (Rates***)	1.39	1.78	1.68	3.91	3.95
Indirect Taxes (Licences and cesses)	8.10	6.13	6.19	10.22	10.72
Income from Property	0.35	0.23	0.34	0.70	0.63
Current Transfers	1.30	0.10	0.05	0.32	0.11
Sale of Goods and Services +	23.07	26.73	27.57	34.74	38.90
Total	34.21	34.97	35.83	49.89	54.31
CAPITAL REVENUE:					
Loans Raised	2.41	2.50	11.36	10.58	12.11
Loans Repayments	0.00	0.01	0.01	0.00	0.00
Total	2.41	2.51	11.37	10.58	12.11
TOTAL REVENUE	36.62	37.48	47.20	60.47	66.42

* Provisional.

** Includes Interest.

*** Paid by households and enterprises.

+ Includes Service Charge.

CHAPTER 7 - INTERNATIONAL TRADE AND THE BALANCE OF PAYMENTS

Overview

Major indicators of Kenya's international trade and balance of payments performance in 1993 reveal some apparent contrasts. Despite good export performance the balance of trade worsened, because the value of imports rose very sharply. On the other hand the overall balance in the balance of payments recorded an exceptionally high surplus of K£1,284 million. This was mainly due to a large short term capital in-flow, which was attracted by the very high interest rates on Treasury Bills and also by the liberalisation of exchange controls; other contributing factors were some further accumulation of debt arrears and the depreciation of the Kenya shilling, and foreign loan disbursements of Special Drawing Rights (SDR) 184 million towards the end of the year.

7.2. The balance of trade deficit worsened by 14 per cent from K£1,213 million in 1992 to K£1,378 million in 1993. This resulted from fast growth in both import and export values owing to foreign exchange liberalisation, successful export promotion policies and huge depreciation of the shilling. The value of exports more than doubled, increasing from K£1,742 million in 1992 to K£3,678 million in 1993. Imports grew from K£2,955 million to K£5,056 million during the same period.

7.3. Good performance in the export and tourism sectors in addition to substantial government and short term capital inflow, led to surpluses larger than ever recorded in both current account and overall balances. However, the low absorption capacity for the balance of payments surpluses by the economy may have been due to the continuous adoption of wait-and-see attitude by the business community. This led to stagflation observed in the year 1993 as evidenced by high inflation rates, negative real interest rates and a slow down in real GDP growth.

Balance of Trade

7.4. The 1993 international trade values were exceptionally high as presented in Table 7.1. Total domestic exports more than doubled, while imports grew by 71 per cent. Changes in the valuation of the Kenyan shilling against major world trading currencies which took place during 1993 are responsible for the growth. The shilling was officially devalued three times in the first half of the year. The encouraging growth in the performance of exports also signifies the positive effects of the various export promotion policies in place, and the continuation of the good performance in Kenya's trade with other members of the Preferential Trade Area (PTA). However, despite this impressive performance on the side of export earnings, the increase was not large enough to change the course of balance of trade deficit which continued to worsen in 1993.

7.5. The increase in export earnings resulted mainly from substantial increases in export quantity and value of coffee, tea, horticulture, cement, soda ash and

pyrethrum products among other commodities. Better prices for beverages and tobacco and industrial products such as chemicals and manufactured items, also contributed towards this. As can be seen in Table 7.1, imports by the government which slackened in 1992 rose by 68 per cent in 1993.

BALANCE OF TRADE, 1989 - 1993

Table 7.1 K£million

		1989	1990	1991	1992	1993*
EXPORTS	(f.o.b) :					
	Domestic Exports	999.84	1,232.36	1,533.83	1,708.08	3,625.21
	Re-exports	19.90	11.65	18.29	34.18	53.04
	Total	1,019.74	1,244.01	1,552.12	1,742.26	3,678.25
IMPORTS	(c.i.f) :					
	Commercial	2,097.27	2,397.55	2,500.91	2,828.85	4,845.06
	Government	141.70	148.08	145.00	120.01	211.36
	TOTAL	2,238.97	2,545.63	2,645.91	2,954.86	5,056.42
BALANCE OF TRADE		-1,219.23	-1,301.62	-1,093.79	-1,212.60	-1,378.17

* Provisional

Price Changes

7.6. Export and import price indices by commodity groups for the period 1989-93 are given in Table 7.2. The general rise in these indices which has been experienced for all the groups of commodities over the years continued in 1993. Generally, high growth rates were registered last year compared to those of the previous years.

7.7. Prices of total non-oil exports rose by 90 per cent in 1993 compared to a 16 per cent average annual growth rate for the period 1989-92. Very high export price increases were recorded for tea and other beverages, tobacco, inedible crude materials, chemicals and manufactured goods. The generally high increases in export price indices and specifically those of the above groups of commodities explain the better performance of exports relative to imports.

7.8. The price index for all imports increased by 62 per cent while that of non-oil imports went up by 70 per cent in 1993. The increases in the indices can be accounted for by high import prices recorded for food, beverages and tobacco, chemicals and manufactured goods, which respectively registered price increases of 148 per cent, 80 per cent, 75 per cent and 65 per cent. Machinery and transport equipment and mineral fuels respectively recorded 67 per cent and 46 per cent. The increase in the overall import price index is a result of the increases in the exchange rate and world export prices.

PRICE INDICES, 1989-1993

Table 7.2 1982 =100

	1989	1990	1991	1992	1993
EXPORTS:					
Food and live animals	162	167	218	240	475
Beverages and tobacco	209	256	300	327	737
Crude materials, inedible	198	213	244	260	465
Mineral fuels	104	136	184	207	276
Animal and vegetable oils and fats	205	284	323	325	344
Chemicals	178	212	234	264	516
Manufactured goods	154	155	213	265	458
Machinery and transport equipment	314	365	368	404	436
Miscellaneous manufactured articles	200	224	257	431	527
All Exports	156	169	216	244	438
Non-oil Exports	171	178	227	254	483
IMPORTS:					
Food and live animals	171	176	188	331	820
Beverages and tobacco	322	381	484	456	821
Crude materials, inedible	220	237	262	300	480
Mineral fuels	106	144	163	211	309
Animals and vegetable oils and fats	192	179	243	327	527
Chemicals	308	357	393	444	776
Manufactured goods	262	329	340	371	613
Machinery and transport equipment	239	289	321	341	569
Miscellaneous manufactured articles	202	278	307	318	565
All imports	198	238	265	307	496
Non-oil Imports	246	287	318	359	611

Terms of Trade

7.9. There was an upturn in the terms of trade index. As depicted by Table 7.3, terms of trade for all items which worsened in 1992 improved by over 8.9 per cent in 1993, thus further explaining the relatively better performance of the export sector over the import sector. The change in the terms of trade for non-oil items was slightly lower than that realised for all items, as it increased by 8.5 per cent.

TERMS OF TRADE, 1989-1993

Table 7.3 1982=100

	1989	1990	1991	1992	1993
All Items	79	71	82	79	86
Non-oil Items	70	62	71	71	77

Volume Changes

7.10. Changes in the volume of trade are measured by export and import quantum indices detailed in Table 7.4. As far as exports are concerned, the volume changes in 1993 over 1992 were all positive except for inedible crude materials which fell

by 22 per cent. The overall index for all exports rose by 17 per cent, whereas non-oil exports index increased by 16 per cent. Most of the increases came from increased exports of beverages and tobacco, miscellaneous manufactured exports, edible oils and fats and extraordinarily good performance by animal and vegetable oil. This was mainly due to increased exports of these commodities to Somalia. In the food and live animals category, coffee, pineapples, meat and meat products recorded the highest increases. Exports of horticultural crops and hides and skins were significantly high. The continued fall in the value of the Shilling during most part of 1993 may have induced external demand for Kenya's exports, hence the high rise in the export volume.

QUANTUM-INDICES, 1989 - 1993

Table 7.4 1982 =100

	1989	1990	1991	1992	1993
EXPORTS:					
Food and live animals	133	154	132	134	142
Beverages and tobacco	186	275	302	565	723
Crude materials, inedible	113	111	120	125	97
Mineral fuels	76	75	96	80	89
Animal and vegetable oils and fats	250	146	183	428	1,088
Chemicals	108	100	137	131	165
Manufactured goods	133	170	162	180	290
Machinery and transport equipment	59	25	34	67	110
Miscellaneous manufactured articles	130	181	233	118	358
All Exports	115	122	126	126	148
Non-oil Exports	127	143	135	141	164
IMPORTS:					
Food and live animals	107	217	148	211	91
Beverages and tobacco	59	62	85	85	121
Crude materials, inedible	157	158	176	194	179
Mineral fuels	101	104	94	91	123
Animals and vegetable oils and fats	141	150	154	176	138
Chemicals	118	97	113	115	131
Manufactured goods	127	108	112	99	114
Machinery and transport equipment	152	135	95	92	84
Miscellaneous manufactured articles	128	98	114	112	118
All imports	125	119	111	107	113
Non-oil Imports	135	126	119	114	109

7.11. A further breakdown of export quantities by years and principal commodities is given in Table 7.6. Exports of coffee which have been on the decline since 1990 responded to the much better 1993 unit prices and recorded a 13 per cent growth rate in quantities exported. In the exports of beverages and tobacco category, beer recorded the highest increase to four fold. Similar reason may have been responsible for the high increase in the exports of meat products, cement, soda ash, hides and skins. Otherwise, poor performance of the agricultural sector, in general, was a significant factor for the declines in exports of sisal, raw maize and wool.

TOTAL EXPORTS* BY BROAD ECONOMIC CATEGORY, 1989- 1993

Table 7.5 K£million

	1989	1990	1991	1992	1993**
1. FOOD AND BEVERAGES	598.18	744.06	817.73	929.12	1,986.10
Primary	525.16	637.74	678.06	758.14	1,608.13
For Industry	208.70	226.27	228.93	210.51	559.74
For Household Consumption	316.46	411.47	449.13	547.63	1,048.38
Processed	73.03	106.32	139.67	170.98	377.97
For Industry	4.98	4.41	9.26	10.14	21.91
For Household Consumption	68.05	101.91	130.41	160.84	356.06
2. INDUSTRIAL SUPPLIES (Non-Food)	219.49	245.59	320.58	371.51	877.68
Primary	110.47	118.59	121.46	127.99	224.60
Processed	109.02	127.00	199.12	243.52	653.08
3. FUEL AND LUBRICANTS	114.47	150.42	266.09	246.50	353.85
Primary	0.03	0.03	0.01	0.02	0.01
Processed	114.45	150.39	266.08	246.48	353.84
Motor Spirit	9.06	18.24	28.82	34.09	57.04
Other	105.39	132.15	237.26	212.39	296.80
4. MACHINERY & OTHER					
CAPITAL EQUIPMENT	6.53	6.90	10.52	13.76	23.43
Machinery & Other Capital Equipment	5.94	5.79	9.34	12.14	18.74
Parts and Accessories	0.59	1.11	1.18	1.63	4.69
5. TRANSPORT EQUIPMENT	4.52	2.62	4.35	8.06	30.59
Passenger Motor Vehicles	0.06	0.15	0.40	0.08	12.42
Other	2.12	0.39	0.26	1.44	8.34
For Industry	2.07	0.36	0.20	1.39	8.31
Non-Industrial	0.05	0.03	0.06	0.05	0.03
Parts and Accessories	2.34	2.07	3.69	6.54	9.83
6. CONSUMER GOODS NOT ELSEWHERE SPECIFIED	56.54	82.23	113.45	139.13	353.56
Durable	1.31	9.11	1.68	2.07	5.04
Semi-Durable	12.15	18.54	28.61	35.76	115.17
Non-Durable	43.07	54.57	83.15	101.31	233.35
7. GOODS NOT ELSEWHERE SPECIFIED	0.10	0.56	1.11		
TOTAL	999.83	1,232.38	1,533.83	1,708.08	3,625.21
PERCENTAGE SHARES:					
1. Food and Beverages	59.84	60.36	53.31	54.40	54.79
2. Industrial Supplies (Non-Food)	21.95	19.93	20.90	21.75	24.21
3. Fuel and Lubricants	11.45	12.21	17.35	14.43	9.76
4. Machinery and other Capital Equipment	0.65	0.56	0.70	0.81	0.65
5. Transport Equipment	0.45	0.21	0.28	0.47	0.84
6. Consumer Goods not elsewhere specified	5.65	6.67	7.40	8.14	9.75
7. Goods not elsewhere specified	0.01	0.05	0.06		
TOTAL	100.00	100.00	100.00	100.00	100.00

* Excluding Re-exports.

** Provisional.

7.12. In 1993, most of the imports registered considerable quantity growth rates except for imports of food and live animals, inedible crude materials and machinery and transport equipments. Imports of alcoholic beverages, tobacco, mineral fuels, chemicals and other manufactures not elsewhere classified, registered higher increases compared to other imports. In all, the quantum index

for all imports which declined in 1992 increased by 5.6 per cent in 1993. The index of non-oil imports shows a slight decline of 4 per cent.

Composition of Exports

7.13. An examination of Table 7.5 on exports by Broad Economic Category (BEC), shows that a bigger percentage of export earnings still accrue from the exportation of food and beverages made up mainly of agricultural products. The share of the total export earnings by this commodity group increased marginally to 55 per cent in 1993. Exports of non-food industrial products showed a remarkable improvement from the previous year as its share rose to 24 per cent of the total earnings received in 1993. The shares enjoyed by fuel and lubricants and the machinery and capital equipment fell to 9.8 per cent and 0.7 per cent, respectively.

QUANTITIES OF PRINCIPAL EXPORTS, 1989-1993

Table 7.6

Commodity	unit	1989	1990	1991	1992	1993*
Coffee	Tonnes	98,041	114,384	84,191	78,147	88,356
Tea		163,279	166,405	175,557	166,518	188,435
Petroleum Products	Mn. Lt	646	638	767	769	723
Pyrethrum Products	Tonnes	540	453	442	241	749
Meat products	,,	401	1,585	2,153	401	740
Sisal	,,	32,856	30,125	27,743	32,026	27,000
Hides and Skins	,,	10,153	1,093	274	410	748
Soda Ash		206,812	185,179	197,427	163,521	215,024
Fluorspar	„	81,204	88,229	55,679	66,538	71,040
Cement		313,884	329,539	304,917	392,144	522,125
Maize(raw)	„	1 10,241	159,883	18,720	417	111
Horticulture **		134,178	188,825	169,292	154,112	265,305
Butter and ghee		262	418	49	75	100
Cotton(raw)	,,					
Wool	„	445		2	983	399
Animal feeds		11,238	7,938	34,692	14,219	13,361

* Provisional.

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

7.14. On an average basis, earnings from the exports of both the primary and processed agricultural products doubled in 1993 and this contributed to the marginal increment in the share of earnings from food and beverages. The most remarkable performance was achieved by non-food industrial exports whose earnings increased by 136 per cent, earning the country some K£ 878 million. This resulted from high export value of soda ash to Thailand and Malaysia, and sisal to Belgium, Spain and the United Kingdom. The highest growth rate was registered by manufactured goods not elsewhere classified which increased by 154 per cent.

Export Prices

7.15. Unit prices of export commodities shown in Table 7.7 rose sharply in 1993. Hides and skins recorded the highest unit price increase of more than three fold, followed by sisal and coffee which registered growth rates of 144 per cent and 137

per cent, respectively. Prices of tea and horticulture also improved appreciably. Although the increases in the unit prices may have emanated, to some extent, from rise in the international prices, they are mainly due to the changes in the valuation of the shilling in which they are measured.

EXPORT PRICES, 1989 - 1993

Table 7.7 KSh./Unit

Commodity	Unit of Quantity	1989	1990	1991	1992	1993*
Coffee, unroasted	Kg.	41.62	38.64	51.94	52.81	124.93
Tea	Kg.	33.30	37.80	43.48	57.04	121.06
Petroleum Products	1,000 lt.	3,155.53	4,398.86	6,644.80	6,130.00	9,291.15
Maize(raw)	100Kg.	282.40	258.56	513.23	3,631.22	5,501.11
Meat and meat products	Kg.	63.47	70.45	39.67	104.70	151.20
Pyrethrum Extract	Kg.	1,019.75	1,936.82	2,214.15	3,035.78	5,368.33
Sisal	100Kg.	989.66	1,257.49	1,273.51	1,089.04	2,657.00
Hides and Skins(undressed)	Kg.	26.76	21.71	46.22	46.07	160.78
Wattle extract	Kg.	14.38	17.52	21.77	24.63	47.67
Soda Ash	100Kg.	213.92	263.04	313.72	333.35	571.38
Fluorspar	100Kg.	156.08	190.88	251.01	212.11	360.63
Cement	100Kg.	69.77	76.60	106.65	124.60	249.10
Horticulture	Kg.	16.72	16.94	21.84	27.15	61.71
Wool	Kg.	57.26		93.84	29.06	55.87
Animal feeds	100Kg.	199.70	189.31	193.05	282.86	404.30
Cotton(raw)	Kg.		38.00	25.41	60.00	94.34
Butter and ghee	Kg.	34.34	32.15	32.33	49.55	102.63
Wattle bark	100Kg.	320.40	339.29	403.67	.	.

*Provisional.

7.16. Details of changes in the quantity, value and price of export commodities for the year 1993 are analyzed in Table 7.8. Export earnings from the agricultural-based commodities dominated those from the mineral-based and other export commodities. Tea was the single largest export earner with an export value of K£934 million followed by coffee with K£552 million. The high increase by 167 per cent in value terms is attributable mainly to a 137 per cent rise in the unit price of coffee making it regain its second position, behind tea, in terms foreign exchange earnings. The declines in quantities of exports of petroleum products, pyrethrum extract, sisal and animal feeds had no significant negative influence on their earnings because of the higher unit prices enjoyed in 1993.

EXPORT CHANGE IN VALUE, QUANTITY AND PRICE 1992-1993

Table 7.8

Commodity	VALUEK£'000			PERCENTAGE CHANGE IN		
	1992	1993**	Changes	Value	Quantity	Price
Coffee, unroasted	206,339.0	551,510.2	345,171.2	107.28	12.98	130.57
Tea	474,907.6	933,659.4	458,751.8	96.60	13.16	1 12.24
Petroleum products	235,928.2	335,717.7	99,789.5	42.30	-6.04	51.57
Meat and meat products	2,096.9	5,597.7	3,500.8	166.95	84.85	44.41
Pyrethrum extract	36,568.6	49,607.4	13,038.8	35.66	-23.29	70.84
Sisal	17,438.6	35,869.7	18,431.1	105.69	-15.69	143.98
Hides and skins (undressed)	944.5	6,015.7	5,071.2	536.92	82.50	248.99
Wattle extract	9,931.3	19,434.4	9,503.1	95.69	1.09	93.54
Soda ash	27,255.1	61,429.7	34,174.0	125.39	31.50	71.41
Fluorspar	7,056.6	12,809.7	5,753.1	81.53	6.77	70.02
Cement	24,431.4	65,030.2	40,598.8	166.17	33.15	99.92
Horticulture	209,203.0	390,228.4	181,025.4	86.53	72.15	127.28
Animal feeds	2,011.0	2,701.0	690.0	34.31	-6.03	42.93
Cotton (raw)	0.1	0.3	0.2	233.33	112.00	57.23
Wood carvings	4,222.8	9,139.8	4,917.0	116.44	1,238.99	61.61
Metal scrap	0,453.4	5,450.8	-1,002.6	-15.54	-26.94	15.59
All other Commodities	443,296.6	1,141,004.1	697,707.5	157.39	.	-
TOTAL	1,708,084.7	3,625,206.2	1,917,121.5	112.24	-	-

* Excluding Re-exports

** Provisional

Composition of Imports

7.17. Imports classified by Broad Economic Category (BEC) as shown in Table 7.9 registered positive growth rates in 1993 with imports of consumer goods not elsewhere specified, and fuel and lubricants topping the list, having experienced increases of about 140 per cent and doubling, respectively. Expenditure on imports of agricultural products, particularly food and beverages which increased by 88 per cent in 1992, rose by only 40 per cent to K£ 316 million. This rather slower growth contributed to the fall in their share.

7.18. An analysis of Table 7.10 indicates that imports of petroleum and industrial machinery continue to absorb a lot of Kenya's foreign exchange earnings. In 1993, for example, imports of refined petroleum products increased about four and a half times. Another notable increase was that of wheat whose total import bill for the year amounted to K£ 152.6 million, up from K£ 34.1 million in 1992. Due to the extended drought and ethnic violence in the wheat growing areas, output fell far below the national demand level, hence more wheat was imported to meet the short fall.

TOTAL IMPORTS BY BROAD ECONOMIC CATEGORY, 1989-1993

Table 7.9 K£million

	1989	1990	1991	1992	1993*
1. FOOD AND BEVERAGES	141.30	179.58	119.76	225.07	315.61
Primary	30.33	68.74	54.38	49.42	169.81
For Industry	28.00	68.32	53.44	47.13	163.75
For Household Consumption	2.34	0.42	0.94	2.29	6.06
Processed	110.97	110.84	65.39	175.65	145.80
For Industry	70.77	77.85	24.51	107.44	84.81
For Household Consumption	40.20	32.98	40.87	68.21	60.99
2. INDUSTRIAL SUPPLIES (Non-Food)	757.80	812.68	994.98	1,109.97	1,922.24
Primary	29.50	33.84	43.85	173.71	99.96
Processed	728.30	778.83	951.13	936.26	1,822.28
3. FUEL AND LUBRICANTS	346.68	489.74	494.66	627.59	1,254.44
Primary	305.42	430.90	449.25	563.64	966.69
Processed	41.27	58.84	45.41	63.95	287.75
Motor Spirit	3.04	5.83	9.09	12.28	75.95
Other	38.22	53.01	36.31	51.67	211.80
4. MACHINERY AND OTHER CAPITAL EQUIPMENT	476.48	634.14	608.65	599.65	739.42
Machinery and Other Capital Equipment	342.20	476.14	460.77	453.15	533.38
Parts and Accessories	134.28	158.00	147.88	146.50	206.04
5. TRANSPORT EQUIPMENT	393.92	315.50	293.03	237.98	461.80
Passenger Motor Vehicles	62.74	69.57	80.46	79.36	122.34
Other	237.49	142.89	118.73	92.57	197.26
Industrial	231.88	136.01	108.73	82.28	181.90
Non-Industrial	5.61	6.88	10.00	10.29	15.36
Parts and Accessories	93.69	103.04	93.84	66.05	142.20
6. CONSUMER GOODS NOT ELSEWHERE SPECIFIED	1 16.86	110.51	132.55	149.07	357.89
Durable	28.62	22.13	24.11	20.68	42.88
Semi-Durable	17.68	19.63	20.20	22.50	32.75
Non-Durable	70.55	68.75	88.25	105.90	282.26
7. GOODS NOT ELSEWHERE SPECIFIED	5.93	3.49	2.28	5.53	5.02
TOTAL	2,238.97	2,545.64	2,645.91	2,954.86	5,056.42
PERCENTAGE SHARES:					
1. Food and Beverages	6.31	7.05	4.53	7.62	6.24
2. Industrial Supplies (Non-Food)	33.86	31.93	37.60	37.56	38.02
3. Fuel and Lubricants	15.48	19.24	18.70	21.24	24.81
4. Machinery and other Capital Equipment	21.28	24.91	23.00	20.29	14.62
5. Transport Equipment	17.59	12.39	11.07	8.05	9.13
6. Consumer Goods not elsewhere specified	5.22	4.34	5.01	5.05	7.08
7. Goods not elsewhere specified	0.26	0.14	0.09	0.19	0.10
TOTAL	100.00	100.00	100.00	100.00	100.00

* Provisional.

SELECTED IMPORTS. 1989 -1993

Table 7.10 K£million

	1989	1990	1991	1992	1993*
Crude Petroleum	299.10	421.97	441.71	549.39	946.53
Industrial Machinery (including Electrical)	460.20	596.77	569.97	506.35	653.28
Iron and Steel	151.96	164.82	177.2	182.87	300.93
Motor Vehicle and Chassis	174.96	195.16	184.46	144.51	276.29
Petroleum Products refined	40.14	55.61	44.12	62.49	284.88
Artificial Resins and Plastic Materials and Cellulose Esters and Ethers	75.66	83.46	105.90	108.98	194.60
Pharmaceauticals	56.18	57.61	75.38	96.95	273.55
Fertilizers	69.41	33.28	62.63	75.13	166.60
Agricultural Machinery and Tractors	26.92	27.99	33.83	37.09	53.97
Wheat	22.81	62.68	48.70	34.09	152.61
Paper and Paper Products	47.60	40.95	46.38	48.03	75.35
Rice	10.54	9.03	29.36	28.46	23.30

* Provisional

DESTINATION OF TOTAL EXPORTS * 1989 -1993

Table 7.11 K£million

	1989	1990	1991	1992	1993**
E.E.C:					
United Kingdom	198.71		266.88	319.22	590.18
West Germany	88.75		123.54	113.32	267.78
Italy	27.07			55.51	66.23
France	21.36		40.35	46.23	72.93
Netherlands	49.74			70.94	145.69
Other	61.78	67.07	96.27	86.09	177.40
TOTAL	447.41		632.62	691.31	1,320.21
Other Western Europe, Total	42.01		59.42	53.36	131.22
Eastern Europe. Total	20.12			0.97	6.65
U.S.A	49.38			63.29	137.18
CANADA	10.02			11.49	29.81
AFRICA					
Tanzania	27.48			80.99	270.48
Uganda	65.92			122.84	325.98
Zambia	2.82			5.76	8.52
Other	130.91			259.90	669.48
TOTAL	227.1 3			469.49	1,274.46
MIDDLE EAST:					
Saudi Arabia	8.93	10.51		11.91	26.28
United Arab Emirates	2.71		5.04	4.69	16.02
Iran	0.72	3.40	5.01	0.82	0.02
Other	16.90	28.67		33.14	62.65
TOTAL	29.26		46.85	50.56	104.97
FAR EAST AND AUSTRALIA:					
Australia	5.68		6.84	6.63	12.83
Japan	12.17			23.77	33.39
India	8.59	19.46	9.07	11.25	29.57
China(Mainland)	2.68	0.46		3.13	4.01
Other	97.54		142.00	191.47	367.09
TOTAL	126.66	155.69		236.25	446.89
ALL OTHER COUNTRIES	0.67		6.72	11.84	29.79
Aircraft and Ships Stores	67.09		180.26	153.70	197.07
ALL EXPORTS	1,019.76	1,244.01	1,552.12	1,742.26	3,678.25

* Excluding gold and currency but including Re-Exports.

**Provisional.

Direction of Trade

7.19. Western European countries and in particular the European Union (formerly European Economic Community), remain a dominant market for Kenya's exports. In 1993, total exports to the Union accounted for over a third (36 per cent) of the total export earnings; however this was a drop of 4 percentage points considering that in 1992, this region accounted for 40 per cent of Kenya's total export receipts. This decrease is explained largely by the increased trade between Kenya, PTA and other African countries. For example, exports to all African countries earned the country a total of K£1,274 million in 1993 compared to K£469 million realised in 1992. This was an increase of 171 per cent over the 1992 exports and accounted for 35 per cent of the total export receipts received in 1993. More details are shown in Table 7.11.

ORIGIN OF TOTAL IMPORTS. 1989 -1993

Table 7.12 K£million

	1989	1990	1991	1992	1993*
E.E.C:					
United Kingdom	351.04	466.71	430.33	338 37	602.38
West Germany	198.77	199.69	228.99	199.66	361.52
France	196.66	141.79	150.71	154 95	212.45
Italy	100.13	119.59	91.92	87.83	228.09
Netherlands	64.78	87.48	60.43	75.23	123.16
Other	101.51	129.10	148.99	139.39	218.90
TOTAL	1.012.89	1,144.36	1,111.37	995 43	1,746.50
Other Western Europe. Total .	121.05	138.33	111.06	124.82	177.08
Eastern Europe. Total	25.57	1 7.95	24.09	18.18	38.63
U.S.A	164.21	1 14.36	132.06	243.43	293.40
CANADA	5.64	15.71	24.41	21.30	40.17
AFRICA:					
Tanzania	13.26	12.51	11.29	14.45	24.44
Uganda	1.06	1.31	2.65	7.77	15.98
Zambia	8.89	10 42	11.03	15.65	17.64
Other	49.96	51 42	54.04	56.19	63.57
TOTAL	73.17	75.66	79.01	94.06	121.63
MIDDLE EAST:					
United Arab Emirates	253.33	339.24	328.84	482.08	759.07
Saudi Arabia	42.45	123.35	1 33.03	71.51	233.85
Iran	0.13	36.16	39.84	53.16	61.89
Other	53.79	25 39	26.63	37.85	97.23
TOTAL	349.70	524 14	528.34	644.60	1,152.04
FAR EAST AND AUSTRALIA					
Japan	245.53	228.51	303.55	278 49	383.01
Australia	11.30	8.15	9.75	10.53	12.84
India	41.76	44.99	50.35	85.55	136.47
China(Mainland)	19.53	22.15	24.85	29.36	68.69
Other	159.70	160.33	209.19	272.02	347.96
TOTAL	477.82	464.13	597.69	675.95	948.97
ALL OTHER COUNTRIES	8.93	50.99	37.88	137.09	538.00
Parcel Post and Special Transactions		-	-	-	-
TOTAL	2,238.98	2,545.63	2,645.91	2,954.86	5,056.42

*Provisional

7.20. Table 7.13 displays trade within the PTA region and Africa as a whole. Uganda and Tanzania, Kenya's partners in the defunct East African Community are the main trading partners. This may be a result of continuing efforts to revive the Community. Trade with the Republic of Somalia appears to be picking up very fast, but this may prove to be a temporary phenomenon, due mainly to the crisis that country is passing through and the operations of the United Nations (UN) peace keeping forces. As has been the case in many years, Kenya continues to enjoy trade surpluses with most of these countries. In 1993, combined export earnings from the two East African countries were 47 per cent of the total earnings from the whole of Africa, while imports from the same countries amounted to 33 per cent of the total from Africa. Uganda and lately Mauritius continue to be the main markets for Kenya's cement. High growth rates were also registered for exports of petroleum products to Uganda and the Comoros. Good performance of the Ugandan economy coupled with the massive devaluation of the Kenya currency stimulated demand for Kenya's products.

7.21. There was a considerable improvement in the trade with the Middle East countries. In particular, trade with the United Arab Emirates (UAE) and Saudi Arabia continued to expand at a fast rate. Earnings from Kenya's exports to UAE more than tripled from the level of 1992. From Saudi Arabia, the earnings increased twofold in 1993. These were slightly over 40 per cent of the total earnings from the region, which is an increase of 7 percentage points from their combined share in 1992.

7.22. On the other hand, import payments made to UAE which is mainly for crude oils, increased by 57 per cent in 1993. For the immediate past two years, Kenya has spent more on imports from UAE than from the United Kingdom which for a long time has remained Kenya's single most important trading partner within the European Union. This may be because of the rapid changes in the world price of oil which is the main import commodity from UAE. Japan and India still remain major trading partners, providing Kenya with automobiles, electronics and machinery, among other things.

7.23. Trade with the North American countries of Canada and the United States picked up well in 1993. Export receipts from US alone more than doubled by increasing from K£63 million in 1992 to K£137 million in 1993, while import payments to the same country increased by 21 per cent. This is a remarkable achievement for Kenya given that it basically exports primary products. A similar experience was realised for trade with Canada.

Balance of Payments

7.24. The balance of payments improved impressively in 1993 when an overall surplus of K£1,284 million, and for the first time since 1977 a current account surplus of K£288 million were recorded. This was the best performance ever recorded. The remarkable upturn can be attributed mainly to the good performance in the export and tourism sectors, improved inflow of short-term capital and grants in addition to arrears on foreign debt servicing and the massive

depreciation of the Kenya Shilling. Further, programme loan disbursements were received from International Development Association (IDA) under the Education Sector Adjustment Credit (EDSAC), Export Development Programme (EDP) from Japan and from the European Investment Bank for Small Scale Industrial Project. Total receipts of programme loans amounted to SDR 184 million. Other factors that led to this exceptional performance include continuing liberalisation of import licensing, promotion of exports of non-traditional commodities, tourism promotion and liberalisation of consumer prices. The low absorption capacity for the high balance of payments overall surplus by the economy may have been due to slow response of the business community to the major socio-economic policy reforms implemented in the economy in 1992/93.

TRADE WITH AFRICAN COUNTRIES. 1989 - 1993

Table 7.13 K£'000

	EXPORTS					IMPORTS				
	1989	1990	1991	1992	1993*	1989	1990	1991	1992	1993*
Preferential Trade Area										
PTA										
Uganda	65,919	64,043	107,250	122,844	325,976	1,063	1,314	2,651	7,765	15,985
Tanzania	27,476	32,264	54,126	80,985	270,477	13,263	12,508	11,286	14,448	24,440
Zambia	2,822	3,292	4,023	5,763	8,516	8,894	10,419	11,034	15,647	17,642
Ethiopia	8,993	11,762	14,192	18,581	84,521	153	57	72	136	72
Burundi	6,344	7,938	14,548	10,875	22,294	365	1,050	139	1,104	2,305
Somalia	7,996	23,433	17,554	49,124	117,543	1,002	62	69	226	48
Rwanda	16,865	18,259	29,347	22,468	68,217	1,584	431	59	30	115
Malawi	1,032	1,607	2,425	2,421	6,295	57	743	217	54	2,500
Mauritius	2,867	8,823	6,258	9,847	27,731	285	373	2,585	1,624	8,822
Swaziland	1,320	1,280	2,437	268	138	5,694	9,167	8,173	14,377	356
Zimbabwe	10,706	12,566	6,796	14,086	11,150	26,945	26,839	19,545	25,671	41,610
Comoros	401	2,385	5,952	6,960	15,158				26	
Djibouti	1,025	1,089	4,899	5,914	9,797	1	1,095	183	10	9
Mozambique	2,239	1,378	2,132	506	1,610	409	4,321	1,667	37	200
Angola	860	8,649	28	434	68	3		1	3	104
Lesotho	262	47	48	271	6	1	1,561	37	13	
TOTAL PTA**	157,127	198,875	272,015	351,347	969,497	59,719	69,940	57,718	81,171	114,208
Other African Countries.										
Sudan	20,970	20,110	28,848	20,382	82,320	7	62	83	2,531	3
Zaire	6,742	6,365	16,251	13,086	28,760	150	419	3,177	1,189	3,328
Egypt	10,844	27,224	46,151	66,901	156,548	374	69	8,549	169	880
Algeria & Libya	206	400	367	32	122	1	5	63	.	9
Ghana & Nigeria	2,117	3,060	3,563	6,485	7,593	197	4,450	537	1,016	1,224
Reunion	7.477	7,024	5,521	5,445	5,676	.	139		1	.
Madagascar and Seychelles	17,838	2,659	2,711	3,065	7,979	117	145	244	153	93
All Other African Countries	3,814	4,109	4,859	2,749	15,965	12,606	429	8,642	7,835	1,884
TOTAL	70,008	70,951	108,271	118,145	304,963	13,452	5,718	21,295	12,894	7,421
TOTAL AFRICA	227,135	269,826	380,286	469,492	1,274,460	73,171	75,658	79,013	94,065	121,629
Percentage of all Exports/Imports	22.3	21.7	24.5	26.9	34.6	3.3	3.0	3.0	3.2	2.4

* Provisional.

** The Eastern and Southern Africa Preferential Trade Area became operational on 1st July 1984

KENYA BALANCE OF PAYMENTS, 1991 -1993

Table 7.14

K£million

	1991 +			1992*			1993*		
	Debits/ Assets	Credits/ liabilities	Net	Debits/ Assets	Credits/ liabilities	Net	Debits/ Assets	Credits/ liabilities	Net
A. -CURRENT ACCOUNT									
1. Merchandise (f.o.b.)	2,334.94	1,449.44	Dr. 885.50	2,568.51	1,617.31	Dr. 951.20	4,329.16	3,438.32	Dr. 890.84
2. Shipment	373.81	66.77	Dr. 307.04	411.20	88.48	Dr. 322.72	693.07	188.72	Dr. 504.35
3. Other Transportation	162.75	442.37	279.62	168.23	474.64	306.41	339.13	800.52	461.39
4 Foreign Travel	33.06	593.80	560.74	46.06	712.71	666.65	138.91	1,222.40	1,083.49
5. International Investment Income	593.15	7.90	Dr. 585.25	573.40	2.75	Dr. 570.65	1,137.51	9.70	Dr. 1127.81
6. Other goods, services and income : Government	124.95	378.33	253.38	124.83	473.30	348.47	203.38	877.97	674.59
7. Other goods, services & income Private	180.48	95.15	Dr. 85.33	187.26	97.93	Dr. 89.33	325.73	217.98	Dr. 107.75
8. Unrequited transfers-Government	6.35	287.65	281.30	7.30	352.40	345.10	7.65	280.10	272.45
9. Unrequited transfers-Private	64.43	263.00	198.57	305.01	415.00	109.99	176.25	602.90	426.65
TOTAL CURRENT ACCOUNT	3,873.92	3,584.41	Dr.289.51	4,391.80	4,234.52	Dr. 157.28	7,350.79	7,638.61	287.82
of which: Visible Balance	2,334.94	1,449.44	Dr. 885.50	2,568.51	1,617.31	Dr. 951.20	4,329.16	3,438.32	Dr. 890.84
Invisible Balance	1,538.98	2,134.97	595.99	1,823.29	2,617.21	793.92	3,021.63	4,200.29	1,178.66
B. -CAPITAL ACCOUNT									
10.Government Long-term		115.30	115.30		Dr. 104.35	Dr. 104.35		442.69	442.69
11 .Private Long-term	6.05	59.59	53.54	5.11	Dr.19.52	Dr. 24.63	0.10	Dr.25.54	Dr. 25.64
12.Parastatals Long-term		19.25	19.25		Dr.132.15	Dr. 132.15		Dr.286.50	Dr. 286.50
13.Short-term		Dr. -23.7	Dr. 23.70		Dr. 6.90	Dr. 6.90		856.83	856.83
TOTAL CAPITAL ACCOUNT	6.05	170.44	164.39	5.11	Dr.262.92	Dr. 268.03	0.10	987.48	987.38
C. -ERRORS AND OMISSIONS			Dr. 18.17			Dr. 7.71			8.90
D. -OVERALL BALANCE			Dr. 143.29			Dr. 433.02			1,284.10
E. -MONETARY MOVEMENTS									
14.Change in reserves**	Cr.45.17		45.17	240.17		Dr. 240.17	2,312.46		Dr. 2,312.46
15.Transactions with I.M.F		120.52	120.52		41.65	41.65		593.12	593.12
16.Change in other liabilities		Dr. 22.40	Dr. 22.40		631.54	631.54		435.24	435.24
TOTAL MONETARY MOVEMENTS	Cr.45.17	98.12	143.29	240.17	673.19	433.02	2,312.46	1,028.36	Dr. 1,284.10

* *Provisional.*

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

\+ *Revised.*

7.25. Table 7.14 shows a current account surplus of K£288 million. The adjusted merchandise account balance measured on an f.o.b basis improved from a deficit of K£951 million to a deficit of K£891 million. The change in foreign reserves stood at K£2.31 billion while transactions with the International Monetary Fund (IMF) including valuation changes improved significantly.

77.26. More details presented in Table 7.15 show that exports rose by K£1.82 billion compared to the adjusted import bill which grew by K£1.76 billion. Net services earnings increased by K£141 million, mainly from tourist earnings which in turn is a result of improvement in regional foreign tourism in East Africa in recent years. Grants grew by K£244 million in 1993 compared with a decline of K£25 in 1992.

CHANGES IN KENYA BALANCE OF PAYMENTS MAGNITUDES*, 1991 - 1993

Table 7.15 K£million

		1991	1992	1993
1.	Exports (f.o.b.)* *	+ 291.69	+ 167.87	+ 1,821.01
2.	Imports(f.o.b) * *	-37.33	-233.57	-1,760.65
3.	Services(net)	+ 1.51	+ 222.71	+ 140.73
4.	Transfers (net)	+ 50.47	-24.78	+ 244.01
5.	Change on current account	+ 306.34	+ 138.23	+ 445.10
6.	Private long term capital (net)	-24.38	-78.17	-1.01
7.	Public long term capital (net)	-43.22	-371.05	+ 392.69
8.	Change on basic balance (net balance on lines 5-7)	+ 238.74	-316.99	+ 836.78
9.	Short term capital, errors and omissions (net)	-213.09	+ 27.26	+ 886.34
10.	Net change on all above items (Monetary movements)	+ 25.65	-289.73	+ 1,717.12

* 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. Net official capital inflows increased by K£393 million. The long-term capital inflow together with changes on the current account led to a large surplus in the basic balance of K£837 million in 1993, compared with that of K£317 million deficit in 1992.

International Liquidity

7.28. Details of the foreign exchange reserves of the Central Monetary Authorities for the last five years are shown in Table 7.16. Total net foreign reserves held by the Central Bank of Kenya rose six-fold between 31st December 1992 and 31st December 1993. At the end of last year, the reserves stood at a record level of K£1,641.4 million having risen from K£269.8 million in December 1992. This upsurge in the level of these assets can be attributed to the effects of foreign exchange liberalisation policy. Another factor was the continued accumulation of debt-service arrears.

CENTRAL MONETARY AUTHORITIES:FOREIGN EXCHANGE RESERVES, 1989 - 1993

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
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	8.73	269.80	6.28	272.25	11.35	274.48	497.14	570.22	-73.08	92.22
1993										
January	16.02	210.21	6.70	219.53	10.96	230.49	497.14	547.99	-50.85	192.22
February	16.78	267.97	6.63	278.12	11.13	289.25	502.16	553.54	-51.38	127.35
March	13.35	297.67	6.32	304.70	15.69	320.39	629.72	681.80	-52.08	116.82
April	17.08	1,254.96	8.35	1,263.69	20.89	1,284.58	847.66	888.19	-40.53	157.25
May	9.70	1,154.96	8.99	1,155.67	22.58	1,178.25	899.78	942.80	-43.02	166.92
June	1.76	675.55	10.27	667.04	22.49	689.53	906.09	931.63	-25.54	168.09
July	19.86	566.56	9.42	577.00	22.49	599.49	901.55	900.02	1.53	168.09
August	3.95	528.27	11.72	520.50	22.49	542.99	1,004.86	998.13	6.73	186.41
September	4.83	589.22	15.25	578.80	22.49	601.29	986.93	970.63	16.30	183.08
October	8.05	659.95	8.67	659.33	22.49	681.82				177.66
November	18.51	990.99	8.00	1,001.50	22.49	1,023.99	947.73	898.93	48.80	175.81
December	10.32	1,641.43	7.25	1,644.50	22.49	1,666.99	938.51	880.98	57.53	174.10

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.

7.29. Whereas net foreign liabilities other than those to the International Monetary Fund (IMF) increased from K£6.3 million at the end of December 1992 to K£7.3 million in December 1993, subscription to the above institution almost doubled over the same period. The Fund's holding of Kenya currency also increased substantially from K£570.2 million in 1992 to K£881.0 million in 1993 (an increase of 54 per cent), while SDRs only managed an 18 per cent growth rate over the same period.

FOREIGN EXCHANGE RATES OF KENYA SHILLING FOR SELECTED CURRENCIES, 1988 - 1993

Table 7.17

CURRENCY	MEAN RATES IN KENYA SHILLINGS					
	31st Dec. 1988	31st Dec. 1989	31st Dec. 1990	31st Dec. 1991	31st Dec. 1992	31st Dec. 1993
1 US Dollar	18.599	21.601	24.084	28.074	36.216	68.163
1 Pound Sterling	33.302	34.670	46.470	52.428	54.705	100.916
1 Deutsche Mark	10.408	12.812	16.131	18.486	22.381	39.298
1 French Franc	3.051	3.747	4.743	5.410	6.568	11.567
1 Swiss Franc	12.293	14.036	18.904	20.711	24.721	46.056
1 Dutch Guilder	9.217	11.341	14.298	16.401	19.924	35.127
1 Swedish Kroner	3.023	3.485	4.288	5.060	5.124	8.193
1 Norwegian Kroner	2.825	3.286	4.115	4.697	5.235	9.071
1 Zambian Kwacha**		1.033	0.509	0.314	0.102	0.103
1 Austrian Shilling	0.148	1.821	2.287	2.627	3.191	5.594
1 Belgian Franc	0.496	0.608	0.781	0.897	1.090	1.899
1 Danish Kronor	2.694	3.289	4.175	4.752	5.793	10.077
1 Canadian Dollar	16.606	18.681	20.764	24.246	28.553	51.308
1 Finish Marka	4.447	5.352	6.673	6.788	6.923	11.780
1 Australian Dollar	15.897	17.162	18.598	21.331	24.971	46.174
100 Japanese Yen	14.800	15.032	17.860	22.352	29.066	60.914
100 Italian Lira	1.414	1.710	2.134	2.441	2.455	3.988
1 Indian Rupee	1.240		1.326	1.085	1.399	2.173
1 Pakistan Rupee					1.397	
100 Burundi Francs**	17.615	12.552	14.663	14.691	15.371	25.850
100 Rwanda Francs**	24.032	27.829	19.885	23.436	24.760	46.740
Overall Weighted Index* 1982=100	177.600	199.000	243.600	282.100	314.600	600.000

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

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

7.30. As depicted by Table 7.17 which shows end of year exchange rates of the Kenya shilling vis-a-vis other world currencies, in 1993 the shilling depreciated against all selected currencies. The movement of the shilling should be seen against the background of the three official devaluations in the year. On 9 March, 20 April and 14 May, 1993 the shilling was devalued by 25 per cent, 31 per cent and 6 per cent respectively. Though this has been a general relationship between the shilling and most of these currencies over the period covered by this table, the trade weighted index of the Kenya shilling against the major currencies rose by about 91 Per cent from 314.6 in 1992 to 600.0 in 1993. The shilling also depreciated against the Preferential Trade Area Unit of Account (UAPTA) from KSh49.863 in 1992 to

KSh94. 134 in 1993. In essence, during the period ending December 1993, the Kenyan shilling suffered its worst depreciation against these selected currencies by losing by over 48 per cent of its value. This as mentioned earlier, is closely linked to the overall exchange rate liberalisation which saw partial abolition of exchange control regulations, which in the short run period has the effect of reducing the market price of the domestic currency (the shilling) against other trading currencies.

7.31. From Table 7.17 it can be deduced that though the degree of the depreciation of the Shilling was generally very high in 1993 compared to other years, it varied with each country. For example, the Shilling depreciated by about 47 per cent against the US dollar; 46 per cent against the Sterling Pound; 44 per cent against the Canadian dollar; 43 per cent against the German Mark and 1 per cent against the Zambian Kwacha, etc. The highest depreciation, however, was against the Japanese Yen. The shilling depreciated from Ksh.29 to the Yen in December 1992 to Ksh.61 to the Yen at the end of 1993, representing a 52 per cent fall in value.

CHAPTER 8 - AGRICULTURE

Overview

The agricultural sector continued to perform poorly for the third year running. The year 1993 was characterised by bad weather and rising costs of production due to inflation. These factors mainly affected cereals which are seasonal crops as most permanent and temporary crops registered marginal growth in deliveries to marketing boards. The effects of adverse conditions were, however, offset by the impact of marketing and price liberalisation for most crops and improved external market conditions for the major export crops like tea, coffee and horticultural produce. The production of food crops particularly maize, beans, wheat and paddy rice declined substantially from 1992 levels. The poor performance of the sector affected the country's food reserves and forced the country to import foodstuffs to supplement local production. Value added at constant prices declined by 4.1 per cent during 1993.

8.2. Table 8.1 summarises agricultural output, inputs and value added. Total output decreased by 3.8 per cent in real terms as compared with a decrease of 4.0 per cent in 1992. Looking at the trend from 1990 to 1993, value added at current prices has been growing at an average of 14.0 per cent per annum, implying no real growth if inflation is taken into account. Total output from the agricultural sector fell by 3.8 per cent in 1993 compared with 1992 at constant prices, while total inputs declined by 1.6 per cent. Consequently, valued added for the sector actually declined by 4.1 per cent for the same period.

AGRICULTURAL OUTPUT AND INPUT. 1989 - 1993

Table 8.1 K£million

	1989	1990	1991	1992	1993*
AT CURRENT PRICES-					
Total Output	2,381.57	2,519.32	2,646.46	2,998.72	3,958 31
Less Inputs	293.18	289.66	308 77	316.78	375.20
Value Added	2,088.39	2,229.66	2,337.69	2,681.94	3,583.11
AT CONSTANT (1982) PRICES-					
Total Output	1,345.14	1,347.19	1,321.81	1,269.57	1,220.78
Less inputs	192.63	155.15	142.88	134.70	132.48
Value Added	1,152.51	1,192.04	1,178.93	1,134.83	1,088.30

* Provisional.

Marketed Production

8.3. The values of marketed agricultural production at current prices are detailed in Table 8.2. In 1993 the value of total recorded marketed production rose by 63.5 per cent compared to 1992. The sharp rise in value despite a decline in production is mainly attributable to high commodity prices resulting both from massive devaluation of the Kenya shilling against world major currencies, affecting exported agricultural commodities, and internal decontrol of prices of commodities, especially of cereals,

during 1993. Permanent crops registered a very rapid increase in marketed value of 104.8 per cent in 1993 compared to 11.5 per cent in 1992. The value of marketed tea more than doubled to K£993.4 million from K£446.7 million, while that of coffee went up by 76.3 per cent despite the decline in production. The value of cereals increased by 4.8 per cent as compared to 16.4 per cent in 1992. Liberalization of cereals marketing has continued to reduce the quantum of sales to grain marketing boards, a desired positive effect of structural adjustment programmes, with the private sector taking the larger share. Sales of temporary industrial crops increased by 27.8 per cent from K£155.1 million in 1992 to K£198.1 million in 1993, due to increased production of pyrethrum and producer price adjustment for sugar-cane. Livestock and livestock products sector recorded a growth rate of 21.8 per cent in terms of value of marketed production during 1993 compared to a decline of 0.2 per cent in 1992. This is partly due to price decontrols of some of the livestock products, producer price adjustment of livestock products especially milk and deregulation of meat prices and the desire by farmers to sell animals due to drought.

RECORDED MARKETED PRODUCTION AT CURRENT PRICES, 1989 -1993

Table 8.2 K£million

	1989	1990	1991	1992	1993*
CEREALS-					
Maize	69.89	56.87	46.37	76.93	97.96
Wheat	39.96	31.97	49.93	35.25	20.61
Others	6.98	2.07	35.09	40.78	41.67
Total	116.83	90.91	131.39	152.96	160.24
TEMPORARY INDUSTRIAL CROPS					
Sugar-cane	78.41	91.40	107.37	115.20	158.57
Pyrethrum	10.05	12.60	16.54	19.04	19.85
Others	14.15	22.67	15.71	20.83	19.71
Total	102.61	126.67	139.62	155.07	198.13
OTHER TEMPORARY CROPS	24.04	18.71	13.22	7.95	8.02
PERMANENT CROPS					
Coffee	243.90	203.35	202.70	218.25	384.80
Tea	245.32	346.86	390.02	446.67	993.35
Sisal	16.63	18.05	18.84	16.73	16.91
Others	3.82	3.10	3.34	4.14	9.51
Total	509.67	571.36	614.90	685.79	1,404.57
TOTAL CROPS	753.15	807.65	899.13	1,001.77	1,770.96
LIVESTOCK AND PRODUCTS-					
Cattle and Calves	148.98	164.03	193.80	207.12	235.20
Dairy Produce	66.21	84.33	78.89	63.75	97.15
Others	34.86	43.06	48.31	49.33	57.80
Total	250.05	291.42	321.00	320.20	390.15
GRAND TOTAL	1,003.20	1,099.07	1,220.13	1,321.97	2,161.11

*Provisional.

8.4. The price and quantum indices of marketed output are shown in Table 8.3. The Table shows relative changes in the volume and prices for commodities purchased by marketing boards. The overall quantum index stood at 107.4 in 1993 compared with 109.3 in 1992. There is a noticeable decline in the index for cereals which stood at 41.4 from 59.9 in 1992. The decline in quantum index for cereals is attributed to reduced production, enhanced commodity market reform programmes which enable farmers to sell their produce to the highest bidder mainly in the private sector, thus reducing the role of the marketing boards. The quantum index of temporary industrial crops and permanent crops moved upward from 91.4 to 93.1 and 137.3 to 142.3 respectively during the year. Price indices indicate clearly that there were significantly better commodity prices in 1993 than in 1992. The increases in value of marketed production were mainly due to higher producer prices rather than increased volume of delivery. The overall price index stood at 399.8 compared to 256.0 in 1992.

VOLUME AND PRICE INDICES OF SALES TO MARKETING BOARDS, 1989-1993

Table 8.3 1982 = 100

	1989	1990	1991	1992	1993*
QUANTUM INDICES-					
Cereals	97.0	67.9	72.3	59.9	41.4
Temporary Industrial Crops	100.1	99.3	95.7	91.4	93.1
Permanent Crops	149.5	155.9	143.2	137.3	142.3
TOTAL CROPS	134.3	131.4	124.0	117.4	116.3
Livestock and Products	85.8	94.9	98.9	79.5	82.0
TOTAL GROSS MARKETED PRODUCTION	124.7	125.0	119.1	109.3	107.4
PRICE INDICES-					
Cereals	198.8	246.9	294.2	396.9	587.04
Temporary Industrial Crops	189.8	242.2	253.4	290.4	364.1
Permanent Crops	150.2	154.3	181.1	205.9	396.0
TOTAL CROPS	163.9	184.2	211.2	250.9	423.3
Livestock and Products	181.0	197.6	211.6	276.7	321.5
TOTAL GROSS MARKETED PRODUCTION	164.5	193.5	215.8	256.0	399.8

* Provisional.

Data on livestock is from slaughter houses

8.5. Table 8.4 shows average gross commodity prices paid to farmers for selected commodities. All commodities except pyrethrum (extract equivalent) experienced price increases with pyrethrum remaining static at Kshs. 1,800 per kg for four years consecutively. The prices of permanent crops, notably tea and coffee, almost doubled during the year. This was as a result of both government policy that allowed tea and processed coffee to be sold in US dollars and the Kenyan shilling depreciating sharply against the major foreign currencies. Maize, sugar-cane, cotton and milk prices also went up in response to government's adjustment of producer prices, aimed at boosting farmers' morale for increased production. The unit price of beef increased due to general inflationary trends during 1993.

AVERAGE GROSS COMMODITY PRICES* TO FARMERS, 1989 - 1993

Table 8.4 KSh. per stated unit

	UNIT	1989	1990	1991	1992	1993**
Coffee	100kg	4,312.00	3,636.00	4,654.00	4,936.60	9,886.00
Tea	,,	2,717.00	3,521.00	3,848.00	4,750.00	9,241.45
Sisal	„	892.00	918.20	944.00	980.00	989.00
Sugar-cane	tonne	368.00	447.50	521.06	630.00	826.00
Pyrethrum(extract equivalent)	Kg	1,675.00	1,800.00	1,800.00	1,800.00	1,800.00
Seed Cotton	100Kg	570.50	981.00	998.00	990.00	1,323.00
Maize	,,	274.44	261.67	305.56	474.70	810.40
Wheat	„	342.80	450.00	500.00	560.26	565.00
Rice Paddy +		388.00	-	-	.	.
Beef(third grade)		2,380.00	2,200.00	2,500.00	2,600.00	2,710.00
Bacon Pigs	„	2,275.00	2,345.20	2,911.25	3,916.84	5,465.00
Milk	100 litres	375.00	435.00	440.00	580.00	780.00

* 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, 1992 and 1993.

8.6. Table 8.5 provides data on the value and retrospective share of sales to marketing boards by type of farm. The percentage share of small and large farms were 64.2 and 35.8 respectively in 1993 as compared to 62.3 and 37.7 respectively in 1992. Over the years, the contribution from large farms have been declining due to continuous sub-division of formerly large scale farms into small farms. In 1993 the small farms sector sales rose by 68.1 per cent compared to 56.1 per cent for large farms. The dominance of small farms is bound to continue with more sub-division of the large farms.

SALE TO MARKETING BOARDS FROM LARGE AND SMALL FARMS, 1989 -1993

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
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
1993*	774.54	56.10	1,386.57	68.11	2,161.11	64.00	64.16

* Provisional.

8.7. Table 8.6 summarises data on quantum and price indices of agricultural inputs. Quantum index for material inputs declined from 124.5 in 1992 to 123.9 in 1993, a decrease of 0.5 per cent. The fall was contributed by the decline in use of fertilizer,

purchased seeds and other material inputs with marginal rise in fuel and power, bags and manufactured feeds. The downward trend in the use of fertilizer was in part due to rising prices as indicated by its price index rising from 167.2 in 1989 to 310.1 in 1993. The price index of agricultural input went up by 33.6 per cent as compared to 8.8 per cent in 1992, an indication of general inflationary trend, decontrolled prices and deterioration of Kenya shilling against major hard currencies.

AGRICULTURAL INPUT INDICES*, 1989 - 1993

Table 8.6 1982 = 100

	1989	1990	1991	1992	1993**
QUANTUM INDICES-					
Fertilizers	158.4	146.6	144.7	93.9	88.4
Fuel and Power	103.6	121.1	114.9	109.9	112.9
Bags	97.3	94.1	96.2	99.7	101.7
Manufactured Feeds	258.7	260.1	269.4	265.2	266.9
Purchased Seeds	125.6	107.4	98.8	115.7	110.2
Other Material Inputs	90.5	92.2	93.5	96.9	96.3
Total Material Input	133.3	134.9	134.0	124.5	123.9
Service Inputs	118.0	105.2	106.7	110.6	108.9
TOTAL INPUTS	131.6	131.0	130.8	122.8	122.1
PRICE INDICES-					
Fertilizers	167.2	202.3	212.4	233.6	310.1
Fuel and Power	147.3	224.1	252.7	303.6	459.2
Bags	158.8	162.4	171.0	197.9	241.8
Manufactured Feeds	176.6	188.3	226.6	254.5	328.3
Purchased Seeds	222.1	238.2	279.1	336.6	466.8
Other Material Inputs	129.4	154.6	173.7	201.1	257.4
TOTAL MATERIAL INPUT	154.3	188.8	222.1	244.5	331.4
SERVICE INPUTS	136.2	153.2	160.3	164.9	185.0
TOTAL INPUTS	152.2	186.7	216.1	235.1	314.1

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

**Provisional.

8.8. The value of purchased agricultural inputs, as Table 8.7 indicates, increased significantly to K£ 297.79 million in 1993 from K£ 222.67 million in 1992, a 33.7 per cent increase. This is attributable to the higher prices of inputs offsetting the decrease in quantity of some inputs used.

8.9. Unfavourable weather conditions resulting in low output coupled with high inflation rate during 1993 led to adverse effects on agricultural terms of trade. Indices of prices paid, rose by 41.0 per cent, while output prices index rose by 37.3 per cent, thereby reducing the terms of trade index from 89.5 to 87.1 as depicted in Table 8.8.

PURCHASED AGRICULTURAL INPUTS*, 1989 - 1993

Table 8.7 K£million

	1989	1990	1991	1992	1993**
MATERIAL INPUTS-					
Fertilizers	69.23	48.47	51.40	38.48	49.57
Other Agricultural Chemicals	13.50	11.13	12.90	12.39	14.04
Livestock Drugs and Medicines	19.57	18.82	20.44	18.73	22.24
Fuel and Power	25.49	34.58	36.21	45.04	92.69
Bags	11.86	11.47	12.64	13.87	14.64
Manufactured Feeds	23.39	31.18	32.07	33.78	36.67
Purchased Seeds	25.40	27.09	29.25	34.76	39.46
Other Material Inputs	8.08	8.47	9.07	9.36	10.24
Total	196.52	191.21	203.98	206.41	279.55
SERVICE INPUTS	15.87	14.18	15.75	16.26	18.24
TOTAL INPUTS	212.39	205.39	219.73	222.67	297.79

* Exceptlabour.

* Provisional.

PRICE AND TERMS OF TRADE INDICES FOR AGRICULTURE, 1989-1993

Table 8.8 1982 = 100

	1989	1990	1991	1992	1993*
General Index of Agricultural Output Prices**	177.0	187.0	200.2	236.2	324.2
PRICE PAID-					
Purchased Inputs	152.2	186.7	216.1	235.1	314.2
Index of Purchased Consumer Goods-Rural Areas	188.4	205.9	228.6	284.8	442.3
INDICES OF PRICES PAID	181.2	196.5	214.4	263.9	372.2
Agricultural Sector terms of Trade	97.7	95.2	93.4	89.5	87.1

* Provisional.

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

8.10. For three years in succession, the long rains were generally poor, erratic and insufficient in several areas for proper crop development. Accumulated rainfall totals for nine agromet stations east of Rift Valley, which have long term rainfall data, recorded deficits ranging between 7 per cent to 42 per cent during 1993. A similar phenomenon was observed in eleven agromet stations west of Rift Valley. However, the deficits in these stations were more pronounced varying from 19 per cent to 73 per cent. The 1993 short rains were also poor, less intensive and unevenly spread. The short rains started late at the end of October allowing planting and initial crop development. However, dry spells in early November and the termination of rains in December prevented crop from developing properly, causing widespread withering and crop failure in several parts of the country. The cumulative rainfall from October 1993 to January 1994 was substantially below normal with January precipitation probably the

lowest on record since 1990. As a result the 1993 crop performance was significantly below normal and the lowest in three successive years. The unfavourable weather among other factors negatively affected planted hectarage particularly for maize and beans which have recorded a declining trend over the past three years.

8.11. Table 8.9 presents estimates of production of maize, beans, potatoes, sorghum and millet. Maize production is estimated at 17.73 million bags, a decline of 39.3 per cent as compared to 1989 levels. Production of maize has shown a downward trend since 1990 with the worst decline recorded in 1993. This is attributable to the severe drought in most parts of the country including the cereal producing districts of the Rift Valley and Western provinces.

ESTIMATED PRODUCTION OF SELECTED AGRICULTURAL COMMODITIES IN AGRICULTURAL YEARS, 1989/90 - 1993/94

(Based on Crop Forecast Surveys)

Table 8.9 million bags

CROP	1989/90	1990/91	1991/92	1992/93	1993/94*
Maize	29.23	25.44	22.05	23.40	17.73
Beans	2.85	2.34	2.10	2.39	1.25
Potatoes	2.59	2.13	1.95	2.26	1.99
Sorghum	0.99	0.88	0.82	0.95	0.86
Millet	0.57	0.40	0.35	0.45	0.39

* Provisional.

8.12. Estimated production of beans declined by 47.7 per cent from 2.39 million bags in 1992 to 1.25 million bags in 1993. Potato production declined by 11.9 per cent from 2.26 million bags in 1992 to 1.99 million bags in 1993. Similar trends are observed for sorghum and millet, with sorghum production declining by 9.5 per cent from 0.95 million bags in 1992 to 0.86 million bags in 1993, while production of millet declined by 13.3 per cent from 0.45 million bag in 1992 to 0.39 million bags in 1993.

8.13. From Table 8.10, it is evident that the prices of maize, beans, potatoes, sorghum and millet rose steadily since March 1993 in all regions, with some crops recording more than 300 per cent price increases. The steady price increase can be explained by the decline in production coupled with the general rise in inflation contributing to rising input costs and the depreciation of the Kenya shilling against other foreign currencies.

RURAL MARKET PRICES FOR SELECTED FOOD CROPS

BY PROVINCE, 1990 - 1993

Table 8.10 KSh. per Kg.

CROP	Province	1990		1991		1992		1993	
		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	10.20	13.50
	Eastern	2.86	3.00	3.05	3.70	4.50	11.05	8.18	12.33
	Central	3.44	3.30	3.60	4.78	5.70	11.63	7.78	12.16
	Rift Valley	2.56	3.02	3.70	5.39	7.50	11.35	9.00	11.50
	Nyanza	2.89	2.60	3.10	3.88	5.20	7.50	6.90	10.36
	Western	3.06	2.76	3.20	4.80	5.42	7.60	8.18	10.41
Beans	Coast	11.71	12.67	12.70	12.90	14.50	18.40	30.30	28.88
	Eastern	5.29	6.10	6.50	6.50	7.40	12.60	12.58	22.75
	Central	7.60	7.44	8.11	9.00	10.70	12.70	15.44	27.03
	Rift Valley	7.75	7.54	8.00	10.60	15.50	15.90	20.29	23.95
	Nyanza	6.65	7.55	7.22	7.60	9.60	11.45	13.65	21.70
	Western	7.38	6.94	7.26	7.21	10.15	12.98	16.10	22.70
Potatoes	Coast	7.73	7.68	8.05	8.45	13.90	18.20	15.20	18.00
	Eastern	3.78	3.57	3.80	4.20	3.90	5.00	6.75	8.10
	Central	3.48	5.56	3.65	5.90	4.68	5.60	6.00	7.20
	Rift Valley	2.56	3.48	3.00	3.20	8.98	8.30	4.75	8.25
	Nyanza	7.91	7.66	8.20	8.35	8.75	9.65	5.55	10.20
	Western	3.25	3.53	3.70	4.35	6.20	6.50	9.30	9.85
Sorghum	Eastern	4.92	6.36	10.20	8.30	9.70	10.20	9.38	11.55
	Nyanza	4.45	4.28	4.91	5.10	5.52	7.17	6.25	11.15
	Western	4.24	4.84	6.90	6.20	6.78	5.80	7.66	10.75
Millet	Eastern	9.25	12.50	14.20	15.00	10.20	14.75	11.35	14.55
	Rift Valley	7.60	7.50	12.40	8.95	14.70	12.20	11.65	13.25
	Nyanza	8.50	8.30	9.00	8.50	8.40	10.80	9.65	17.05
	Western	6.90	6.70	9.10	7.10	8.25	8.70	10.85	12.25

Production by Crop

8.14. The poor performance of the agricultural sector observed in 1992 continued into 1993. Rainfall was below average while input prices continued to soar. The high input prices resulted from complete liberalization of agricultural inputs leading to a decline in quantities of fertilizer purchases. Total hectarage planted to a number of food crops and some temporary industrial crops by small holders continued the downward trend observed since 1989. Complete agricultural market decontrol later in the year motivated farmers into seeking alternative outlets to marketing boards causing a general rise in commodity prices and a shift in the distribution of grains in favour of the private sector. Policy incentives such as foreign currency auctions, retention accounts for both tea and coffee, and high prices arising from devaluation of Kenya shillings contributed to the rise in output of tea. Coffee continued to be on a downward trend after the stalemate of the International Coffee Agreement.

8.15. *Maize* - Estimated production of maize in 1993 dropped by nearly 24.4 per cent, from 23.4 million bags in 1992/93 crop year, to 17.73 million bags in 1993/94. Consequently, deliveries to National Cereals and Produce Board (NCPB) from local production fell by 25.4 per cent. The reduction in deliveries to NCPB is a continuation of downward trend observed in earlier years as a result of liberalization in grain marketing. Reduction in output of maize in 1993 is attributed to three main factors. The weather was unfavourable in most parts of the country with majority of the areas recording below normal precipitation during the two rainy seasons. Secondly, due to high input prices less fertilizers were procured by farmers. Thirdly, most of the farmers expressed dissatisfaction with the quality of seeds available in the market during 1993. These adverse factors automatically affected the yield. Furthermore, drought in successive years has had the effect of discouraging expansion in planted hectarage under maize and other rainfed food crops.

SALE OF SOME MAJOR CROPS TO MARKETING BOARDS, 1989 - 1993

Table 8.1 1

CROP	UNIT	1989	1990	1991	1992	1993*
Maize	'000 tonnes	648.7	527.7	303.5	324.1	241.78
Wheat		233.2	78.5	199.0	125.9	73.07
Rice Paddy +		31.5		12.9	14.2	11.36
Cotton		13.8	18.8	8.4	2.8	2.50
Coffee		113.1	111.9	87.1	88.4	77.80
Tea		180.6	197.0	203.6	188.1	214.98
Sisal		37.4	39.3	38.8	34.1	35.10
Sugar-cane	mn. tonnes	4.3	4.2	4.0	3.7	3.84
Pyrethrum (Extract Equivalent)	tonnes	124.1	136.4	183.8	211.6	220.50

* Provisional.

8.16. *Wheat* - The production of wheat in 1993 declined sharply by 38.9 per cent, from 125.9 thousand tonnes in 1992 to 76.9 thousand tonnes in 1993. Table 8.12 sets out details on production and imports of wheat between 1989 and 1993. To compensate for the decline in wheat production, wheat imports increased almost three-fold from 100.8 thousand tonnes in 1992 to 314.4 thousand tonnes in 1993.

PRODUCTION AND IMPORTS OF WHEAT, 1989 1993

Table 8.12 '000 Tonnes

YEAR	PRODUCTION*	IMPORTS	TOTAL
1989	244.2	123.5	367.7
1990.. ..	190.1	322.6	512.7
1991	195.0	450.0	645.0
1992	125.9	100.8	226.7
1993**	76.9	314.4	391.3

* Includes rentention for seed.

** Provisional.

While the demand for wheat flour and wheat products such as bakery and confectionery have correspondingly decreased in the last two years, it still outstrips local production thus necessitating importation. The shift in consumption patterns is attributable to the loss of consumer purchasing power and the rise in the cost of living.

8.17. ***Coffee*** - In 1993 a total of 77.8 thousand tonnes of coffee was delivered to the Coffee Board of Kenya, representing a slump of 12 per cent over the 1992 figure of 88.4 thousand tonnes. Of the 1993 deliveries, 43,881 tonnes or 56.4 per cent came from the co-operative sector underscoring the importance of small-holder in coffee production. The decline in coffee production was due to a multiple of factors including reduced precipitation during 1993 which was not conducive to the crop. Owing to the floating of Kenya shilling against major currencies, farm input prices went up, and as a result few farmers could afford to buy them. This led to sub-optimal application of fertilizer and other chemicals. The low world coffee prices realized in 1992, had negative impact on farmers attitude, leading to partial neglect of the crop or to abandonment of the required crop husbandry practices. There was a wide variation in prices of coffee in the world market for the years 1993 and 1992. A total of 84.0 thousand tonnes of coffee worth K£232.7 million was sold for export in 1992/93 season at an average price of K£2,773 per tonne compared to 84.7 thousand tonnes worth K£431.0 million of exports for 1993/94 at an average price of K£ 5,037 per tonne. The main reason for the increase in prices is attributed to the fall in value of the Kenya shilling against the US Dollar and other foreign currencies. However, the average price of Kenya coffee rose very substantially in 1993 in terms of foreign currency as well.

COFFEE PRODUCTION BY AREA, EXPORT QUOTA AND AVERAGE YIELD PER GROWER, 1988/89 - 1992/93

Table 8.13

	1988/89	1989/90	1990/91	1991/92	1992/93*
AREA (Ha) '000-					
Co-operatives	116.4	116.4	117.4	116.7	120.2
Estates	36.7	36.7	38.0	37.1	38.0
TOTAL	153.1	153.1	155.4	153.8	158.2
Production (tonnes) '000-					
Co-operatives	78.3	69.5	51.3	51.0	42.4
Estates	38.6	34.4	35.1	34.3	32.7
TOTAL	116.9	103.9	86.4	85.3	75.1
Quota (tonnes) '000-	80.0				
Average yield (kg./Ha.)-					
Co-operatives	673.0	595.0	569.3	440.0	352.7
Estates	1,054.0	937.0	930.0	925.1	860.5

* Provisional.

8.18. ***Tea*** - Inspite of the very severe drought which affected most agricultural crops, tea registered a significant increase in production during 1993 as depicted on Table

8.14. This was realised because the short rains in October/December 1992 and the long rains in March/May 1993 were sufficient to maintain a high water table for better crop in the first half of the year. The smallholder farmers had additional incentives through the increase in monthly advance payments, from sh.3.00 to sh.4.50 per kilo, of green leaf delivered to the factory. Other factors which contributed to improved production include, good maintenance of rural access roads supported by the agricultural produce levies on tea which ensured that the crop reached the factories and the market without any loss and with minimum delay. The complete liberalization of the tea industry, the introduction of the dollar-auction and the creation of retention accounts undoubtedly contributed to better performance of the tea industry.

TEA PRODUCTION BY AREA, PRODUCTION AND AVERAGE YIELD, 1989 - 1993

Table 8.14

	1989	1990	1991	1992	1993*
AREA (HA)'OOO					
Smallholder	57.90	67.00	68.80	72.16	73.12
Estates	29.50	30.00	31.00	31.34	31.65
Total	87.40	97.00	99.80	103.50	104.77
PRODUCTION(Tonnes)'000					
Smallholder	100.60	110.00	112.70	99.81	112.53
Estates	80.00	87.00	90.90	88.26	98.63
Total	180.60	197.00	203.60	188.07	211.16
AVERAGE YIELD (KG/HA)					
Smallholder	1,779.80	1,945.30	1,981.70	1,729.80	1,942.50
Estates	2,929.30	3,123.80	3,184.40	3,033.40	3,339.10

* Provisional

8.19. *Cotton* - The quantity of raw cotton purchased by the Cotton Lint and Seed Marketing Board (CL&SMB) continued to decline since 1989. The volume of cotton sold to the Board decreased by 10.7 per cent, from 2.8 thousand tonnes in 1992 to 2.5 thousand tonnes in 1993, as shown in Table 8.11. The decline is partially as a result of implementation of market reform programmes which allowed private buyers into the market and partly due to drought. Due to liberalization of cotton marketing, CL&SMB raised prices of seed cotton by 33.6 per cent, from Kshs.990 per 100 kg in 1992 to Kshs. 1,323 per 100 kg in 1993. The aim was to encourage farmers to sell their crop to CL&SMB.

8.20. *Sugar-cane* - Table 8.15 presents data on sugar-cane production by type of grower. Production of sugar-cane rose from 3,656.6 thousand tonnes in 1992 to 3,839.4 thousand tonnes in 1993. Notable increases were realised in large farms, small-holders and settlement schemes while other types of growers experienced a reduction in output. The observed increase in sugar-cane production was because sugar factories in 1993 did not close down for routine maintenance for unusually long periods as in the previous year.

SUGAR CANE PRODUCTION BY TYPE OF GROWER, 1989 - 1993

Table 8.15 '000 tonnes

TYPE OF GROWER	1989	1990	1991	1992	1993*
Factory Estates	728.2	547.6	561.6	638.0	608.4
Large Farms	699.9	172.8	227.1	147.1	195.4
Small-Holders	2,185.7	3,108.3	3,016.8	2,613.8	2,784.1
Co-operative Societies	363.9	149.1	65.3	115.2	90.5
Settlement Schemes	283.6	222.2	177.1	142.5	161.0
TOTAL	4,261.3	4,200.0	4,047.9	3,656.6	3,839.4

* Provisional.

8.21. Sugar production recorded a small increase from 371.8 thousand tonnes during 1992 to 385.0 thousand tonnes in 1993, an increase of 3.6 per cent. Despite rising demand for sugar and below average production, the country imported 65.2 thousand tonnes of sugar in 1993, a substantial reduction compared to 153.2 thousand tonnes in 1992.

PRODUCTION. IMPORTS. CONSUMPTION AND EXPORTS OF SUGAR, 1989 -1993

Table 8.16 '000 Tonnes

YEAR	PRODUCTION	IMPORTS	CONSUMPTION	EXPORTS
1989	442.22	80.00	522.22	
1990	434.00	64.10	498.10	
1991	434.28	59.67	493.95	
1992	371.79	153.17	524.96	
1993*	385.00	65.24	450.24	

* Provisional

** Imports figures from 1992 are trade statistics

8.22. *Horticulture* - Table 8.17 indicates that whereas the volume of exported horticultural produce decreased from 152.6 thousand tonnes in 1992 to 150.8 thousand tonnes in 1993, the value of exports increased by 54.3 per cent, from K£208.8 million to K£322.1 million in 1992 and 1993, respectively.

EXPORTS OF FRESH HORTICULTURAL PRODUCE. 1989 -1993

Table 8.17

YEAR	VOLUME 000 Tonnes	VALUE K£million
1989	134.2	112.1
1990	188.8	159.9
1991	169.3	184.8
1992	152.6	208.8
1993**	150.8	322.1

* Figures are exports by Horticultural Crop Development Authority (HCDA)

** Provisional.

8.23. *Pyrethrum* - Stable world market demand for pyrethrum products used in the manufacture of insecticides helped maintain favourable returns to domestic producers. Despite the bad weather in 1993 and static pyrethrum prices since 1990, deliveries of the crop to Pyrethrum Marketing Board increased slightly. Pyrethrum extract production increased by 5.5 per cent, from 201.5 tonnes in 1992 to 212.67 tonnes in 1993.

8.24. *Sisal* - A slight increase in production of sisal was recorded in 1993, from 34.1 thousand tonnes in 1992 to 35.1 thousand tonnes in 1993. Consequently, there was a marginal increase of 1.1 per cent in value of sisal marketed in 1993 as compared to 1992.

Irrigation

8.25. As shown in Table 8.18, area cropped decreased by 2.5 per cent in 1993, from 9,867 hectares in 1992 to 9,616 hectares in 1993. The number of plot holders increased marginally by 0.1 per cent. Production of paddy rice in Mwea, Kenya's largest irrigation scheme, declined by 6.4 per cent, from 29,274 tonnes in 1992 to 27,389 tonnes in 1993. All the remaining irrigation schemes except Ahero and West Kano recorded a decline in paddy production for the year 1993 as compared to 1992. The decline in production in these schemes was attributed to low rainfall for the year 1993 and increased prices of farm inputs. Surprisingly, production of onions and chillies at Pekerra scheme increased by 40.6 per cent and 20.8 per cent respectively in the same period. This was due to the increased demand for these products especially in urban areas and as a result of a shortfall in other production areas due to severe drought.

Livestock and Livestock products

8.26 Table 8.19 reports production and sale of livestock and dairy products for the period 1989-1993 to Kenya Co-operative Creameries (KCC) and the Kenya Meat Commission (KMC). Milk production in 1993 rose to 249 million litres from 220 million litres, a growth of 13.2 per cent. Consequently, there was 13.0 per cent increase in the processed whole milk and cream; a 30.2 per cent increase in processed cheese, and a 67.5 per cent increase in dried whole milk powder. However, production of butter and ghee went down by 24.1 per cent and that of dried skim-milk powder by 32.5 per cent. There was a drastic reduction in the production of "other products" processed by KCC by 98 per cent. The sharp decline is attributed to diversion of milk to preparation of whole milk cream and dried milk powder, and to reduced deliveries to KCC as farmers chose to market their milk directly to consumers and other users in the private sector. The freeing of the sector has led to growth of new processing plants such as Brookeside - Ruiru and Delamare in Naivasha both of which have reduced the deliveries to KCC.

PROGRESS AND PRODUCTION AT SEVEN IRRIGATION SCHEME AREAS, 1988/89 - 1992/93

Table 8.18

	1988/89	1989/90	1990/91	1991/92	1992/93*
MWEA-					
Area cropped-Hectares	5,818	5,820	5,802	5,815	5,809
Plot-holders-Number	3,238	3,248	3,240	3,240	3,240
Gross value of output-K£'000	5,366	5,605	5,668	8,083	6,876
Payments to plot-holders-K£'000	3,225	3,239	3,099	4,066	3,583
ALL (7) SCHEME AREAS-					
Area cropped-Hectares	10,789	10,893	9,365	9,867	9,616
Plot-holders-Number	7,602	7,776	7,688	7,676	7,682
Gross value of output-K£'000	8,913	9,108	8,256	10,103	9,180
Payments to plot-holders-K£'000	5,044	5,056	4,413	5,079	4,746
CROPS PRODUCED - Tonnes					
Mwea-Paddy	27,555	26,713	25,504	29,274	27,389
Ahero-Paddy	2,983	2,783	2,986	2,800	2,893
W.Kano-Paddy	2,387	2,124	3,890	2,546	3,218
Bunyala-Paddy	1,379	941	403	1,000	702
Total Paddy	34,304	32,561	32,783	35,620	34,202
W. Kano - Sugar-cane	3,339	.	.	.	.
Tana-Cotton	1,938	1,324	.	.	.
Bura-Cotton	5,519	1,425	1,678	926	1,302
Pekera-Onions	939	1,218	1,630	1,152	1,391
-Chillies		234	368	157	263

Provisional.

PRODUCTION AND SALE OF LIVESTOCK AND DAIRY PRODUCTS, 1989 -1993

Table 8.19

	UNIT	1989	1990	1991	1992	1993*
KENYA CO-OPERATIVE CREAMERIES						
Recorded Milk Production**	Mn. Litres	353	392	359	220	249
Milk Processed:						
Wholemilk and cream	Mn. Litres	373	340	321	207	234
Butter and ghee	Tonnes	4,195	4,550	3,479	3143	2,384
Cheese		215	172	250	172	224
Dried wholemilk powder		1,030	1,396	975	468	784
Dried skim-milk powder		3,200	2,992	3,035	2917	1,969
Other products		610	399	387	1056	20
Livestock slaughtered	-					
Cattle and Calves	'000 Head	752	828	969	921	980
Sheep and Goats		998	1,206	1,345	1278	1,280
Pigs		73	84	83	81	88
KENYA MEAT COMMISSION						
Intake of:						
Cattle and Calves	'000 Head	27	68	59	25	.
Sheep and Goats			10	6		

* Provisional.

** Including sale licensed by the Kenya Dairy Board.

8.27. Cattle and calves slaughtered increased by 19.9 per cent, due to better prices offered at KMC and the alternative outlets, with many farmers and pastoralists offering their animals for sale as a result of the drought and rising input costs in 1993. Slaughters of sheep and goats only increased marginally by 0.2 per cent in 1993 while that of pigs increased by 8.6 per cent. Kenya Meat Commission purchases fell sharply as the company closed its operations in April 1993.

Agricultural Training

8.28. Enrolment into Agricultural Training Institutions are presented in Table 8.20. The table shows that intakes to Bukura, Embu and Kilifi institutes of agriculture totalled 516 in 1993 as compared to 1,000 students in 1992. The decline in the intake was as a result of Bukura Agricultural Institute offering diploma courses instead of certificate courses as previously. Enrolment into Animal Health and Industry Training Institutes also declined in 1993 with Kabete registering a 51.2 per cent decline, Nyahururu 4.3 per cent, Ndomba 15.5 per cent and Naivasha Dairy training school 23.7 per cent. Athi River Meat Training school which offers vocational courses recorded a 10.4 per cent increase in enrolment, an improvement compared to the 42.9 per cent decline registered in 1992. The general decline observed in agricultural training institutions is attributed to the constrained budget allocated to these institutions and to the fact that a good number of graduands from the institutions are no longer guaranteed of formal employment.

ENROLMENT IN AGRICULTURAL TRAINING INSTITUTIONS*, 1989-1993

Table 8.20 Number

	1989	1990	1991	1992	1993**
DIPLOMA LEVEL					
Bukura Institute of Agriculture	.	.	.	.	115
CERTIFICATE LEVEL-					
Bukura Institute of Agriculture	400	400	400	400	.
Embu Institute of Agriculture	400	400	200	200	201
Kilifi Institute of Agriculture	400	400	400	400	200
Animal Health & Industry Training Institutes-					
Kabete	294	233	186	322	157
Nyahururu	200	161	137	116	111
Ndomba	400	324	328	322	272
SHORT-TERM VOCATIONAL COURSES-					
Naivasha Dairy Training School	80	135	143	156	119
Athi River M.T. School	89	61	112	64	71

*Institutions under the Ministries of Agriculture and Livestock Development.

* *Provisional.

Co-operatives

8.29. The co-operative movement has progressively helped citizens improve their economic status by marketing their produce, obtaining farm inputs, price determination, extension services, and provision of credit facilities. Consequently, a large proportion of the population have joined existing co-operatives while others have registered in the newly created ones. The growth and expansion of the co-operatives is presented in Table 8.21. The table shows an increase in Dairy societies by 4 per cent, multi-produce societies by about 7 per cent, Farm Purchases societies by 4 per cent while other agricultural societies increased by an average of 5.4 per cent. Savings and credit societies grew by 5.9 per cent and other non-agricultural societies by 5.1 per cent. Overall societies - both agricultural and non agricultural grew by 5.5 per cent, from 5,833 in 1992 to 6,157 in 1993. However, it must be pointed out that coffee, sugar-cane, pyrethrum and cotton related societies showed marginal or no increase whatsoever, suggesting that the agricultural sector did not perform satisfactorily in 1993 to attract new membership.

NUMBER OF SOCIETIES AND UNIONS BY TYPE, 1989-1993

Table 8.21 Number

TYPE OF SOCIETY	1989	1990	1991	1992	1993
Coffee	206	207	208	211	213
Sugar-cane	89	91	91	91	91
Pyrethrum	56	56	56	56	56
Cotton	81	81	81	82	82
Dairy	190	192	194	197	207
Multi-produce	905	942	971	1,038	1,111
Farm Purchase	198	198	212	212	221
Fisheries	61	62	64	66	67
Other Agricultural Societies	500	522	539	556	599
TOTAL	2,286	2,351	2,416	2,509	2,647
Savings and Credit	2,141	2,251	2,339	2,470	2,616
Other Non-Agricultural Societies	680	722	763	778	818
TOTAL	2,821	2,973	3,102	3,248	3,434
Unions	66	76	76	76	76
TOTAL	5,173	5,400	5,594	5,833	6,157

8.30. Table 8.22 shows the sale of selected agricultural produce by co-operatives and their contribution to gross farm revenue. There has been a constant decline in the value of sales by co-operatives since 1989 despite the increase in the number of societies. The hardest hit are sugar cane which recorded a 79 per cent decline, cotton 65 per cent and coffee 40 per cent while dairy declined by 16.9 per cent. Pyrethrum figure increased by 39.5 per cent from the 1989 status. Overall, total sales value by co-operatives declined by 41.6 per cent from the 1989 status. Sales of coffee by co-

operatives in 1993 declined by 5 per cent, sugar cane by 4.8 per cent and cotton by 3.6 per cent. Pyrethrum and dairy products registered increases of 5.1 per cent and 1.3 per cent respectively.

SALE OF SELECTED AGRICULTURAL PRODUCE BY CO-OPERATIVE AND THEIR CONTRIBUTION TO GROSS FARM REVENUE*. 1989-1993

Table 8.22

YEAR	COFFEE	SUGAR-CANE	PYRETHRUM	COTTON	DAIRY PRODUCTS	TOTAL
	Sale K£million					
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
1993**	97.40	10.00	8.93	1.35	47.30	164.98
	Percentage Share					
1989	66.77	66.51	64.00	100.00	86.00	71.00
1990	64.42	48.65	65.00	90.00	58.00	60.00
1991	61.50	37.27	66.00	88.00	33.00	59.00
1992	62.00	38.00	66.00	85.00	32.00	60.00
1993**	61.00	38.00	65.00	85.00	33.00	59.00

* Marketed Production in Table 8.2.

** Provisional.

8.31. The percentage share of sales by co-operatives have remained relatively stable except for sugar cane and dairy products, the shares of which have declined drastically due to direct sales by farmers to the private consumers and processors.

CHAPTER 9 - ENVIRONMENT AND NATURAL RESOURCES

The Government of Kenya recognises the inter-relationship between the process of economic development, environmental degradation and optimal resource use. In view of the rapid environmental degradation resulting from complex production systems, various Government organs working in collaboration with Donor Agencies, NGOs, and Local Authorities have continued to institute policy measures and strategies to ensure that the right balance between the desired development programmes and associated environmental impacts are maintained. These bodies make significant contributions to water, soil, forestry, and livestock conservation as well as to reduction of solid and gaseous effluents.

Water Supplies

9.2. To achieve the ultimate goal of supplying clean water to all households by the year 2010, the Government with the assistance of multi-national agencies continued to inject additional capital resources on water development and expansion of rural water supplies in addition to enhancing financial and managerial support to public corporations dealing with the production of water. It also conducted studies in the water sector with the aim of determining ground water resources as well as quality and potential for irrigation purposes. These studies were undertaken in light of the fact that meeting the future demand for clean and safe water will require the development of new water resources.

9.3. The development expenditure on water supplies and related services grew by 21 per cent over the period 1992/93 to 1993/94 mainly due to increased expenditure on development and a subsequent extension of water supply pipelines to Eastern and Rift Valley provinces, as depicted in Table 9.1. The expenditure on rural water supplies, however, declined by 4 per cent over the same period, evidently caused by scarcity of financial resources, resulting from continued withholding of foreign aid, thus affecting initiation of new projects. Although water development as well as miscellaneous and special water programmes recorded growths in expenditure in this period, this could be attributed to re-allocation of domestic resources. However, the expenditure on the latter still fell below its 1989/90 figure. This resulted from the introduction of cost-sharing in which the bigger share of operational and maintenance costs are borne by consumers.

9.4. Rural water supplies, water conservation and pipeline corporation continued to receive the largest share of development expenditure. This is in keeping with the Government's commitment to provide clean water to most rural households. Water conservation and pipeline corporation expenditure maintained a positive growth over the period rising from K£544 thousand in 1989/90 to K£52,408 thousand in 1993/94.

9.5. Various organisations continued to make considerable contribution in the development of water supply to rural communities. Kenya Water for Health Organisation (KWAHO), for instance, has been assisting a number of community groups that have identified projects with project proposal preparation for donor

support. In addition, it has continued to give technical assistance to enable the communities implement and sustain the project operations with minimal government/donor support. The Danish International Development Agency (DANIDA) also built many water tanks in most schools in Kitui and Mwingi districts.

DEVELOPMENT EXPENDITURE ON WATER SUPPLIES AND RELATED SERVICES, 1989/90 - 1993/94

Table 9.1 K£'000

	1989/90	1990/91	1991/92	1992/93	1993/94*
Water Development	102	1,410	2,141	5,986	8,620
Training of Water Development Staff	250	229	258	156	137
Rural Water Supplies	47,456	18,101	15,136	16,387	15,732
Self-Help Water Supplies**	365	106	96	79	53
County Council and Urban Water Supplies	14,464	1,543	2,293	3,547	5,391
Miscellaneous and Special Water Programmes	7,993	3,537	5,856	5,848	6,023
Water Conservation and Pipeline Corporation	544	35,821	20,557	40,944	52,408
TOTAL	71,174	60,747	46,337	72,947	88,364

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

* Provisional.

** Includes contributions by the Ministry of Water Development.

9.6. KWAHO's expenditure on community based water projects grew from KSh. 18 million in 1989 to KSh.26 million in 1993, representing a growth of about 44 per cent. During the same period, the organisation initiated a total of 13 projects all over the country, out of which 6 were in Coast province while Central and Nyanza provinces received 3 and 4 projects, respectively. Expenditure incurred on maintenance and transport accounted for about 10 per cent of the 1993/94 budget.

Fisheries

9.7. The Government, through the Department of fisheries, continued to ensure optimal exploitation of fishery resources on a sustainable basis through enforcing stricter controls on fishing methods during breeding periods. These control measures are reflected in the significant decline in fish landings from both fresh and marine waters.

9.8. Table 9.2 shows the quantity and value of both fresh and marine water fish landed during the years 1989 to 1993. Apart from Lake Turkana and Lake Baringo, fish landings from all the lakes declined in quantity in 1993 compared to 1992. Lake Victoria fish landings declined by about 11 per cent compared to a marginal decline of 1 per cent recorded in the previous year, thus making a significant contribution to the recorded overall decline in fresh water fish catch. Notable declines were also registered in fish landings from Lake Naivasha and 'other areas', which recorded negative growth rates of 17 per cent and 19 per cent, respectively. All fish landings from marine waters registered significant negative growth. The general poor performance in the sub-sector could be mainly attributed to lack of favourable credit facilities to fishermen arising from high bank interest

rates and partly due to withholding of financial assistance by donor agencies. The curtailment of extension services by the department due to financial constraints as well as noticeable absence of viable co-operatives and/or loaning schemes also led to the poor performance of the sector.

QUANTITY AND VALUE OF FISH LANDED, 1989-1993

Table 9.2

	1989	1990	1991	1992	1993*
Quantities - Tonnes:					
Freshwater fish-					
Lake Victoria	135,431	185,101	186,366	183,779	162,909
Lake Turkana	990	3,180	1,078	987	1,663
Lake Naivasha	236	223	299	304	252
Lake Baringo	233	380	130	196	269
Lake Jipe	93	110	107	112	101
Fish Farming	922	973	1,009	1,017	1,008
Other areas	861	1,839	2,109	2,224	1,798
TOTAL	138,766	191,806	191,098	188,619	168,000 *
Marine fish	6,708	9,031	6,434	8,871	6,819
Crustaceans	915	733	766	780	604
Other marine products	187	208	264	213	127
GRAND TOTAL	146,576	201,778	198,562	198,483	175,550
Value - K£000:					
Freshwater fish	35,016	80,174	83,306	83,714	169,980
Marine fish	3,760	6,824	3,765	6,918	6,182
Crustaceans	1,834	3,189	3,019	3,522	3,348
Other marine products	343	345	536	514	490
TOTAL	40,953	90,532	90,626	94,668	180,000

* Provisional.

Source : Fisheries Department

9.9. Despite the significant decline in fish landings from all the waters, the revenue earned from overall fish sales went up by 90 per cent in 1993 compared to a marginal 4 per cent growth attained in 1992. The increase in revenue, almost doubling the 1992 figure is attributed to high growth in fish prices resulting from reduced supply in local markets. The quantity exported, however, rose from 14,146 thousand tonnes in 1992 to 17,432 thousand tonnes in 1993.

9.10. The overall big drop in the fish catch may be due to uncontrolled fishing methods causing possible over-exploitation of certain species and reduction of water levels in some fresh water lakes following the long drought experienced in the last two years. This calls for enhancement of regulations relating to mesh sizes of nets, control on the number of fishermen through licensing, and increasing fish farming extension services.

Forestry

9.11. Forest preservation is one of the major measures the Government has put in force to protect the environment. This is reflected in changes in plantation areas and

recorded sale of forest products. The overwhelming importance of forest resources in abating environmental degradation in Kenya has made many governmental and non-governmental organisations become increasingly involved in the control, management, and use of forest resources. Among the key government institutions directly involved in forest resource management are the Ministries of Environment and Natural Resources, Agriculture, Energy and Office of the Vice President and Ministry of Planning and National Development.

9.12. Table 9.3 shows the changes in forest plantation areas over the period 1989 to 1993. The declining trend in forest plantation area that started in 1991 continued through 1993. The overall growth stood at negative 3 per cent in 1992 compared with 0.1 per cent increase recorded in 1993. This reflects a slight improvement in 1993 attributable to efforts by the Government and other agencies in the preservation of forest zones. This growth arose from increased forest plantation areas of exotic hardwoods, resulting from Government directives to stepping-up their plantation area.

FOREST PLANTATION AREA. 1989 -1993

Table 9.3 '000 Hectares

Type of Forest	1989	1990	1991	1992	1993*
Indigenous softwood	11.0	11.0	11.8	8.6	5.7
Indigenous hardwood	8.0	8.0	6.4	8.1	7.7
Exotic softwoods-					
Cypress	75.6	79.5	78.4	74.5	74.3
Pines	57.0	53.7	54.2	54.2	53.3
Exotic hardwoods-					
Timber	4.9	4.9	4.6	5.1	6.8
Fuel	11.8	11.9	9.5	9.0	11.8
TOTAL AREA	168.3	169.0	164.9	159.5	159.6

* Provisional.

Source : Ministry of Environment and National Resources

9.13. Area under indigenous and exotic softwood which had been devastated by aphid pests however continued to decline in 1993 because of the continued stepping down of plantation areas threatened by the pest, high demand for fuel wood, over - utilization of industrial indigenous forests by paper and milling industries, pressure on forest land for settlement and farming and the prolonged drought.

9.14. The overall plantation area declined during 1991 and 1992, but improved marginally in 1993 standing at 159,600 hectares compared to 159,500 hectares in 1992 as shown in Table 9.4. Previous plantation area and area planted during the year together recorded a marginal decline. The area planted during the year was however reduced substantially due to low rainfall, while the area cleared recorded a decline of 6 per cent, signifying reduced felling of trees and marked planting programmes particularly on exotic hardwoods.

CHANGES IN PLANTATION AREA, 1989 - 1993

Table 9.4 '000 Hectares

	1989	1990	1991	1992	1993*
Previous Plantation Area	167.2	168.3	169.0	159.2	159.5
Area Planted	4.7	4.1	3.6	3.6	3.2
Total	171.9	172.4	172.6	162.8	162.7
Area Clear felled	3.6	3.4	7.7	3.3	3.1
Total Area	168.3	169.0	164.9	159.5	159.6

* Provisional

Source : Ministry of Environment and Natural Resources.

9.15. The sale of forest products recorded mixed performance as shown in Table 9.5. Softwood registered the highest growth rate of 4.6 per cent, about one fifth the rate attained in 1992. The low growth recorded in the sales could be attributed to reduction of the devastating aphid pest leading to reduced excision of softwood and growing prices of substitutes. Sales of fuelwood and charcoal continued to drop, indicating the effectiveness of the ban imposed on their sale, which is still in force. The corresponding relative drop in sales stood at 83 per cent and 5 per cent in 1992 and 1993, respectively. Similarly, the output of paper products did not show any signs of improvement. The growths registered by fuelwood/charcoal numbers over the two periods, however, imply recovery in sales due to shifting demand from other substitutes. The continuous extension of telephone and electricity services to rural areas further explains to a large extent the marked increases in the sale of power and telegraphic poles.

RECORDED SALE OF FOREST PRODUCTS, 1989 - 1993

Table 9.5

Forest Product	1989	1990	1991	1992	1993*
Timber - '000 true cu. metres-					
Soft wood	446	437	430	545	569.9
Hardwood	4	3	2	4	5
TOTAL	450	440	432	549	574.9
'000 stacked cu. metres-					
Peels/Veener logs/Plywoods	80	85	80	82	103.8
Pulpwood/Paper production	340	350	355	321	263
Fuelwood /Charcoal Numbers	215	200	215	37	35
Power &Telegraph Poles	32,000	32,800	33,800	34,765	35,808

* Provisional.

Source : Ministry of Environment and Natural Resources.

Mining

9.16. Mineral products account for a sizeable share of both local and export earnings to the Kenyan economy. However, the Government, aware of the dangers the production and use of such products cause to the environment, formed various

task forces to study the effects of mining activities and recommend strategies for environmental protection. The emerging issues resulting from the studies revealed that extraction, processing and use of mineral resources contaminate the waters and soil and may also lead to subsidence of land. Hence the call for national co-operation and collaboration within the framework of the proposed National Environmental Action Plan (NEAP).

9.17. Total mineral production in the period 1993, as shown in Table 9.6, recorded positive growth in quantity and value. The quantity produced for all the minerals grew by 9 per cent, indicating remarkable improvement over the 9 per cent drop in 1992. This reversed the decline that started in 1990 through 1992. Production of soda ash and limestone products recovered from negative 17 per cent and negative 4 per cent respectively in 1992 to stand at positive 20 per cent and negative 1 per cent respectively in 1993. The marked growth in soda ash was a result of earlier re-structuring of Magadi Soda Company.

QUANTITY AND VALUE OF MINERAL PRODUCTION, 1989-1993

Table 9.6

Mineral	1989	1990	1991	1992	1993*
Quantities - Tonnes:					
Minerals-					
Soda Ash	242,900	231,900	219,500	181,330	216,890
Fluorspar	95,625	80,529	77,402	80,630	78,725
Salt	66,830	70,318	72,449	72,494	74,669
Limestone Products **	32,167	35,733	32,017	30,656	30,349
Other	38,921	39,388	39,963	40,150	40,553
TOTAL	476,443	457,868	441,331	405,260	441,186
Value - K£'000:					
Soda Ash***	30,000	34,900	42,453	48,425	69,514
Fluorspar***	5,594	8,018	7,849	8,117	14,000
Salt	2,568	3,938	4,057	4,426	5,400
Limestone Products	1,241	1,556	1,394	1,449	1,536
Other	1,865	1,951	1,979	2,029	2,090
TOTAL	41,268	50,363	57,732	64,446	92,540

Source : Department of Mines and Geology

* Provisional.

** Excluding limestone used as input into cement product.

*** Including Export Value.

9.18. The value of the mineral products recorded growth rates ranging from 3 per cent for other minerals to 44 per cent for soda ash in 1993. Soda ash maintained the highest share of mineral values over the entire period, more than double the value recorded in 1989. These growths resulted from increased prices caused by depreciation of the Kenya shilling against currencies of major trading partners.

9.19. Table 9.7 shows average export prices for soda ash and fluorspar in the period 1989 to 1993. The average export price of soda ash maintained an upward trend registering 115 per cent growth in 1993, more than thirty times its growth

level the previous year. This implies a rising demand for soda ash in the world market together with the effect of depreciation of the Kenya shilling. Similarly, fluorspar's average export price went up recovering from a negative growth rate of 4 per cent in 1992 to 87 per cent in 1993, indicating both improved prices of the product and reduced competition from its close substitutes in the world market.

AVERAGE EXPORT PRICES OF SODA ASH AND FLUORSPAR, 1989- 1993

Table 9.7 K£ per tonne

Mineral	1989	1990	1991	1992	1993*
Soda Ash	125.00	127.00	158.00	163.00	349.91
Fluorspar	82.20	99.20	101.40	97.08	181.73

*Provisional

Wildlife Conservation

9.20. Kenya wildlife continues to be the major tourist attraction in the country. A lot of resources have thus been constantly channelled towards their preservation to enable the economy continue enjoying the growth in foreign exchange earnings. In recognition of this pivotal role, the Government continued to support protection and conservation of wildlife by strengthening the operations of the Kenya Wildlife Services (KWS) and Department of Resource Surveys and Remote Sensing (DRSRS), whose activities and objectives include monitoring of wildlife. DRSRS continued to collect information geared towards the formulation of conservation strategies of the country's livestock and wildlife population. Based on past trends, the current strategies are envisaged to augur well for future sustainability of wildlife conservation.

9.21. Table 9.8 presents wildlife population between 1989 and 1993. The overall wildlife population in the Kenya rangelands decreased marginally from 1,150.1 thousands in 1992 to 1051.2 in 1993. The positive growth in elephant population, for instance, which began in 1992 was maintained over 1993, depicting effective impact of the strategies of KWS against poaching activities. The elephant population however grew by only 4 per cent in 1993, which is much lower compared with a growth rate of 13 per cent registered in 1992. The other animal species, except B. zebra and wildebeast, showed declines attributed mainly to the prolonged drought experienced in the last two years. This could have resulted in deaths of the species as well as their migration to neighbouring countries. The decline could also be attributed to increasing human pressure on land for settlement and agriculture, culminating in forced out-migration of the species from their usual habitat. However, the increase in population of B. zebra and wildebeast could be due to infiltration into the country of part of the stock from Serengeti National Park in Tanzania.

WILDLIFE POPULATION IN THE KENYA RANGELANDS, 1989 - 1993

Table 9.8 '000 Number

SPECIES	1989	1990	1991	1992	1993*
Elephant	17.2	17.1	17.0	19.2	20.0
Buffalo	42.2	45.1	48.2	51.1	33.2
Giraffe	52.1	56.4	60.5	59.3	58.7
B. Zebra	174.3	193.7	215.1	197.0	212.7
G. Zebra	5.5	6.2	7.0	7.2	6.0
Topi	107.3	109.8	112.3	107.7	103.5
Kongoni	22.0	23.3	24.7	26.0	23.5
Wildebeest	87.9	100.2	114.2	120.1	186.4
Oryx	33.3	38.1	43.5	35.6	34.2
Eland	25.5	31.3	38.4	32.5	16.7
H. Hartbeest	23.4	2.6	2.9	2.6	2.2
Waterbuck	6.5	6.0	5.5	6.7	6.1
Kudus	11.0	13.2	15.9	14.1	13.2
Gerenuk	23.5	23.0	22.5	24.4	24.3
Impala	106.8	104.5	102.3	110.8	85.7
G.Gazelle	162.6	184.3	208.6	188.0	113.3
T. Gazelle	101.4	98.7	96.0	89.2	53.5
Warthog	17.9	22.0	27.1	21.9	21.8
Ostrich	33.4	38.3	43.8	36.7	36.2

Source : DRSRS

* Provisional

Refuse Management

9.22. Refuse collection remained a serious problem in most urban centres particularly in Nairobi. The deplorable state of affairs is a consequence of scarcity of financial resources currently experienced by most Local Authorities. For instance, the daily refuse disposal by Nairobi City Council constantly falls below 25 per cent of the quantity generated despite acquisition of more vehicles and increased financial support to curb refuse accummulation.

9.23. Table 9.9 shows the approved expenditure on refuse disposal over the financial years 1988/89 to 1992/93. The expenditure rose by about 37 per cent in the financial year 1992/93 compared to only 20 per cent attained in the period 1991/92. However, the quantity disposed of did not show any significant growth despite the rise in expenditure. The rising costs of fuel and vehicles maintenance are some of the main reasons given for this paradox.

EXPENDITURE ON REFUSE COLLECTION BY THE NAIROBI CITY COUNCIL, 1988/89 -1992/93

Table 9.9 K£'000

	1988/89	1989/90	1990/91	1991/92	1992/93
Total Expenditure	104.9	161.7	449.2	539.8	739.5

Source: Nairobi City Council

Resource Assessment and Monitoring Activities

9.24. In addition to Government efforts, several, other non-governmental organisations got involved in promoting tree planting in farms and/or gave farmers

professional assistance after having realised the enormous task involved in the management and control of the desertification process and wood fuel crises in the country.

9.25. In recognition of the dangers desertification and soil erosion pose to soil fertility, International Council for Research in Agroforestry (ICRAF) continued to play a major role in the promotion of agro-forestry countrywide. During the period, the organization conducted researches in various agro-forestry stations in Machakos and Kisumu districts among others. These studies were aimed at building up soil fertility, preventing soil erosion, providing extra incomes through the sale of various tree products, enhancing food production and alleviating deforestation. Other activities initiated during the period included studies on climatic risk, soil fertility, government polices on the conservation of environment and its resources as well as marketing possibilities. In addition to gathering and dissemination of agro-forestry information to user groups, ICRAF also initiated programmes to encourage and help universities and technology oriented colleges incorporate agroforestry studies in their curricula. Parallel to these programmes, in-depth studies were also initiated to determine species of trees that would improve productivity when inter-cropped with other types of food crops.

9.26. United Nations Education Scientific Cultural Organization (UNESCO) contribution to environmental conservation and management is clearly inferred from its launching of various programmes and activities including Inter-governmental Oceanographic Commission (IOC) created in 1960, the International Hydrological Programme (IHP) in 1975, the Man and Biosphene Programme (MAB) in 1971 and the International Geological Correlation Programme (IGCP) in 1972, inter alia. Its unique approach to these activities which has made it possible for natural and social sciences to be interwoven with education, culture and communication, has also made science be seen more than ever before as indispensable in sound decision-making.

9.27. Closely guided by the link between science and policy making as clearly spelt out in Agenda 21 adopted at the United Nations Conference on Environment and Development in Rio in June 1992, UNESCO's programme of activities within the sub-region during 1992/93 focused more on incorporating reinforcement and strengthening of co-operation with UNEP within the framework of the International Environmental Education Programme as well as follow-up of UNESCO's mandate in environment and development as enshrined in the Agenda 21.

9.28. Such vital contributions have culminated in joint ventures like UNEP\ROSTA seminars and UNESCO's contribution towards the success of the 5th session of the African Ministerial Conference on the Environment (AMCEN) in 1993 as well as its contributions towards research and monitoring in various ecosystems (wooded Savannas, semi-arid and fresh water ecosystems).

9.29. In the area of Geographical Information Systems (GIS) Techniques, application in resource management research and database development was carried out at Amboseli Biosphone Reserve and modelling for various evaluation land-use

activities finalised. A national seminar convened thereafter enabled a critical appraisal of what efforts had been made on these activities.

9.30. Seminar/workshop opportunities (1 workshop, 1 field trip excursion, 1 symposium and 1 AMCEN meeting) in the area of environmental management served as forum for African human resources development in the topical issues of land-use management. Over 80 scientists were trained and/or re-trained.

9.31. Most importantly though, UNESCO recognises that sustainable development will also require increased co-operation between the government itself and other UN agencies as well, forging new partnerships among the public, private and NGO sectors.

9.32. The National Environment Secretariat (NES) continued to be fully involved in environmental management and protection issues pertaining to the co-ordination of environmental matters at the national, regional and international levels. NES's commitment to the resolutions of Agenda 21 is exemplified by a number of activities it has co-ordinated and/or participated in :-

(1) Preparation of the seventh National Development Plan (1994-96) entitled "Resource mobilization for sustainable development"

(2) Preparation of the National Environment Action Plan (NEAP), officially launched in Mid 1993, and scheduled to be ready by early/mid 1994. NEAP is considered to be the long-term framework for environmental and sustainable development in the country. It is geared, inter alia, towards setting priorities and policy recommendations in:

(a) government and public awareness of environment issues
(b) a national strategy in environmental protection
(c) specific legislative actions, programmes and investment projects to address priority problems and,
(d) an information system for monitoring the state of the environment.

(3) "Policy paper on environment and development" to guide all concerned in a holistic way about proper management of the environment. This was initiated and undertaken by an inter-ministerial and multi-sectoral task force in 1993 and is being considered by the government.

9.33 In an attempt to increase participation and awareness in National resource management, NES in 1993 carried out a number of activities including:

(a) appointment of DEPOs to enhance the implementation and co-ordination of environmental activities at the grassroots level.
(b) fostering of participatory methodologies by ensuring community participation in project inception, implementation and sustainability, by advocating Participatory Rural Appraisal (PRA) methodology.

9.34 NES also continued to train NGOs including Freedom from hunger council, CARE Kenya and Lake Basin Development Authority personnel in PRA Methodology in 1993.

9.35 Other NES's activities include:-

(i) Execution of desertification monitoring assessment and control programme funded by UNSO/UNDP, which ended in September 1993.

(ii) Institutional support for East Africa Biodiversity Project designed to protect endangered species and important habitats within Kenya's territories. This project has been funded by the Global Environment Facility (GEF) since 1993 and executed by FAO in Kenya, Uganda and Tanzania.

(iii) Activities related to the Montreal Protocol on Ozone Depleting substances (ODSs). Kenya is obtaining funding from GEF and the Multilateral Fund. The research is being implemented through the Kenya meteorological department with the ultimate aim of establishing a global ozone observing station on Mount Kenya. The total cost of these activities is estimated at US$1.2 million.

Overview

The Organization of Petroleum Exporting Countries (OPEC) continued facing production uncertainties following a number of member countries' refusal to produce according to their agreed quotas in 1993. OPEC was further confounded by the decision of the European Economic Community to tax oil imports. Over production of crude oil pushed the prices of oil down to US$16.2 per barrel compared to US$18.6 per barrel in 1992. Later in the year, OPEC agreed to settle on a daily production schedule of 24.5 million barrels up from the previous 23.6 million barrels per day.

10.2 In quantity terms, imports of petroleum products in Kenya rose by 11.2 per cent in the year 1993 compared to 11.7 per cent increase in 1992. Similarly, the oil import bill and wholesale prices of petroleum products went up due to monetary and structural changes during the period under review.

10.3. Improved weather conditions resulted in raised water levels in most of the hydro generating water dams, leading to marginal increase in supply and demand of electricity in 1993. During the year under review, production of thermal electricity power went down, while that of geothermal power generation remained the same. To make the country self sufficient in electricity, several projects are now at various stages of implementation. These include, Olkaria North- East Geothermal, Sondu-Miriu Hydro Power Station and Kipevu diesel plants.

Petroleum

10.4. Oil is one of the major components of energy sources in Kenya, accounting for about 80 per cent of total commercial energy consumed, while electricity and coal account for the balance. Despite a lot of effort by both the Government and private sector to explore for oil reserves in Kenya, success has yet to be registered. Therefore, the country has to rely on imported oil.

10.5. As shown in Table 10.1, overall imports of crude and refined petroleum products rose by 11.2 per cent during the period under review. Imports of crude petroleum oil rose marginally from 2,235.3 thousand tonnes in 1992 to 2,274.2 thousand tonnes in 1993. Imports of petroleum fuel more than tripled, while that of lubricating greases rose almost six-fold. The total oil import bill more than doubled from K£ 608.7 million in 1992 to K£1,224.7 million in 1993. The increase in imports of crude and refined petroleum products were largely attributed to various United Nations relief flight missions to Somalia refuelling from Kenya. Similarly, the significant increase in oil import bill in domestic currency terms was due to the rapid depreciation of the Kenya shilling against other world trading currencies.

10.6. Despite being an importer, Kenya exports petroleum products especially to Preferential Trade Area (PTA) countries. In 1993, the exports declined by about 6 per cent from 649.4 thousand tonnes in 1992 to 607.5 thousand tonnes. However, export earnings rose by 60.7 per cent, from K£219.6 million in 1992 to K£352.9 million in 1993. Exports of petroleum fuels declined by 6.6 per cent, while those of lubricating oils and lubricating greases increased marginally. The marginal decline in petroleum fuel exports was largely attributed to reduced sales of the products in the traditional markets because of increased competition from other suppliers.

QUANTITY AND VALUE OF IMPORTS AND EXPORTS OF PETROLEUM PRODUCTS, 1989- 1 993*

Table 10.1

	Quantity ('000 Tonnes)					Value (K£ Mn)				
	1989	1990	1991	1992	1993**	1989	1990	1991	1992	1993"
IMPORTS:										
Crude Petroleum	2.102.56	2.178.28	2,059.38	2,235.26	2,274.24	299.10	421.97	441.71	549.39	946.53
Petroleum Fuels	45.15	132.64	35.14	92.97	31 1.07	11.16	39.09	18.32	34.68	230.80
Lubricating Oils	31.69	13.09	19.63	34.43	41.58	13.77	6.62	17.32	24.31	45.19
Lubricating Greases ..	0.21	0.07	0.24	0.08	0.47	0.37	0.13	0.87	0.33	2.14
TOTAL	2,179 61	2,324.08	2,114.39	2,362.74	2,627.36	324.40	467.81	478.22	608.71	1,224.66
EXPORTS:										
Petroleum Fuels	515.89	534.16	635.17	642.84	600.73	88.79	141.13	255.41	209.86	336.34
Lubricating Oils	16.38	9.01	7.11	6.40	6.55	10.52	8.57	9.35	9.34	15.90
Lubricating Greases ..	0.68	0.34	0.32	0.19	0.24	0.76	0.46	0.58	0.37	0.63
TOTAL	532.95	543.51	642.60	649.43	607.52	100.07	150.16	265.34	219.57	352.87
NET BALANCE	1,646.66	1.780.57	1,471.79	1.713.31	2,019 84	224.33	317.65	21 2.88	389.14	871.79

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

** Provisional

CRUDE OIL INTAKE AT THE REFINERY BY TYPE, 1989 - 1993

Table 10.2 '000 Tonnes

Crude intake	A.P.I. Gravity	1989	1990	1991	1992	1993*
Arabian Light	33.4					111.8
Arabian Medium	31.0	.	-	.	.	50.0
Arabian Heavy	27.9	45.2	55.4	76.5	.	.
Arabian Light Berri	.	0.1	.	.	.	.
Iranian Light	33.9	-	108.8	50.5	.	50.1
Iranian Medium	.	87.0	86.2	139.7	.	.
Iranian Heavy	-	.			267.2	127.9
Qatar Marine	36.7	.				
Qatar Durkhan	41.2	.	.			
Kuwait	32.0	-	.	.	-	
Zakum	40.1	262.8	201.6	249.0	230.4	325.3
Murban	39.6	1,468.5	1,772.4	1,561.9	1,732.7	1,304.3
Dubai	32.4	68.2	.	-	.	
Reconstituted crude **		.	.	.		122.8
Oman	.	.	.	.		
Marib Light		212.8	0.1	.	.	
Slop		0.9	0.3		0.3	
TOTAL		2,145.5	2,224.8	2,077.6	2,230.6	2,092.2

* Provisional.

** Reconstituted crude is imported for the first time.

10.7. Crude oil intake at the refinery by type is shown in Table 10.2. Crude intake declined by 6.2 per cent in 1993 as compared to an increase of 7 per cent registered in 1992. An important factor which led to the modest decline in crude intake into the Refinery was refinery constraints. Zakum and Murban from United Arab Emirates continued to dominant the total refinery intake in the year accounting for 15.5 per cent and 62.3 per cent respectively. During the year under review, 111.8 thousand tonnes of Arabian Light, 50 thousand tonnes of Arabian Medium, and 122.8 thousand tonnes of reconstituted crude oil were imported.

10.8. As shown in Table 10.3, output of finished products from the refinery went down as a result of lower crude intake into the refinery. Consequently, production of light diesel oil fell by a significant 9.7 per cent from 553.8 thousand tonnes in 1992 to 500.3 thousand in 1993. Output of jet fuel and premium gas oil both declined by 6.3 and 5.0 per cent respectively. A significant increase of 14.2 per cent was however noted in output of fuel oil in the year 1993. Output of bitumen went down significantly, due to depressed road work activity during 1993.

OIL REFINERY : THROUGHPUT AND OUTPUT OF FINISHED PETROLEUM PRODUCTS**, 1989 - 1993

Table 10.3 '000 Tonnes

	1989	1990	1991	1992	1993**
OUTPUT-					
Liquified petroleum gas	27.6	28.4	26.4	28.3	27.4
Motor gasoline premium	159.0	143.9	145.8	161.0	153.0
Motor gasoline regular	202.9	190.9	182.3	186.9	176.4
Illuminating kerosene and					
Jet/turbo fuel	454.0	492.2	420.5	454.7	425.9
Light diesel oil	534.8	533.0	512.1	553.8	500.3
Heavy diesel oil and					
Marine diesel oil	26.8	30.1	29.9	26.4	29.2
Fuel oil	369.6	411.3	391.7	437.3	499.6
Export residues	261.2	258.2	256.7	233.4	164.1
Bitumen	21.3	31.2	24.0	26.5	9.4
Intermediates	-5.2	4.2	-3.8	3.0	5.6
Refinery usage	93.3	101.1	91.9	119.4	101.3
THROUGHPUT=TOTAL OUTPUT	2,155.7	2,224.5	2,077.5	2,230.7	2,092.2

*Provisional.

**Excludes lubricants.

10.9. Table 10.4, shows the petroleum supply and demand balance from 1989 to 1993. Total domestic demand of petroleum fuels declined from 1839.4 thousand tonnes in 1992 to 1,826.3 thousand tonnes in 1993. Demand for motor spirit rose by a modest 1.5 per cent. Although there was shortage of jet fuel which resulted in rationing during the first half of 1993, demand for aviation spirit and jet fuel in the same period rose by 10.4 per cent and 9.7 per cent, respectively. This upward trend

was attributed to both reduced jet fuel prices by the Government, as incentive to exporters of horticultural products and the relief flight missions to Somalia refuelling in Kenya. Sales of liquified petroleum gas (LPG), illuminating kerosene, light diesel oil, heavy diesel oil and fuel oil, all went down during the period under review.

PETROLEUM SUPPLY AND DEMAND BALANCE. 1989 -1993

Table 10.4 '000 Tonnes

	1989	1990	1991	1992	1993*
DEMAND-					
Liquefied petroleum gas	26.4	27.4	25.0	27.4	25.1
Motor spirit (premium and regular)	376.7	339.9	339.3	346.8	352.0
Aviation spirit	6.7	7.1	6.8	7.7	8.5
Jet/turbo fuel	274.3	302.4	253.5	312.5	342.8
Illuminating kerosene	181.1	184.2	174.5	175.1	164.8
Light diesel oil	543.6	555.4	559.9	571.1	554.2
Heavy diesel oil	26.8	36.5	30.5	27.9	23.0
Fuel oil	371.0	377.4	365.6	370.9	355.9
TOTAL	1,806.6	1,830.3	1,755.1	1,839.4	1,826.3
Refinery usage	93.3	101.1	91.9	119.4	101.9
TOTAL DOMESTIC DEMAND	1,899.9	1,931.4	1,847.0	1,958.8	1,928.2
Exports of petroleum fuels	515.9	534.2	635.2	642.8	600.5
TOTALDEMAND**	2,415.8	2,465.6	2,482.2	2,601.6	2,528.7
SUPPLY-					
Imports:					
Crude oil	2,100.9	2,178.3	2,059.4	2,235.3	2,274.2
Petroleum fuels	45.2	132.6	35.1	93.0	311.1
TOTAL	2,146.1	2,310.9	2,094.5	2,328.3	2,585.3
Adjustment**	269.7	154.7	387.7	273.4	-56.6
TOTAL SUPPLY* *	2,415.8	2,465.6	2,482.2	2,601.7	2,528.7

* Provisional.

** Difference is due to rounding.

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

NET DOMESTIC SALE OF PETROLEUM FUELS BY CONSUMER CATEGORY, 1989-1993

Table 10.5 000 Tonnes

User	1989	1990	1991	1992	1993*
Agriculture	63.5	64.9	55.7	64.9	70.7
Retail pump outlets & road transport	847.3	863.5	857.1	977 4	870.0
Rail transport	26.0	35.3	38.8	30.6	32.5
Tourism**	12.4	13.0	11.7	12.5	12.3
Marine (excl Naval Forces)	158.4	215.3	128.1	139.7	165.9
Aviation (excl. Government)	273.2	302.0	253.7	314.2	355.0
Power Generation	39.8	27.9	35.0	38.2	41.5
Industrial. Commercial and Other	459.5	452 9	454.4	453.5	407.9
Government	49.0	70.8	44.1	45.3	36.3
Balancing Item	-122.6	-215.4	-123.5	-236.8	-165.9
TOTAL	1,806.5	1,830.2	1.755.1	1,839.5	1,826.2

* Provisional

** Comprises sales to tour operator

10.10. Domestic sales of petroleum product by consumer category from 1989 to 1993 are shown in Table 10.5. The transport sector (rail, road, marine and aviation) continued to be the largest consumer of petroleum fuels. Increases in fuel usage by the transport sector were recorded in marine and aviation industries with 18.8 per cent and 13.0 per cent respectively over the corresponding period of 1992. Sales to rail transport rose by 6.2 per cent, while sales to power generation went up from 38.2 thousand tonnes in 1992 to 41.5 thousand tonnes in 1993, an increase of 8.6 per cent. Sales to the agricultural sector went up by 8.9 per cent, while those to industrial and commercial users declined by a significant 10 per cent.

10.11. Table 10.6 shows wholesale prices of petroleum fuels at Mombasa with 1973 as base year. In foreign currency terms, the world price of petroleum fell in 1993. However, domestic inflationary pressures, accompanied by depreciation of Kenya shilling against the dollar resulted in high domestic wholesale prices of petroleum products. Wholesale prices of liquified petroleum gas stood at more than ten times its level in 1973, while that of premium, regular and illuminating kerosene fuels rose to twenty times those of same period compared to 1993. Light diesel and Industrial diesel oils on the other hand registered the highest increase in prices of more than forty times in the last twenty years.

WHOLESALE PRICES* OF PETROLEUM PRODUCTS AT MOMBASA, 1973 - 1993

Table 10.6 KSh. per tonne

	30.9.73	29.11.91	1.2.92	26.3.93	10.6.93	Ratio 1993/73 (per cent)
Liquefied petroleum gas	2,060	14,843	16,643	21,455	23,855	1,158.0
Premium motor gasoline	1,551	20,535	23,327	29,870	34,186	2,204.1
Regular motor gasoline	1,468	20,375	23,201	30,125	34,255	2,333.4
Illuminating kerosene	736	10,052	11,211	16,853	17,971	2,441.7
Light diesel oil	892	12,929	14,599	20,288	23,554	2,640.6
Industrial diesel oil	471	10,369	12,033	17,632	19,808	4,205.5
Fuel oil	334	6,628	8,851	13,563	15,473	4,632.6

* Including duties and VAT.

10.12. Retail prices of Premium, Regular and Gas oil fuels from 1989 to 1993 are shown in Table 10.7. As shown in the table, 1993 registered four retail price changes. There was retail price rise and fall during the month of March 1993, and similarly two price increases in April and June, 1993 respectively. The price rises were due to increase in VAT and duty. Consequently, retail price for Premium gasohol went up by 54.6 per cent, while that of Regular and Gas oil increased by 54.3 per cent and 69.5 per cent respectively in the year compared to 1992.

NAIROBI RETAIL PRICES, 1989-1993

Table 10.7 KSh. per litre

Date	MOTOR SPIRIT		Gas Oil
	Premium/ Gasohol*	Regular	
30.09.89	10.48	10.18	6.76
08.09.90	14.41	14.11	10.90
29.11.91	15.79	15.49	11.96
01.02.92	17.88	17.58	13.46
03.03.93	21.76	21.46	17.33
24.03.93	20.22	19.92	15.79
21.04.93	24.48	24.17	20.00
10.06.93	27.64	27.12	22.81

* Gasohol was introduced from 1983

Electricity

10.13. Electricity is the second most important source of energy used in commercial and industrial establishments, including household consumption. Electricity energy in the country is generated from hydro, thermal and geothermal plants. Table 10.8 shows the installed capacity and generation of electricity between 1989 to 1993. The installed capacity declined in 1992 from a record high in 1991 of 829 MW, and remained at the same level in 1993 at 805 MW. This was attributed to the Kipevu thermal station in Mombasa not being rehabilitated, and no additional generation plant being commissioned in the year 1993.

INSTALLED CAPACITY AND GENERATION OF ELECTRICITY, 1989 - 1993

Table 10.8

	INSTALLED CAPACITY *MW**				GENERATION * GWH***			
	Hydro	Thermal Oil	Geothermal	Total	Hydro	Thermal Oil	Geothermal	Total
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	159.3	298.0	3,237.3
1992	603.5	156.3	45.0	804.8	2,796.0	147.0	272.0	3,215.0
1993 +	603.5	156.3	45.0	804.8	2,993.0	131.3	272.0	3,396.3

* Includes estimates for industrial establishment with generation capacity.

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

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

\+ Provisional

10.14. Total generation of electricity went up by 5.6 per cent from 3,215 GWH in 1992 to 3396 GWH in 1993. Hydro-based electricity generation rose by 7 per cent, thermal oil-based power went down by 11 per cent and Geothermal-based electricity

remained at the 1992 level of 272 GWH. The increase in Hydro-based electricity generation was possible due to improved water levels in Tana river Hydro electric dams (Seven Forks) and Turkwel Reservoir as compared to 1992 low water levels which resulted in power rationing. Similarly, the decline in Thermal-based power generation was attributed to mechanical problems at the Kipevu plant.

10.15. Table 10.9 depicts demand and supply balance of electricity energy for the period 1989 to 1993. Electricity consumption during the five-year period rose by 21.2 per cent, equivalent to annual average growth rate of 4.2 per cent. The demand for electricity increased from 2,915 million KWH in 1992 to 3,074 million KWH in 1993, an increase of 5.5 per cent, a rate higher than the 2 per cent rise recorded in 1992. Demand for electricity by domestic and small commercial consumers rose by 5.7 per cent from 877 million KWH in 1992 to 927 million KWH in 1993, while that of large commercial and industrial consumers went up by 4.4 per cent. Large commercial and industrial establishments continued to be the largest consumers of electricity in 1993. Off-peak consumption rose by 10.6 per cent in 1993, street lighting declined by a modest 7.1 per cent, while transmission losses increased by 10.2 per cent in the same year. Electricity imports from Uganda went up by 13.8 per cent in the review year compared to an increase of 79 per cent recorded in 1992. It is expected that after implementation and subsequent completion of Sondu Miriu power station, Magwagwa multipurpose, Munyu dam and Ewaso Nyiro projects the country will be self sufficient in production of electrical power.

ELECTRICITY ENERGY SUPPLY AND DEMAND BALANCE, 1989 - 1993

Table 10.9 — Million KWH

	1989	1990	1991	1992	1993"
DEMAND-					
Domestic and Small Commercial	729	780	823	877	927
Large Commercial and Industrial	1,632	1,754	1,832	1,835	1,915
Off-peak	113	117	109	104	115
Street Lighting	14	14	14	14	13
Rural Electrification	49	67	76	85	104
TOTAL	2,537	2,732	2,854	2,915	3,074
Transmission losses and unallocated demand	482	486	507	540	595
TOTAL DEMAND = TOTAL SUPPLY	3,019	3,218	3,361	3,455	3,669
of which imports from Uganda	112	174	134	240	273
Net generation	2,907	3,044	3,227	3,215	3,396

* Provisional.

Rural Electrification Program

10.16. The Government through Kenya Power and Lightning company continued with implementation of rural electrification programme, despite significant financial constraints. Some 104 schemes at various stages of implementation were undertaken in 1993, as compared to 85 schemes in 1992. During the year, the number of consumers

in rural areas rose by 17 per cent, from 29,513 in the previous year to 34,561 in 1993. Demand for rural electricity rose to 104 million KWH in 1993 as compared to 85 million KWH in 1992, an increase of 22 per cent.

Total Energy Supply and Demand Balance

10.17. The total energy supply and demand is shown in Table 10.10. Total net energy imports accounted for 71.6 per cent of total energy used in 1993 compared to 73 per cent in 1992. On the other hand, percentage share of domestically produced energy has been rising and was 28.4 per cent in 1993 compared to 27 per cent in 1992. This shows that considerable efforts have been made towards the reduction of dependence on imported energy. The consumption of Coal and Coke mainly used in cement production lines declined by 11 per cent in 1993. Energy consumption per capita expressed in kilograms of oil equivalent rose by 6.1 per cent in 1993 compared to a rise of 1.1 per cent in 1992.

PRODUCTION, TRADE AND CONSUMPTION OF ENERGY** EXPRESSED IN TERMS OF PRIMARY SOURCES, 1989-1993

Table 10.10 '000 Tonnes Oil Equivalent

	1989	1990	1991	1992	1993 *
COAL AND COKE CONSUMPTION	91.6	105.8	93.7	98.6	87.8
Imports of crude oil	2,100.9	2,178.3	2,059.4	2,235.3	2,274.2
Net exports of petroleum	-470.8	-425.7	-692.0	-669.4	-504.5
Stock changes and balancing item	269.7	77.7	387.7	273.4	56.6
TOTAL CONSUMPTION OF LIQUID FUELS	1,899.8	1,830.3	1,755.1	1,839.3	1,826.3
HYDRO AND GEOTHERMAL ENERGY:					
Local production of hydro power	592.6	608.9	667.2	671.0	718.3
Local production of geothermal power	77.3	80.6	71.5	65.3	65.3
Imports of hydro power	26.9	41.8	32.2	57.6	65.5
TOTAL CONSUMPTION OF HYDRO AND GEOTHERMAL ENERGY	696.8	731.3	770.9	793.9	849.1
TOTAL LOCAL ENERGY PRODUCTION	669.9	689.5	738.7	736.3	783.6
TOTAL NET IMPORTS	1,748.6	1,900.2	1,493.3	1,722.1	2,106.1
TOTAL ENERGY CONSUMPTION	2,688.2	2,667.4	2,619.7	2,731.8	2,763.1
LOCAL PRODUCTION AS PERCENTAGE OF TOTAL	24.9	25.8	28.1	27.0	28.4
PER CAPITA CONSUMPTION IN TERMS OF KILOGRAMS OF OIL EQUIVALENT	117.0	111.0	103.0	104.1	110.5

* Provisional.

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

Extension of Kenya Pipeline

10.18. The extension of the oil pipeline to western Kenya, which commenced in January, 1991, is at an advanced level of completion. The Nairobi-Eldoret phase of the extension is expected to be complete by the first quarter of 1994, while Nairobi-

Nakuru-Kisumu phase will be commissioned by the second quarter of the same year. Kenya Power and Lighting company has embarked on a major project to supply power to ten vital installations at various parts along this new infrastructure to facilitate oil pumping.

Wood Fuel Resources

10.19. Wood fuel in the form of wood and charcoal constitutes about 70 per cent of total domestic energy consumed and is mainly used for cooking, heating and lighting in the rural and urban households. Two main strategies are being used in implementation of wood energy policy of ensuring adequate supplies of wood through sustained yields while protecting the environment. These are the demand management strategy, which is used in promotion of improved wood stoves, charcoal stoves, charcoal kilns and also encouraging use of alternative sources of energy. The supply management strategy, on the other hand is used in creating awareness on tree planting, increase supply of tree seedlings and promotion of agro-forestry .

Other Sources of Energy

10.20. Due to rising prices and shortage of foreign exchange to import oil and coal, consumers are forced to look for cheaper alternative sources of energy. The alternative sources of energy in Kenya include, bio-waste, biogas, wind energy and power energy. The use of solar energy has been increasing significantly in the country especially in the public and private institutions. Apart from the previous wind turbine in Marsabit, two more have been built in Ngong Hills and connected to the national grid in 1993. High capital costs, and lack of appropriate and effective promotion campaign strategies have however hampered the utilization and exploitation of alternative sources of energy for the common good.

Energy Conservation

10.21. Both the government and private sector continued pursuing the energy policy relating to energy conservation in the year 1993. This was implemented through energy cost reduction efforts and through elimination of wasteful energy consumption techniques. Similarly, efficiency in energy use in all sectors of the economy and promotion of low cost domestic energy resources continued to be encouraged in the economy during the year under review.

CHAPTER 11 - MANUFACTURING

Overview

Over the years the manufacturing sector has remained the backbone of Kenya's industrial growth. It continues to provide goods which would otherwise be imported using the scarce foreign exchange. The sector has however been characterised by mixed performance.

The continued global recession, poor weather conditions, foreign exchange crunch, inflationary pressures and the political uncertainly during the transition to multi-party democracy contributed to the sluggish performance of the sector. The sector relies on agriculture and readily availability of foreign exchange. In 1992 and part of 1993, shortages of raw materials, spare parts and other imported inputs resulted in the poor performance of the sector. However, the performance registered in 1993 was slightly better than that of 1992, recording a growth rate of 1.8 per cent of the value added in real terms compared to 1.2 per cent registered in 1992.

Employment

11.2. After the poor performance of the manufacturing sector in 1992 when a growth rate of only 0.4 per cent was recorded in employment, the sector recovered in 1993 to record a 1.7 per cent increase. The number of persons engaged in 1992 stood at 190,296 persons rising to 193,508 persons in 1993. Almost all industries recorded increases in number of persons engaged as the sector began to recover from the slump of 1992. Notable increases were recorded in the plastic and textiles industries. A drop in employment was however recorded in the vehicle assembly industry.

Manufacturing Sales and Stocks

11.3. With marginal growth in real output and high inflation in 1993 due to price decontrols, sales revenue of the manufacturing sector increased by 37.8 per cent compared to the 29.6 per cent recorded in 1992. Business Expectations Enquiries (BEE) data show that whereas in 1992 sales revenue was K£8,249 million, it increased to K£11,374 million in 1993. The value of manufactured exports which increased by 2.3 per cent in 1992, continued in 1993 as manufacturers took advantage of various export incentives offered by the Government.

Industrial Output

11.4. Table 11.1 shows the growth in the domestic manufacturing sector. The value of output at current prices grew by 34 per cent in 1993 compared to 10 per cent in 1992. Manufacturing value added increased similarly by 16 per cent ,while

intermediate consumption rose by 36 per cent in 1993 . Total wages paid increased by 16 per cent in 1993 compared to 12 per cent in 1992.

MANUFACTURING SECTOR - OUTPUT , WAGE AND PRODUCT, AT CURRENT PRICES, 1989-1993

Table 11.1 K£million

YEAR	Value of Output	Intermediate Consumption	Value Added	Total Wages Paid
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
1993**	15,907.51	14,394.66	1,512.85	486.79

* Revised.

** Provisional.

Quantum Indices

11.5. Table 11.2 shows the performance of the various manufacturing industries during 1993. After declining in the previous two years, meat and dairy products sub-sector recorded a marginal growth. The adverse weather which prevailed most of the year resulted in a decline in the output of liquid milk from 198.3 thousand litres in 1992 to 171.6 thousand litres in 1993. Since 1990 output of milk has been on the decline with 1991 recording the highest drop of 53.7 per cent. Despite Government incentives to the sugar industry which led to a growth of 3.6 per cent in output, demand still outstripped supply and as a result sugar was imported to meet the shortfall.

11.6. Table 11.3 shows production of grain milling products. With the exception of sifted maize meal all other products recorded decreases. The downward trend in the grain milling sector in 1991 and 1992 continued into 1993 . A negative growth of 9.2 per cent was recorded in 1993 compared to negative 4.2 per cent in 1992. Maize deliveries to National Cereals and Produce Board decreased from 324.1 thousand tonnes in 1992 to 241.8 thousand tonnes in 1993 (refer Chapter 8). Production of sifted maize meal which declined by 107.7 thousand tonnes in 1992, picked up to reach 168.1 thousand tonnes in 1993, an increase of 40 per cent. Output of bakery products increased only marginally, as some bakeries closed due to lack of wheat flour in the early part of 1993 . Production of wheat flour recorded a decrease of 34.4 per cent in 1993, from 218 thousand tonnes in 1992 to 143 thousand tonnes. Production of whole rice and broken rice similarly fell. Significant quantities of maize and wheat was imported in the year to save the millers from closure and to meet domestic demand.

QUANTUM INDEX OF MANUFACTURING PRODUCTION, 1989 - 1993

Table 11.2

INDUSTRY	1989	1990	1991	1992	1993*	Percentage Change 1993/1992
Meat and Dairy Products	127.8	136.6	122.2	91.8	93.6	1.96
Canned Vegetables, Fish, Oils and Fats	267.6	306.1	346.7	323.3	366.8	13.45
Grain Mills Products	224.7	227.8	228.0	218.4	198.3	-9.20
Bakery Products	155.3	158.4	166.4	173.2	178.9	3.29
Sugar and Confectionery	201.5	194.9	202.2	187.9	190.4	1.33
Miscellaneous Foods	224.7	225.9	226.5	235.8	219.2	-7.04
Food Manufacturing	167.5	169.7	171.1	164.9	164.5	-0.24
Beverages	201.4	208.9	202.0	237.8	233.2	-1.93
Tobacco	178.0	177.7	173.0	192.2	194.2	1.04
Beverages and Tobacco	201.9	208.3	201.7	233.1	232.0	-0.47
Textiles	197.1	221.9	213.0	213.0	245.6	15.31
Clothing	368.3	337.7	314.8	311.9	284.5	-8.78
Leather and Footwear	88.1	92.2	94.4	90.3	81.7	-9.52
Wood and Cork Products	66.3	68.3	71.2	72.1	71.8	-0.42
Furniture and Fixtures	72.6	73.4	70.5	46.6	49.4	6.01
Paper and Paper Products	189.3	198.3	208.7	250.7	175.6	-29.96
Printing and Publishing	389.1	397.8	401.9	407.2	407.2	0.00
Basic Industrial Chemicals	182.1	194.2	215.0	215.1	224.9	4.56
Petroleum and Other Chemicals	343.3	396.9	442.2	417.1	406.2	-2.61
Rubber Products	286.3	302.3	299.1	584.7	577.3	-1.27
Plastic Products	202.7	220.1	253.9	299.6	330.6	10.35
Clay and Glass Products	213.5	210.1	207.0	251.1	225.8	-10.08
Non-Metallic Mineral Products	143.8	163.5	166.8	196.8	192.7	-2.08
Metallic Products	131.4	150.5	174.8	158.2	158.6	0.25
Non-Electrical Machinery	138.7	108.7	105.5	99.6	98.9	-0.70
Electrical Equipment	189.2	185.7	188.8	182.8	163.3	-10.67
Transport Equipment	612.3	646.4	635.4	579.5	481.1	-16.98
Miscellaneous Manufactures	360.2	390.1	423.7	425.5	425.4	-0.02
TOTAL MANUFACTURING	208.8	219.8	228.2	231.1	235.3	1.82

* Provisional

PRODUCTION OF GRAIN MILLING PRODUCTS. 1989 -1993

Table 11.3 '000 tonnes

YEAR	COMMODITY			
	Silted Maizemeal	Wheat Flour	Whole Rice	Broken Rice
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
1993*	168.1	143.1	13.6	2.0

* Provisional

11.7. Restructuring efforts by the Government and the liberalisation of the dairy industry and decontrol of prices resulted in more competitors being licensed by the Kenya Dairy Board to process dairy products, notably liquid milk . Nevertheless, milk production fell by 3.4 per cent as a result of the prevailing drought. Other dairy products however, recorded marginal increases.

11.8. The reform programme in the beef industry resulted in the production of beef increasing by 48 per cent in 1993 due to better prices. The persistent drought also increased deliveries to various slaughter houses. Hides and skins production similarly increased during the year. Better prices and collection facilities offered resulted in the production of pork increasing from 1,241 tonnes in 1992 to 2,187 tonnes in 1993, an increase of 76 per cent although the production of sausages increased only marginally. After declining in 1992 production of processed chicken increased by 5.3 per cent in 1993.

11.9. The performance of the canned vegetables , fish, oils and fats sub-sector improved in 1993 after the poor performance recorded in 1992. The output of jams and marmalades continued to rise and currently stands at 1.23 thousand metric tonnes up from 1.09 thousand metric tonnes in 1992. Production of fruits and vegetable juices remained almost at the same level in 1992.

11.10. Past trends in production and consumption of sugar indicate rising imports to meet the increasing domestic demand. Domestic demand for sugar has been on the increase and currently stands at 570 thousand tonnes up from 494 thousand tonnes in 1991, a growth of 15 per cent. On the other hand, sugar production has decreased from 434 thousand tonnes in 1991 to 385 thousand tonnes in 1993. High input costs, lack of finance and operational problems led to low delivery of cane to the factories resulting in decreased output. It is worth noting that despite the hardship encountered by the cane farmers, the Government has included in the current price structure a sugar-cane development, roads, and research fund which hopefully will positively contribute towards a revamped sugar industry.

11.11. The miscellaneous food sub-sector performed poorly compared to 1992, Output of black tea dropped substantially when compared to 1992 while milled coffee increased by 35.5 per cent in output. Other products in the sector notably animal feeds with the exception of dog and cat feeds recorded losses.

PRODUCTION OF BEVERAGES AND TOBACCO, 1989 - 1993

Table 11.4

	COMMODITY			
YEAR	Spirits '000 Litres	Beer Million litres	Mineral Waters Million litres	Cigarettes Million sticks
1989	1,274.1	315.4	169.8	6,661
1990	1,192.9	331.1	150.0	6,648
1991	1,688.3	314.0	144.5	6,473
1992	1,480.3	368.6	133.3	7,031
1993*	2,259.1	349.2	132.3	7,266

* Provisional

11.12. As shown in Table 11.4 beverages production notably spirits, increased substantialy while the production of beer and stout decreased by 5.3 per cent. Production of beer and stout stood at 349.2 million litres in 1993 compared to 368.6

million litres in 1992. Poor weather conditions and lack of foreign exchange to import the inputs had a negative hearing in the production of beer and stout. Cigarettes and tobacco production recorded marginal increases. Production of cigarettes increased to 7,266 million sticks in 1993 from 7,031 million sticks in 1992. The increase is attributed to various incentives and facilities offered by cigarette manufacturing firms including extension of credit facilities to the farmers. There was also improved performance in exports.

11.13. The plastic industry has greatly benefited from the technological changes that have taken place in the industry and also from the shift in demand to plastic goods, which resulted in increased production in the sector. Production of the various commodities recorded increases due to growth in effective demand. Production of PVC pipes increased from 4,899 tonnes in 1992 to 5,795 tonnes in 1993, an increase of 18.3 per cent. Production of plastic shoes was 1.05 million pairs in 1992 rising to 1.18 million pairs in 1993. Production of PVC floor tiles which had decreased in 1992 maintained the same level of 298,420 square metres in 1993. However, production of motor vehicle tyres and tubes both decreased marginally due to the problems that beset the motor vehicle industry including competition from direct imports. Output of re-tread tyres similarly decreased by 7.2 per cent in 1993.

11.14. Petroleum and other chemicals sector continued on the downward trend with a negative growth rate of 2.60 per cent in 1993. This was, however, better than the negative 5.8 per cent recorded in 1992. The continued decline is attributed to foreign exchange crunch experienced in the early part of the year.

11.15. Production of paints decreased marginally to 4.7 million litres in 1993 from 4.8 million litres and 7.9 million litres in 1992 and 1991, respectively. While vanishes and lacquers recorded substantial growth, paint removers sustained the same level as in 1992. Production of laundry soap and detergents (both liquid and powder) recorded marginal increases, while that of washing soap and tooth paste declined. Output of Liquified Petroleum Gas (LPG) declined marginally as did kerosene, petrol and other related products. Diesel increased from 26,442 tonnes in 1992 to 33,550 tonnes in 1993, an increase of 26.8 per cent.

11.16. The production of wood and cork products recorded 0.43 per cent decline after improved performance in 1992. Output of sawn timber declined marginally to 85,075 cubic metres in 1993 from 85,444 cubic metres in 1992. Manufacture of craft paper board and other paper products all declined but this was however offset by the increase in production of wrapping paper by 13.3 per cent and an increase in cane woven paper. Paper bags, sacks and corrugated paper containers declined in production as did toilet rolls which declined by 18.8 per cent. Output of exercise books increased by 2 per cent, as did teleprinter rolls. However, production of envelopes fell. The decline in wood products is a reflection of the Government's efforts to conserve existing forests.

11.17. The output of the printing and publishing industry stagnated at almost the same level as in 1992. However, it is worth noting that as an incentive to the industry, the Government reduced duty payable on imported newsprint.

11.18. The continuing investments in the textile industry and the reduction in imports of textiles, had a dramatic effect on the performance of the sector, resulting in a growth rate of 15.3 per cent in 1993 after stagnating in 1992. With more private enterprise participation, it is expected that the sector will perform even better in future. Though output of cotton woven fabrics declined, there was an increase in the output of woollen woven fabrics and toweling materials. Rayon fabrics, polyester viscose fabrics and nylon had a markedly improved performance.

11.19. The clothing sub-sector did not perform well, since there was a decrease in production of men's clothing, notably trousers and suits, despite the production of T-shirts increasing marginally. This decline in the clothing sector is attributable to uncontrolled importation of finished products which curtailed the growth of the local industry as some of the imported items offered were much cheaper than the local items. 213,828 dozens of shirts were produced in 1992 rising to 224,905 dozens in 1993, an increase of 5.2 per cent. Output of uniforms and overalls also increased marginally.

11.20. Increased competition from plastic and rubber related products, and unavailability of raw materials contributed to the negative performance of the leather and foot wear sector. During the period, production of finished leather and sole leather declined. However, production of sporting balls recorded a slight increase as did leather shoes which stood at 1.5 million pairs in 1993.

11.21. The performance of the basic industrial chemicals industry recorded an improvement in 1993 compared to 1992. Production of nitrogen, oxygen and hydrogen increased marginally to reach 3.3 million cubic metres in 1993, while pyrethrum related products all recorded increases due to incentives offered by the Government through improved producer prices. Production of aerosols, fertilizers and other pesticides remained at the same level as in 1992. However, production of vaccines nearly doubled to reach 12 million doses after stagnating since 1991 . Production of electrodes increased by 7.4 percent while acetylene decreased by 3.5 per cent in 1993.

11.22. The electrical equipment industry continued to perform poorly. In 1992 a decline of 3.2 per cent was recorded worsening to negative 10.7 per cent in 1993. The lack of foreign exchange to import the required inputs was responsible for the poor performance. Production of dry cells fell from 1.2 million units in 1992 to 900 thousand units in 1993 due to temporary closure by some manufacturers due to lack of raw materials. Production of assembled radios and motor vehicle batteries stagnated at the 1992 level.

11.23. The foreign exchange constraints affected the metal products industry; as a result only a marginal growth was recorded. This was however better than the

performance in 1992. Most firms operated below capacity due to lack of raw materials leading to a reduction in the production of products such as metal cans and tins and nails. Production of padlocks, iron rods and bars, pangas decreased. Galvanized iron sheets production recorded an increase of 3.8 per cent to reach 72,355 tonnes in 1993. Production of gas cylinders also went up, especially as new export markets were established .

11.24. Table 11.5 shows production and consumption of cement during the period 1989-1993. Cement production has fluctuated since 1989 rising by 15 per cent in 1990 to stand at 1,511 thousand tonnes, then dropping to 1,422 thousand tonnes in 1991. In 1992 production rose by 6 per cent and finally dropped by a similar margin to reach 1,416 thousand tonnes in 1993. The decline in production could be attributed to a drop in the building and construction sector reflected in the decline in consumption level to 894 thousand tonnes in 1993 down from 1,118 thousand tonnes in 1992. Other cement related products such as roofing tiles recorded an increase of 12 per cent after declining in 1992. Production of concrete pipes and blocks also increased. Total exports of cement increased by 33 per cent compared to 29 per cent growth recorded in 1992. The increase in exports is due to the growing demand from Uganda and Tanzania rising from 54 thousand tonnes in 1992 to 133 thousand tonnes in 1993. A significant increase was also recorded in exports to The Comoros.

CEMENT PRODUCTION AND UTILIZATION, 1989-1993

Table 11.5 '000 tonnes

YEAR	PRODUCTION	IMPORTS	CONSUMPTION AND STOCKS	EXPORT TO	
				Uganda and Tanzania	All Other Countries
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
1993*	1,416.2	0.1	894.2	132.7	389.4

*Provisional.

11.25. The local motor vehicle assembly which depends entirely on imported components performed poorly in 1993 compared to 1992. A negative growth rate of 16.9 per cent was recorded in 1993 compared to negative 8.8 per cent in 1992. Lack of foreign exchange, devaluation of the Kenya shilling and the import liberalisation had a negative impact in the sector.This caused the prices of various locally assembled units to rise and at the same time importation of Completely Built Units (CBUs) became cheaper. Production of assembled vehicles declined by 19.3 per cent from 8,506 units in 1992 to 6,862 units in 1993. Coaches and buses production similarly declined by 7.3 per cent while production of lorry bodies stagnated at the level of 1992. The situation was so bad that some of the assemblers were forced to close down temporarily, while attempts by others to lower retail prices came to no avail. The value of imports of transport equipment during the year rose from K£144.51 million to K£276.29 in 1993.

Industrial Credit

11.26. Over the years development finance institutions have been the backbone of financing industrialization in Kenya, with credit facilities being directed mostly towards rural based enterprises. However, due to depressed economic activities, the institutions did not perform as expected with most of them only financing already existing projects and no new ventures. Table 11.6 shows that since 1989, the lowest number of projects financed was in 1993 when only 121 projects worth K£ 40 million were financed compared to 205 and 140 projects worth K£ 43 million and K£ 41 million in 1991 and 1992, respectively.

INDUSTRIAL PROJECTS APPROVED BY SELECTED GOVERNMENT OR QUASI-GOVERNMENT INSTITUTIONS, 1989 - 1993

Table 11.6

INSTITUTION	NUMBER OF PROJECTS					APPROVED EXPENDITURE K£ MILLION				
	1989	1990	1991	1992	1993*	1989	1990	1991	1992	1993*
Industrial Development Bank Limited (I.D.B.)	8	8	7	4	7	3.3	3.4	9.6	7.1	15.0
Development Finance Company of Kenya (D.F.C.K.)	3	9	9	21	11	0.8	5.3	8.9	22.5	11.5
Kenya Industrial Estates Limited (K.I.E.)	131	219	169	105	94	2.5	4.0	3.7	2.9	2.0
Industrial and Commercial Development Corporation (I.C.D.C.)	6	12	20	10	9	7.0	4.0	20.6	8.7	11.9
TOTAL	148	248	205	140	121	13.6	16.7	42.8	41.2	40.4

* Provisional.

11.27. In 1993 Kenya Industrial Estates (KIE) financed 94 projects worth K£2 million, most of which were in the rural areas and mainly in the grain milling sub-sector. This was the lowest level of undertakings by the institution since 1989. Other projects financed were in furniture, electrical works and tailoring. The additional employment created by these projects was about 370 new jobs.

11.28. The Industrial Development Bank (IDB) approved 7 projects worth K£15 million for financing in 1993, almost twice the number of projects and costs approved in 1992. Most of the projects approved were in the tea industry and were either expansion or rehabilitation. It is expected that once these are completed, employment opportunities for 226 people will be created, while at the same time creating indirect employment for 2,112 people. As part of the Parastatal Reform Program (PRP), the IDB plans to divest from about 30 projects including Associated Vehicle Assemblers (AVA), Kilifi Cashewnut Factory and Ken Salt.

11.29. In 1992, Industrial and Commercial Development Corporation (ICDC) approved 10 projects worth K£9 million while in 1993, 9 projects worth K£12 million were approved. The reduction in the number of projects was due to the on-going Structural Adjustment Programmes which curtailed the pace of economic activities. This delayed the implementation of the proposed programmes and at the same time commitments made earlier had to be re-appraised.

11.30. The DFCK approved loans to the tune of K£11.5 million in 1993, compared to K£22.5 million in 1992. The number of projects also fell from 21 in 1992 to 11 in 1993. The approved projects were of different categories but all within the manufacturing sector, notably in the manufacture of PVC related products and in textiles. Much effort was however made towards the rehabilitation of existing projects.

Manufacturing Labour Cost and Productivity.

11.31. The overall index of manufacturing output indicate an increase of 1.8 per cent in 1993, with employment growing by 1.7 per cent . As shown in Table 11.7, the proportion of wage costs to total manufacturing value added during the past five years has averaged at roughly 34 per cent, thus leaving 66 per cent for potential re-investment. Labour productivity declined steeply from positive 3.4 in 1991 to 0.1 in 1993.

Table 11.7 INDICATORS OF LABOUR COST PRODUCTIVITY IN MANUFACTURING, 1989- 1993

INDICATOR	1989	1990	1991	1992	1993*
1. Change in the quantum index of manufacturing	+ 5.9	+ 5.3	+ 4.1	+ 1.2	+ 1.8
2. Change in numbers employed in manufacturing	+ 2.8	+ 2.7	+ 0.6	+ 0.4	+ 1.7
3. Implicit change in labour productivity	+ 3.1	+ 2.6	+ 3.5	+ 0.8	+ 0.1
4. Wage cost as percentage of gross output	4.3	3.9	+ 4.1	+ 3.5	+ 3.1
5. Wage cost as percentage of value added	34.5	33.1	35.7	32.1	32.2

* Provisional.

DEVELOPMENTS

11.32. The Export Development Programme has overseen the establishment of organisations for the promotion of Kenya's exports which have not only created employment but also earned the much needed foreign exchange. Notably among the various organisations are the Export Processing Zones, under the Export Processing Zones Authority (EPZA).

11.33. Between 1992 and 1993, there were 4 gazetted zones in operation, namely Sameer Industrial Park, Birch Investments, Anicit EPZ limited and East African Mollasses EPZ limited. A total of 15 companies were within the zones. Operating in these zones were firms engaged in activities such as textiles, electronics, motor vehicle, professional scientific, photographic and opticals and paper and paper products. Others include the manufacture of safes ,strong room doors and allied products and printing

of currency notes. Total investment in 1993 was US$37 million, while exports were valued at US $3 million.

11.34. As a further encouragement to exporters other notable initiatives towards export promotion were Manufacturing Under Bond (MUB), Kenya Export Assistance Scheme (KEAS) and Kenya Export Development Support (KEDS). At the same time the renewed regional co-operation including the Common Market for Eastern and Southern Africa (COMESA) is expected to greatly increase exports to the region.

11.35. The Government has also undertaken some key economic reforms to act as major investment incentives notably:-

1. The abolition of the export and import licensing.
2. Liberalised and rationalized import tariffs.
3. Allowing exporters to retain upto 100 per cent of their export earnings.
4. The enactment of the Foreign Investment Protection Act (FIPA).

These incentives are hopefully expected to boost inflow of potential investors.

CHAPTER 12 - BUILDING AND CONSTRUCTION

Building and construction activities continued to be depressed in 1993 as shown by declines in the sector's major economic indicators. Both private and public construction activities recorded unsatisfactory performance during the year. High price increases of construction materials and labour due to inflationary trends, lack of adequate budgetary provision for public construction related projects and suspension of donor funds - all contributed to stagnation of building and construction projects.

12.2. As shown in Table 12.1 on real trends in building and construction sector, all the sector's major economic indicators recorded declines in 1993. Cement, a major input in construction activities recorded a drop of 20 per cent, from 1,118 thousand tonnes in 1992 to 894 thousand in 1993. Number of people engaged by the sector similarly declined marginally during the period to about 72.7 thousand people. Suspension of donor funds and Government's financial austerity measures contributed to significant decline in deflated index of Government expenditure on roads. Indices on reported private and public building continued to show a downward trend. Commercial Banks bills, loans and advances to private building and construction enterprises as shown in Table 5.9, similarly dropped by 16 per cent in 1993.

REAL TRENDS IN BUILDING AND CONSTRUCTION *, 1989-1993

Table 12.1 — 1982 = 100

	1989	1990	1991	1992	1993**
"Index" of reported private building work completed in main towns***	89.9	91.2	81.7	66.8	
"Index" of reported public building work completed in main towns***	12.2	11.6	9.6	7.8	
"Index" of government expenditure on roads	77.1	67.0	73.0	52.5	37.2
Cement consumption ('000 tonnes)	1003.4	1,182.0	1,119.2	1,118.2	894.2
"Index"	173.2	204.0	193.2	193.0	154.3
Employment ('000)	68.7	71.4	72.4	73.4	72.7
"Index"	113.7	118.2	119.9	121.5	120.4

* 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. The unsatisfactory performance of both building and 'other' construction sub-sector during the year resulted in a marginal drop in employment in 1993. Total numbers of people engaged by the sector declined to 72.7 thousand in 1993 from 73.4 thousand the previous year. Public sector recorded a drop of about one thousand people while private sector reported insignificant change during the year.

12.4. As shown in Table 12.2, 1993 recorded the highest annual percentage increase in building and construction cost indices. The overall building and construction cost index rose significantly by 51 per cent compared with moderate 18 per cent and 8 per cent increases in 1992 and 1991, respectively. Price policy changes and devaluation of Kenya shillings against major trading currencies implemented during the year, and increase in transport costs due to high fuel and oil prices all contributed to the rise in prices of construction materials. In material inputs, the prices of cement rose by over 80 per cent in 1993 as compared with 1992, while that of reinforcement steel more than doubled. Significant price increases were also recorded in paints, glasses, plumbing and sanitary fixtures, electrical installation and concrete products.

ANNUAL PERCENTAGE INCREASE IN BUILDING AND CONSTRUCTION COST INDICES', 1991 - 1993

Table 12.2

	MATERIALS			LABOUR			TOTAL COST		
	1991	1992	1993**	1991	1992	1993*	1991	1992	1993**
Residential Buildings	8.1	23.9	58.4	9.7	9.6	22.3	8.4	21.4	52.7
Non-Residential Buildings	8.1	23.8	70.1	9.1	9.6	22.3	8.5	20.6	60.4
All Buildings	8.1	23.9	63.6	9.6	9.6	22.3	8.4	21.1	56.2
"Other" Construction	4 .4	12.5	51.5	9.7	9.6	22.3	6.4	11.3	40.2
TOTAL COST INDEX	7.0	20.5	60.3	9.7	9.6	22.3	7.7	17.7	50.8

* From December to December.

* * Provisional.

12.5. Labour cost which increased moderately over the years rose by 22 per cent in 1993 compared with about 10 per cent in 1991 and 1992. The rise in labour cost was due to implementation of regulation of wages (General) (Amendment) order of 1993.

12.6. Table 12.3 presents a summary of value of plans approved by Nairobi City Council (NCC) and other towns for the period 1989-93. Total value of the approved plans recorded a rise of 13.6 per cent in 1993 compared to a drop of 10.6 per cent recorded the previous year. Nairobi and 'other' towns category showed improvement in 1993. The value of plans approved by NCC rose significantly by 21.5 per cent from K£156.4 million in 1992 to K£190.0 million in 1993. However, the rise in value of plans was mainly due to general inflationary trends experienced during the year. The other' towns category showed a rise of only K£2.6 million in 1993 as compared to the previous year. Improvements were recorded in Mombasa, Kisumu and Eldoret towns.

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

Table 12.3 K£million

YEAR	NAIROBI	OTHER TOWNS	TOTAL
1989	212.85	69.26	282.11
1990	186.24	85.44	271.68
1991	193.45	105.64	299.09
1992*	156.40	110.84	267.24
1993*	189.99	113.48	303.47

* Provisional.

12.7. Table 12.4 presents a comparison between value of plans approved and buildings completed between 1989 and 1993. The value of completed buildings expressed as percentage of plans approved between 1989 and 1992 show that on average about 22 per cent of the plans approved are completed every year. This dropped to 16 per cent in 1993, indicating a delay in completion of building projects.

COMPARISON OF VALUE OF PRIVATE PLANS APPROVED AND BUILDINGS COMPLETED IN MAIN URBAN AREAS, 1989 - 1993

Table 12.4 K£million

YEAR	PLANS APPROVED	BUILDING WORK COMPLETED
1989	282.11	48.59
1990	271.68	66.02
1991	299.09	63.52
1992	267.24	62.78
1993*	303.47	48.62

* Provisional.

12.8. An analysis of reported completion of private buildings in main towns shown in Table 12.5 indicate that Nairobi recorded a decline while Mombasa reported a marginal increase in 1993. The total value of completions continued to show a downward trend from its peak in 1990 to its lowest level in 1993 reflecting a year of poor performance for the building sub-sector. Nairobi which on average contributes about 60 per cent of total value of private buildings completed due to high rise buildings reported a drop from K£48.0 million in 1992 to K£34.2 million in 1993.

VALUE OF REPORTED PRIVATE BUILDING* WORKS COMPLETED IN MAIN TOWNS, 1989-1993

Table 12.5 K£million

Year	Nairobi	Mombasa	Kisumu	Nakuru	Malindi	Total
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	47.99	13.98		2.31	2.10	66.38
1993**	34.21	14.07		3.42		51.70

* Including the value of extension.

** Provisional.

12.9. Table 12.6 shows data series on number and value of reported completions of new private building by residential and non-residential categories. Total value of

completions excluding the value of extensions declined from K£62.8 million in 1992 to K£48.6 million in 1993. Similar declines were reported in values of residential and non-residential buildings. While the number of reported residential units declined significantly that of non-residential units rose by 2 units in 1993.

12.10. Table 12.7 provides data on the number and value of completion of new public buildings. As in the previous two years the number and value of completion of both residential and non-residential declined in 1993 due to lack of adequate funds for public building projects. The total value declined by 10 per cent while number of units declined by 14 per cent.

REPORTED COMPLETIONS OF NEW PRIVATE BUILDINGS* IN MAIN TOWNS, 1989 - 1993

Table 12.6

YEAR	NUMBER		ESTIMATED COST K£million		
	Residential	Non-Residential	Residential	Non-Residential	Total
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	1,559	52	43.65	19.13	62.78
1993**	972	54	34.04	14.58	48.62

* Excluding the value of extensions.

** Provisional.

REPORTED COMPLETIONS OF NEW PUBLIC BUILDINGS* IN MAIN TOWNS, 1989-1993

Table 12.7

YEAR	NUMBER		ESTIMATED COST K£million		
	Residential	Non-Residential	Residential	Non-Residential	Total*
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
1993**	144	16	2.46	0.94	3.40

* Including the value of extensions.

** Provisional.

HOUSING

12.11. Lack of adequate budgetary provision coupled with price decontrol measures which contributed greatly to the rise in prices of building materials led to the sluggish completion of Central Government and National Housing Corporation (NHC) housing projects in 1993. Number of units completed by NHC dropped by 87 per cent. Total Government expenditure on housing dropped to its lowest level during the period.

12.12. Total approved and actual Central Government expenditure on housing during the last five years is presented in Table 12.8. Total actual expenditure on housing

continued to show a downward trend from its peak in 1990/91 fiscal year to its lowest level in 1992/93. This was partly due to cut in Government expenditure during the last two fiscal years. A significant drop was recorded in item - loans and grants to Municipalities and NHC contributing to a drop in NHC housing activities. However, the approved expenditure for 1993/94 is expected to rise significantly to K£28.7 million. Planning and research, loans and grant to municipalities and NHC, together with Urban pool housing are expected to receive a lion's share of the expenditure.

APPROVED AND ACTUAL CENTRAL GOVERNMENT EXPENDITURE ON HOUSING, 1989/90-1993/94

Table 1 2.8

YEAR	K£ Million		Approved Expenditures as Percentage of Development Expenditure
	Approved	Actual	
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	4.76	0.35
1993/94*	28.68		2.22

* Provisional.

12.13. Under the Government's urban pool housing project, a total of 555 housing units were under various stages of construction in Nairobi, Voi, Kericho and Kapsabet at a total cost of K£919 million. When completed, these will ease the demand for houses in the respective towns.

HOUSING UNITS COMPLETED BY THE NATIONAL HOUSING CORPORATION, 1989 - 1993

Table 12.9

	1989	1990	1991	1992	1993*
Units completed					
PROVINCE-					
Nairobi	367	1,069	2		
Coast			68		23
North-Eastern					
Eastern			128		
Central	149**	357**		40	
Rift valley	105	25		40	
Nyanza	384				
Western		212	90	102	
TOTAL NUMBER	1,005	1,663	288	182	23
Of which site and service	234				
Value of units completed K£'000					
Nairobi	4,288	14,011	140		
Coast			551		487
North-Eastern					
Eastern			389		
Central	930**	588**		154	
Rift valley	399	98		639	
Nyanza	878				
Western		644	319	307	
TOTAL VALUE	6,495	15,311	1,399	1,100	487

*Provisional

**Include upgrading of squatter settlement in Nyeri Town.

12.14. In 1993, National Housing Corporation completed only one scheme comprising of 23 units in Wundanyi town while 8 schemes comprising of 1,606 units were under various construction stages in 3 other towns. Schemes under construction included, Kibera Highrise Phase 11 Extension in Nairobi, Vihiga Tenant Purchase and Malindi Mortgage schemes comprising of 1,302 units, 70 units and 149 units respectively.

12.15. Despite Government's financial austerity measures during 1992/93 fiscal year, the total amount advanced under the Rural Housing Loans Scheme continued to rise. Total amount advanced to individuals under the scheme improved from K£0.7 million during 1990/91 to about K£1.0 million in the fiscal 1992/93. The number of beneficiaries rose from 215 to 286 during the same period.

Roads

12.16. The output in road construction continued to be depressed in 1993. The unsatisfactory performance was attributable to several factors including; lack of adequate budgetary provision, continued rise in prices of construction materials and labour due to inflationary trends experienced during the year, and suspension of donor funds which contributed to stagnation of donor funded road projects. The downward trend experienced in road construction had a significant effect on the performance of

other' construction sub-sector in 1993.

12.17. Table 12.10 details the breakdown of kilometres of roads by type and classification over the last five years. Total classified road network rose by about 1700 kilometres in length over the period. Bitumen roads increased by 13 per cent between 1989 and 1993, which was lower than 16 per cent rise recorded between 1988 and 1992. Length of trunk roads which form the bulk of bitumen roads rose by 300 kilometres between 1989 and 1993. Earth/Gravel roads which comprises 80 per cent of the total classified road network increased by 700 kilometres during the same period. Major roads were up-graded to bitumen standard during the period; these include Bungoma -Chwele - Kimilili, Garsen causeway and Sotik - Amala river roads.

KILOMETRES OF ROAD AS AT 1st JULY. 1989 AND 1st JULY, 1993 BY TYPE AND CLASSIFICATION

Table 12.10 '000Km

Type of Road	1989		1993	
	Bitumen	Earth/ Gravel	Bitumen	Earth/ Gravel
A- International Trunk	2.6	1.0	2.7	1.0
B- National Trunk	1.2	1.6	1.4	1.3
C- Primary	2.2	5.5	2.5	5.5
D- Secondary	1.0	10.0	1.2	10.0
E- Minor	0.5	25.3	0.7	26.0
F- Special Purpose*	0.2	10.6	0.2	10.9
TOTAL	7.7	54.0	8.7	54.7

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

12.18. Analysis of Total Government expenditure on roads by types shown in Table 12.11 indicates a drop of 3 per cent during the 1992/93 fiscal year, a slight improvement over the 5 per cent decline recorded during the previous fiscal year. Development expenditure rose by 18 per cent during the period with all categories of roads recording a similar upward trend. Recurrent (maintenance and repair) expenditure showed a significant drop of K£18 million. However, the expenditure on this item is expected to rise to K£36 million during the 1993/94 fiscal year. This is in line with Government commitment to providing adequate funds for maintenance of the existing road network. During the 1993/94 fiscal year, total expenditure is expected to remain at 1992/93 level with a significant drop in development expenditure, off-set by an equally significant rise in recurrent expenditure.

TOTAL EXPENDITURE ON ROADS, 1991/92 - 1993/94

Table 12.11 K£million

	1991/92	1992/93	1993/94*
DEVELOPMENT:			
Trunk Roads	40.1	42.0	24.2
Primary Roads	11.4	20.8	26.5
Secondary Roads	10.9	17.0	5.0
Unclassified Roads	21.0	18.3	16.7
TOTAL	83.4	98.1	72.4
RECURRENT (maintenance and repair)	28.1	10.4	36.2
TOTAL	111.5	108.5	108.6

* Provisional

12.19. The Rural Access Road Programme (RARP) commenced in most districts between 1974 and 1981. In mid-1980's construction of new RARP roads ceased in all districts except Nyandarua and Baringo where the programme had commenced much later. A total of 8,120 kilometres of RAR's were built in districts where the programme has been implemented from inception to June 1992. There was no RAR's built during 1992-93. Out of these 6,975 kilometres have been gravelled, while a total of 576 kilometres are In-Situ Gravell (Gravelling not required) . Districts with the higher number of kilometres of RAR's include Kitui, Kwale, Trans-Nzoia, Kisii/Nyamira and Homa-bay/Migori districts with 586 km, 484 km, 413 km, 435 km and 477 kilometres, respectively.

12.20. Since its inception to end of 1993, the Minor Road Programme (MRP) achieved a total of earth road improvement of 3,238 kilometres. Out of these, 2,534 kilometres, have been gravelled. The MRP output for 1992/93 was much lower than that of 1991/92. The total output of earth road improvement was 190 kilometres in 1992/93 while total output of gravelling of minor roads during the same period was 283 kilometres.

CHAPTER 13 - TOURISM

Overview

Despite adverse publicity in the international media, the country recorded a marked improvement in the number of visitor arrivals in 1993 as compared to 1991 and 1992 when decreases were recorded. The improvement was partly attributed to successful tourism promotion in the wake of successful December 1992 multi-party elections.

13.2. The peaceful conduct of the December 1992 multi-party elections, liberalization of exchange controls and the devaluation of the Kenya shilling contributed positively to the revival of the tourism industry from the second quarter of 1993 despite the global recession. Europe and America continue to be dominant tourist generating regions. Hotel bed-nights occupancy of 6.2 million recorded in 1993 was 12 per cent higher than the 1992 level. National parks and game reserves, museums and historical sites all registered increased number of visitors in 1993 when compared to 1992. Foreign exchange earnings were K£1,222 million in 1993 up from K£713 million in 1992 and K£593 million in 1991.

Arrivals and departures

13.3. Table 13.1 shows details of visitors arriving by purpose of visit. After two years of declining arrivals, there was a welcome increase in the number of arrivals from 782 thousand in 1992 to 826 thousand in 1993. A decline of 30.8 per cent occurred in the fourth quarter of 1992 as opposed to 1991 while an equally large decline of about 50.5 per cent occurred over the first quarter of 1993 compared to that of 1992 mainly as a result of pre- and post-1992 multi-party elections uncertainty. The number of visitors who came for holidays dominated followed by those who came for business.

13.4. There was an increase in visitor departures in 1993, rising by 5.7 per cent, from 651 thousand in 1992 to 688 thousand. The visitor departures dropped for two years consecutively by 10.6 per cent from 728 thousand in 1990 to 650 thousand in 1992 as indicated in Table 13.2. Between 1990 and 1991 the decrease was about 6.4 per cent. The increases in 1993 occurred mainly in the second and fourth quarters. The departing visitors were dominated by those who came for holidays.

13.5. The departing visitors by country of residence and purpose of visit shown in Table 13.3 indicates domination by European and African countries. The number of departing visitors increased from 643 thousand in 1992 to 680 thousand in 1993, a 5.7 per cent rise. Germany, United Kingdom and USA are the dominant countries outside Africa, who had many departing visitors in 1993. In Africa, Tanzania is leading followed by Uganda.

QUARTERLY VISITOR ARRIVALS BY PURPOSE OF VISIT, 1989 - 1993

Table 13.1 '000

Quarter/	Purpose	1989	1990	1991	1992	1993*
1st Qr.	Holiday	192.6	186.1	149.6	155.4	69.3
	Business	15.8	22.3	17.9	39.1	26.2
	Transit	5.8	9.3	7.5	19.2	12.0
	Other	1.4	1.2	1.0	5.5	1.1
	TOTAL	215.6	218.9	176.0	219.2	108.6
2nd Qr.	Holiday	124.5	158.1	149.4	136.2	211.8
	Business	13.8	17.1	16.6	27.3	23.7
	Transit	6.5	5.4	5.1	14.7	9.6
	Other	1.0	2.5	2.4	6.0	0.3
	TOTAL	145.8	183.1	173.5	184.2	245.4
3rd Qr.	Holiday	158.9	184.6	215.9	211.1	208.7
	Business	9.6	19.8	23.1	19.3	20.0
	Transit	9.5	11.2	13.2	8.6	12.7
	Other	1.3	3.5	4.1	1.5	0.4
	TOTAL	179.3	219.1	256.3	240.5	241.8
4th Qr.	Holiday	166.1	166.8	158.4	104.0	190.0
	Business	14.6	14.5	20.0	23.6	27.7
	Transit	12.7	9.7	12.5	8.3	12.5
	Other	0.6	2.3	7.9	1.7	0.2
	TOTAL	194.0	193.3	198.8	137.6	230.4
Year	Holiday	642.1	695.6	673.3	606.7	679.8
	Business	53.8	73.7	77.6	109.3	97.6
	Transit	34.5	35.6	38.3	50.8	46.8
	Other	4.3	9.5	15.4	14.7	2.0
	TOTAL	734.7	814.4	804.6	781.5	826.2

* Provisional.

13.6. The average number of days stayed for all visitors also recorded a slight increase from 13.4 days in 1992 to 13.9 days in 1993, but remained below the 14.4 days recorded in 1990. However, there was a decrease between 1991 to 1992 from 13.7 days to 13.4 days, respectively. The number of days stayed by visitors who came for holidays between 1992 and 1993 increased from 8,005 to 8,300, an increase of 3.7 per cent as shown in Table 13.4.

Hotel Occupancy

13.7. Details of hotel bed-nights available and occupied by country of residence of visitor are set out in Table 13.5. In 1993 hotel capacity was about 11.9 million hotel bed-nights, an increase of 3.9 per cent over 1992. A marked improvement of 12 per cent was observed with regard to hotel bed-nights occupied in 1993 when compared to 1992. During the period under review, a total of 6.2 million bed-nights were

registered. Hotel occupancy rate increased by 3.8 percentage points in 1993 to reach 52 per cent. Despite this improvement, occupancy rate was still below those registered in 1989, 1990 and 1991. Increased occupancy was registered from residents of Italy, France, "other Europe" and USA while Germany, United Kingdom, West Africa and "All other Countries" recorded declines. Kenya residents continued to record increased bed-night occupancy, an indication of increased domestic tourism.

QUARTERLY VISITOR DEPARTURES BY PURPOSE OF VISIT, 1989 - 1993

Table 13.2 '000

Quarter/	Purpose	1989	1990	1991	1992	1993*
1st Qr.	Holiday	165.5	187.3	149.3	186.0	163.4
	Business	22.7	20.6	16.4	20.7	18.2
	Transit	13.8	14.8	11.8	13.5	11.9
	Other	1.0	2.3	1.8	1.9	1.6
	TOTAL	203.0	225.0	179.3	222.1	195.1
2nd Qr.	Holiday	99.6	118.0	111.2	114.6	118.7
	Business	17.8	19.0	17.9	21.9	22.7
	Transit	13.0	11.8	11.1	10.9	11.3
	Other	0.6	1.3	1.2	1.5	1.5
	TOTAL	131.0	150.1	141.4	148.9	154.2
3rd Qr.	Holiday	140.8	166.4	156.2	152.4	140.1
	Business	9.1	19.0	17.8	22.8	21.0
	Transit	14.0	12.5	1 1.7	13.0	11.9
	Other	0.5	2.3	2.2	2.4	2.2
	TOTAL	164.4	200.2	187.9	190.6	175.2
4th Qr.	Holiday	142.5	126.3	142.8	61.8	1 13.6
	Business	12.5	16.1	16.4	16.3	30.0
	Transit	13.3	9.0	12.6	9.4	17.3
	Other	0.7	1.6	1.1	1.3	2.4
	TOTAL	169.0	153.0	172.9	88.8	163.3
Year	Holiday	548.4	598.0	559.5	514.8	535.8
	Business	62.1	74.7	68.5	81.7	91.9
	Transit	54.1	48.1	47.2	46.8	52.4
	Other	2.8	7.5	6.3	7.1	7.7
	TOTAL	667.4	728.3	681.5	650.4	687.8

* Provisional

13.8. Permanent occupants continued to decline, registering 33.4 per cent decline in 1993. Foreign residents continued to take up the majority of bed-nights occupied, taking nearly 85 per cent of the total bed-nights. Visitors from the European countries accounted for slightly over 65 per cent of the hotel bed-nights registered in 1993.

DEPARTING VISITORS BY COUNTRY OF RESIDENCE AND PURPOSE OF VISIT, 1992 - 1993

Table 13.3

'000

Country of Residence	Holiday		Business		Transit		Total**	
	1992	1993**	1992	1993*	1992	1993*	1992	1993*
Germany	94.1	103.8	0.8	0.9	1.6	1.8	96.5	106.5
United Kingdom	87.4	96.6	3.5	3.9	3.1	3.5	94.0	104.0
Switzerland	21.1	23.3	0.5	0.5	0.5	0.5	22.1	24.4
Italy	37.9	41.8	0.6	0.7	1.5	1.7	40.0	44.1
France	33.8	37.4	0.8	0.9	1.4	1.5	36.0	39.8
Scandinavia	16.2	18.0	0.8	0.9	1.6	1.8	18.6	20.7
Other Europe	34.9	38.6	1.5	1.7	2.2	2.4	46.0	39.6
TOTAL EUROPE	325.4	359.5	8.5	9.5	11.9	13.2	353.2	379.1
U.S.A	37.9	42.2	2.2	2.5	2.9	3.2	43.0	47.9
Canada	7.4	8.2	0.5	0.6	0.9	1.0	8.8	9.R
TOTAL NORTH AMERICA	45.3	50.4	2.7	3.1	3.8	4.2	51.8	57.7
Uganda	3.8	4.2	40.4	44.2	3.3	3.7	47.5	52.1
Tanzania	54.5	62.9	1 1.0	12.0	5.9	6.5	71.4	81.4
Other Africa	26.2	28.9	14.5	16.0	14.4	15.9	62.5	57.7
TOTAL AFRICA	84.5	96.0	65.9	72.2	23.6	26.1	181.4	191 .2
India	7.3	8.2	1.1	1.2	2.0	2.2	10.4	11.6
Japan	8.9	10.0	0.7	0.8	0.6	0.6	10.2	11.4
Israel	3.8	4.2	0.2	0.2	0.3	0.3	4.3	4.7
Other Asia	9.5	10.5	1.7	1.9	2.4	2.7	21.0	12.0
TOTAL ASIA	29.5	32.9	3.7	4.1	5.3	5.8	45.9	39.7
Australia and New Zealand	7.3	8.2	0.4	0.4	0.6	0.7	8.3	9.3
All Other Countries	2.1	2.4	0.3	0.3	0.3	0.3	2.7	3.0
TOTAL	494.1	549.4	81.5	89.6	45.5	50.3	643.3	680.0

* Provisional.

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

NUMBER OF DAYS STAYED* BY PURPOSE OF VISIT, 1989 -1993

Purpose	1989	1990	1991	1992	1993**
Holiday	8,255.7	9,276.8	8,366.2	8,004.8	8,299.8
Business	647.7	770.3	700.7	711.3	737.5
Transit	177.9	179.6	198.0	195.4	202.6
TOTAL	9,081.3	10,226.7	9,264.9	8,91 1.5	9,239.9
Average length of stay in days	13.6	14.4	13.7	13.4	13.9

* Excludes days stayed by "Other Visitors" Category.

** Provisional.

HOTEL BED-NIGHTS OCCUPIED BY COUNTRY OF RESIDENCE, 1989- 1993

Table 13.5

	1989	1990	1991	1992	1993*
Permanent Occupant **	191.1	168.0	158.7	123.2	82.1
Germany	1,370.2	1,610.7	1,755.4	1,488.5	1,430.1
Switzerland	474.6	494.9	502.3	324.5	363.1
United Kingdom	628.4	847.8	1,222.0	1,073.7	813.8
Italy	252.8	275.1	273.8	366.2	468.2
France	238.0	298.9	359.4	339.2	517.4
Scandinavia	90.5	122.7	114.8	91.4	121.4
Other Europe	244.0	346.2	359.3	301.5	388.7
EUROPE	3,298.5	3,996.3	4,587.0	3,985.0	4,102.7
Kenya Residents	829.4	875.5	938.0	655.8	895.0
Uganda	51.2	44.6	37.1	33.0	47.5
Tanzania	43.3	42.6	49.5	35.9	52.2
East and Central Africa	51.9	48.5	63.4	36.9	74.8
West Africa	14.0	16.0	40.9	30.1	29.1
North Africa	10.9	14.0	14.4	12.4	17.1
Other Africa	81.4	84.4	106.9	90.9	135.3
AFRICA	1,082.1	1,125.6	1,250.2	895.0	1,251.0
U.S.A	456.0	442.6	248.9	276.4	386.0
Canada	47.3	53.6	47.6	47.0	81.0
Other America	22.2	28.5	16.4	14.0	27.7
AMERICA	525.5	524.7	312.9	337.4	494.7
Japan	29.2	33.5	35.4	34.9	52.0
India	22.1	28.6	30.6	28.0	42.8
Middle East	24.4	26.9	27.8	32.0	40.0
Other Asia	47.6	45.8	28.9	23.8	45.1
ASIA	123.3	134.8	122.7	118.7	179.9
Australia and New Zealand	30.2	39.3	31.2	29.0	46.2
All Other Countries	65.8	57.2	55.8	37.5	32.2
TOTAL- OCCUPIED	5,310.5	6,045.9	6,518.5	5,525.8	6,188.8
TOTAL -AVAILABLE	9,630.8	10,494.7	11,036.7	11,464.5	11,908.9
Occupancy rate %	55.2	57.6	59.1	48.2	52.0

* Provisional.

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

13.9. In Table 13.6 bed-nights are analysed by tourist zone. Increased occupancy was recorded in all zones except in the Western Kenya hotels. The Coastal zone accounted for 66.3 per cent of all the hotel bed-nights occupied in 1993, 2.6 percentage points lower than the observation registered in 1992. The relative decrease was partly as a result of reduced number of visitors from Germany which has been the most important single tourist-originating country. Visitors are venturing into non-traditional tourism circuits as is shown by the continued growth in hotel bed-nights in Central and Nyanza zones. This trend may eventually ease the congestion in the currently established tourism circuits.

HOTEL BED-NIGHTS OCCUPIED BY ZONE, 1989 -1993

Table 13.6 '000

Zone	1989	1990	1991	1992	1993*
Coastal-Beach	2,521.3	3,200.3	3,881.7	3,482.5	3,762.0
- Other	298.4	304.3	269.7	181.8	196.2
Coast Hinterland	158.6	175.2	184.9	142.7	146.2
Nairobi-High Class	605.1	649.9	544.0	569.1	649.9
-Other	831.8	780.2	733.1	385.6	499.0
Central	430.2	423.5	407.7	307.7	369.0
Masailand	270.6	291.4	273.2	272.4	372.7
Nyanza Basin	112.0	123.1	100.7	91.6	105.6
Western	79.6	81.3	85.3	85.0	79.9
Northern	8.9	10.0	38.3	7.4	8.3
TOTAL-OCCUPIED	5,316.5	6,039.2	6,518.6	5,525.8	6,188.8
TOTAL-AVAILABLE	9,630.8	10,494.7	11,036.7	11,464.5	11,908.9

* Provisional.

HOTEL BED-NIGHTS OCCUPIED BY COUNTRY OF RESIDENCE, 1993*

Table 13.7 '000

Country of Residence	Nairobi	Coast	Lodges	Others	Total
PermanentOccupants**	44.4	26.8	0.8	10.1	82.1
Germany	65.1	1,241.5	93.6	29.9	1,430.1
Switzerland	18.9	310.4	27.4	6.4	363.1
United Kingdom	152.3	551.8	73.2	36.5	813.8
Italy	32.1	399.9	29.7	6.5	468.2
France	56.9	340.9	81.7	38.0	517.5
Scandinavia	36.4	59.5	15.6	9.8	121.3
Other Europe	87.2	229.2	48.4	23.9	388.7
Kenya	183.3	404.5	62.7	244.4	894.9
Uganda	22.7	12.8	3.7	8.3	47.5
Tanzania	26.0	23.4	0.6	2.1	52.1
East and Central Africa	47.5	24.7	0.5	2.2	74.9
West Africa	16.8	10.1	0.7	1.6	29.2
North Africa	10.3	3.8	1.5	1.5	17.1
Other Africa	61.3	65.4	3.8	4.8	135.3
U.S.A	124.4	117.2	89.8	54.7	386.1
Canada	43.0	23.6	8.4	6.0	81.0
Other America	10.4	8.1	4.1	5.1	27.7
Japan	23.6	12.3	10.9	5.2	52.0
India	20.5	15.1	4.5	2.7	42.8
Middle East	15.2	12.9	9.4	2.5	40.0
Other Asia	14.4	20.0	3.3	7.4	45.1
Australia and New Zealand	20.5	14.1	7.2	4.3	46.1
All Other Countries	15.7	11.6	2.7	2.2	32.2
TOTAL	1,148.9	3,939.6	584.2	516.1	6,188.8

• Provisional,

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

13.10. Details of the number of bed-nights occupied by country of residence of visitors and area in 1993 are shown in Table 13.7. The data also show the salient differences in tastes and preferences of visitors in terms of their country of residence. It is observed that visitors from Continental Europe prefer Coastal hotels for their holidays while visitors from other countries prefer Nairobi hotels. At national level nearly 64 per cent of all the bed-nights occupied in 1993 were in the Coastal belt.

13.11. Hotel bed-nights occupancy in Game Lodges as detailed in Table 13.8 shows a great improvement for 1993. Security measures in game parks have improved and the number of visitors to these attractions may soon revert to the situation that prevailed in 1989 and 1990. Meanwhile foreign residents continued to prefer full catering services even though the number opting for self-service has increased. East African residents also prefer to stay in game reserves where full catering services are provided.

GAME LODGES** OCCUPANCY. 1991 - 1993

Table 13.8 '000

Lodge locality/Type	BEDNIGHTS OCCUPIED					
	Foreign Residents			E.A. Residents		
	1991	1992	1993*	1991	1992	1993*
Game Reserves	331.4	250.1	289.1	63.8	19.9	38.8
National Parks	199.2	189.6	228.1	26.4	16.9	28.2
TOTAL	530.6	439.7	517.2	90.2	36.8	67.0
Of which full catering -	488.6	401.6	451.2	73.7	27.1	52.5
Self Service	42.0	38.1	66.0	16.6	9.7	14.5

* Provisional.

** Lodges in National Parks and Game Reserves only.

Other Tourist Attractions

13.12. National Parks and Game Reserves: - Visitors to national parks and game reserves in 1993 were 1.43 million, 4.4 per cent increase over the 1.37 million recorded in 1992. The most popular national parks with over 100 thousand visitors were Lake Nakuru, Nairobi Animal Orphanage, Tsavo East, Masai Mara, Amboseli and Tsavo West in that order. Lake Nakuru National Park recorded the highest number of visitors. Other notable increases in the number of visitors were recorded in Hells Gate, Tsavo East, and Nairobi. Tsavo West, Aberdare and Kisite/Mpunguti recorded slightly fewer visitors than in the previous year but this could be viewed as a result of competing destinations. Similarly, a drop in visitors to Malindi Marine may be due to competition from the nearby Watamu Marine Park which recorded a substantial increase in the number of visitors. Details of the number of visitors to the different national parks and game reserves are set out in Table 13.9.

NUMBER OF VISITORS TO NATIONAL PARKS AND GAME RESERVES, 1989 - 1993

Table 13.9 '000

	1989	1990	1991	1992	1993*
Nairobi	155.2	152.8	168.8	156.4	164.6
Animal Orphanage	43.3	213.8	217.6	173.2	155.3
Amboseli	140.4	237.2	189.2	168.3	121.1
Tsavo (West)	96.8	78.6	119.3	103.1	102.9
Tsavo (East)	101.1	127.7	135.9	125.5	135.8
Aberdare	57.5	66.6	56.3	63.6	60.8
Buffalo Springs	70.4				
Lake Nakuru	167.4	174.2	174.4	139.8	178.6
Masai Mara	196.2	180.5	143.3	138.1	133.1
Malindi Marine	40.7	35.6	33.0	44.2	41.1
Lake Bogoria	46.2	53.8	53.0	39.4	37.2
Meru	17.4	11.1	9.1	7.1	7.4
Shimba Hills	21.5	60.0	38.2	31.9	24.8
Mount Kenya	13.3	18.7	14.6	15.5	18.0
Samburu	4.0				21.5
Kisite/Mpunguti	18.2	27.1	33.1	28.0	27.5
Mombasa Marine	16.5	29.1	54.6	57.8	43.3
Watamu Marine	17.3	20.5	22.0	27.0	31.7
Hell's Gate	18.2	31.1	41.3	34.2	47.4
Impala Sanctuary (Kisumu)					59.1
Other**	13.4	13.8	14.8	14.0	16.6
TOTAL	1,255.0	1,532.2	1,518.5	1,367.1	1,427.8

* Provisional.

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

13.13. **Museums and Sites:-** Table 13.10 shows the number of visitors to museums and other scenic and historical sites. Since 1991, there has been an appreciable increase in the number of visitors to the museums and sites. In 1993, a total of 850 thousand visitors visited the museums and sites, an increase of 4.6 per cent over the 813 thousand visitors recorded in the previous year. In the up-country scene, Karen Blixen, Kitale and Kisumu Museums were the main attractions while Fort Jesus was the major destination along the Coastal belt. Notable decreases in the number of visitors in 1993 were recorded in the National Museum (Main Gate) and National Museum (Snake Park) by 14.7 per cent and 16.4 per cent, respectively when compared with the number of visitors in 1992. Kitale, Fort Jesus, Karen Blixen and Kisumu Museums recorded increases of 73 per cent, 54.7 per cent, 34.9 per cent and 18.6. per cent, respectively in 1993.

VISITORS TO MUSEUMS, SNAKE PARK AND SITES, 1989-1993

Table 13.10 '000

	1989	1990	1991	1992	1993*
National Museum: (Main Gate)	224.3	234.5	213.9	237.6	202.7
National Museum: (Snake Park)	210.1	220.6	176.3	209.6	175.2
Fort Jesus	206.1	226.6	187.0	187.4	289.9
Kisumu Museum	38.8	28.6	35.1	29.5	35.0
Kitale Museum	15.9	21.9	30.2	15.2	26.3
Gedi	35.6	71.1	41.5	58.5	37.2
Meru Museum	12.4	28.4	29.5	19.6	18.6
Lamu	13.0	11.4	13.3	10.3	7.7
Jumba la Mtwala	14.2	9.4	14.0	7.8	6.9
Olorgessaile	3.4				
	5.8		3.1	1.2	2.0
Hyrax Hills	2.8				
Karen Blixen	48.6	53.3	45.8	35.2	47.5
Kilifi Mwarani		1.1		1.1	0.9
TOTAL	831.0	906.9	789.7	813.0	849.9

* Provisional.

Conference Tourism

13.14. Data in Table 13.11 show that Kenyatta International Conference Centre (KICC) hosted 13 international conferences attended by 8,070 participants. These conferences took 18 days, thus giving the percentage of occupancy of nearly 5 per cent. The use of the KICC for international conferences has continued to decline steadily in recent years. Conferences which were held in other venues in the country are not covered in this presentation and thus it is not possible to give an indication of the overall trend.

CONFERENCES HELD AT KENYATTA INTERNATIONAL CONFERENCE CENTRE, 1989- 1993**

Table 13.11

	1989	1990	1991	1992	1993*
Number of conferences	32	36	14	8	13
Number of conferences days	111	128	149	23	18
Attendance (Number of Delegates)	5,510	6,160	9,750	11,250	8,070
Percentage of occupancy	30.4	35.1	40.8	6.3	4.9

* Provisional

** International conferences/delegates only.

Tourism Promotion

13.15. The Ministry of Tourism and Wildlife has continued to co-operate with the private sector in a bid to promote the tourism industry. These promotional activities included participation in a number of Seminars, Workshops, Exhibitions, Fairs and Tours, locally and abroad. In 1993, Kenya participated in the following activities abroad:- Holiday and Travel shows in Australia and New Zealand, Matka'93- Finnish International Tourism Exhibition in Helsinki, Tur-Swedish (International Tourism Exhibition in Gothenburg), B.I.T. 1993 Milan-Italy, I.T.B. Berlin-Germany, B.T.F. Fair, and Indaba Travel Exhibition in Durban, South Africa. Other activities included Kenya Information Seminar held in Flen-Sweden, Kenya Food Festival in Johannesburg - South Africa, and the Kenya Tourism Day held at Great George Street, London. Kenya also won the Swedish Grand Travel Award thereby becoming the first African country to get the award.

13.16. On the local scene promotional activities included participation by the Ministry of Tourism and Wildlife in all the major Agricultural Society of Kenya shows. These included Kisumu, Embu, Mombasa, Nyeri, Garissa, Nairobi, Kitale and Kakamega shows. Also with the help of the private sector, the Ministry organised and participated in the Kenya International Tourism Exhibition (KITE).

CHAPTER 14- TRANSPORT, STORAGE AND COMMUNICATIONS

Overview

The depressed state of the Kenyan economy, attributed to macro-economic difficulties and weather uncertainties in 1993, led to slow growth in the transport, storage and communications sector. Similarly, significant erosion of urban and rural incomes curtailed demand for spatial services. Consequently, the value of output of the sector grew at a rate of 12.3 per cent in 1993, slightly lower than the 12.5 per cent growth recorded in 1992. In the period under review, a major railway accident constrained railway business operations.

14.2. The full impact of the on-going structural adjustment process towards spatial services is yet to be fully assessed. However, various monetary and fiscal policy changes in 1993 had varied effects on the sector. Steep rise in the price of foreign exchange contributed to a fall in the number of new motor vehicles registered, while the import liberalisation regime helped increase the number of new saloon cars registered. At the same time, declining real incomes led to a fall in licenses issued for vehicles on hire.

14.3. Table 14.1 details output profiles of the transport, storage and communications sector. Gross output from the sector at current prices for the year 1993 was K£2,164.6 million, 12.4 per cent above the K£1,925.8 million output recorded in the previous year. Passenger and Freight transport sub-sector grew at a rate of 5.2 per cent in 1993, lower than the 14.4 per cent observed in 1992. This was attributed to demand constraints for public transport due to inflation. On the other hand, significant improvement in services by the Kenya Posts and Telecommunications Corporation (KPTC) and structural reforms in the local television industry led to an 18.1 per cent rise in output from the communications sub-sector. Expansion of the oil pipeline to Western Kenya with significant labour input led to increased output in pipeline performance.

TRANSPORT AND COMMUNICATIONS - VALUE OF OUTPUT, 1989- 1993

Table 14.1 K£million

	1989	1990	1991	1992	1993*
Road Transport	421.5	477.7	597.9	684.0	719.6
Railway Transport	73.7	96.3	114.2	116.7	153.2
Water Transport	111.1	134.4	154.6	175.0	182.7
Air Transport	192.6	286.9	341.0	365.6	388.6
Services Incidental to Transport	61.2	72.7	78.9	82.4	94.3
SUB-TOTAL	860.1	1,068.0	1,286.6	1,423.7	1,538.4
Pipeline	29.2	31.1	30.3	38.2	78.3
Communications	217.7	288.9	395.2	463.9	547.9
GRAND TOTAL	1,107.0	1,388.0	1,712.1	1,925.8	2,164.6

* Provisional.

14.4. Revenue accruals from both road and railway traffic business are presented in Table 14.2. Earnings from passengers transported by road in 1993 rose by a modest 4.1 per cent over that of 1992 on account of depressed demand. Similarly, earnings from road freight transport increased by 7 per cent, slightly below the 9.8 per cent rise observed in 1992. Significant increases of 16.1 per cent and 39.3 per cent were realised in rail passenger and freight earnings respectively, following upward tariff adjustments by the railway corporation.

EARNINGS FROM ROAD AND RAIL TRAFFIC*, 1989 - 1993

Table 14.2 K£million

	1989	1990	1991	1992	1993**
Passenger Traffic:					
Road	244.9	285.9	358.8	421.5	438.8
Rail	8.1	10.3	11.7	12.4	14.4
Total	253.0	296.2	370.5	433.9	453.2
Freight Traffic:					
Road	176.6	193.0	239.1	262.5	280.8
Rail***	65.6	86.0	102.5	104.1	145.0
Total	242.2	279.0	341.6	366.6	425.8
Total Road Traffic	421.5	478.9	597.9	684.0	719.6
Total Rail Traffic	73.7	96.3	114.2	116.5	159.4
Total	495.2	575.2	712.1	800.5	879.0

* Railway figures have been adjusted to read calendar year from 1986

** Provisional

*** Includes other Revenue.

Road Transport

14.5. In the year 1993, the Nyayo Bus Corporation continued to provide commuter transport services, within and between Kenyan urban centres. However, frequent mechanical breakdowns in the past year led to low bus utilization levels due to lack of spare parts and back-up facilities. This significantly hampered the realisation of efficient commuter transportation, leading to slow growth of the public transport business. As at 31st December 1993, the Corporation had 327 buses in operation compared to 307 in 1992. There were 102 chassis awaiting body building in 1992 but the number fell to 82 in 1993. The amount of revenue earned by the corporation in 1993 was K£7.0 million, a significant increase of 27.3 per cent above the revised figure of K£5.5 million earned in the previous year. In an effort to revitalize efficiency within the corporation, substantial business restructuring will be initiated in the financial year 1994/95.

14.6. The number of new motor vehicles registered in the country has continued to fall in the last five years. While depressed domestic economic growth has contributed to the decline, adverse terms of trade between Kenya and the industrialized countries

has played a significant role. Thus declining disposable incomes and fall in value of the Kenya shilling against international trading currencies led to reduced demand for motor vehicles. The total number of motor vehicles registered in 1993 was 12,420 units, a significant fall of 16 per cent from the 14,784 units registered in the year 1992. Although liberalization of motor vehicle industry led to increased registration of saloon cars in 1993 over the previous year as shown in Table 14.3, registration of all other types of vehicles declined by varying amounts in the year compared to 1992.

NEW REGISTRATION OF ROAD VEHICLES, 1989 - 1993

Table 14.3 Number

Type of Vehicle	1989	1990	1991	1992	1993*
Saloon Cars	5,007	4,703	4,124	4,247	4,542
Station Wagons	2,898	2,452	2,558	2,081	1,828
Panel Vans, Pick-ups, etc.	4,899	4,996	3,943	3,728	2,510
Lorries/Trucks	1,477	1,611	1,272	1,105	750
Buses and Coaches	785	914	762	718	519
Mini Buses	465	525	394	447	295
Special Purposes Vehicles	29	35	39	37	20
Trailers	618	419	423	299	291
Rollers, Graders, Cranes	13	42	49	68	55
Wheeled Tractors	1,111	1,127	700	687	474
Crawler Tractors	8	10	6	1	2
Motor and Auto Cycles	1,095	1,188	1,246	1,364	1,133
Three Wheelers	0	1	0	2	1
All Vehicles	18,405	18,023	15,516	14,784	12,420

* Provisional.

14.7. The depressed economic conditions experienced in 1993 had a serious impact on demand for licences for vehicles on hire. Table 14.4 shows that, while in 1992 a record 11,949 licenses were issued, the number fell sharply by 33 per cent to 8,043 licences in the year. The drop in licences for freight transport vehicles was attributed to macro-economic uncertainties while the drop in passenger service licences was explained by reduced demand for the services due to inflationary trends experienced during the year.

LICENCES ISSUED FOR VEHICLES ON HIRE. 1989- 1993

Table 14.4 Number

	1989	1990	1991	1992	1993*
Passenger Service Vehicles	3,343	2,881	3,362	2,305	1,753
Freight Transport Vehicles	7,752	7,604	7,821	9,644	6,290
Total	11,095	10,485	11,183	11,949	8,043

Provisional.

Railway Transport

14.8. Table 14.5 presents five-year time series data on the Kenya Railways Corporation in shipment of both passenger and freight cargo. Freight tonnage handled

by the Corporation in 1993 was 2,310 thousand tonnes, a significant fall of 18.1 per cent below the 2,821 thousand tonnes transported in the previous year. The marked reduction in freight handled was attributed to a serious railway accident early in 1993, at the Kathekani-Darajani section along the Mombasa line. This led to significant fall in railway operations.

RAILWAY TRAFFIC, 1989 - 1993

Table 14.5

	Unit	1989	1990	1991	1992	1993*
Freight:						
Tonnes	'000	3,317	3,581	3,286	2,821	2,310
Tonne-km	million	1,910	1,808	1,865	1,627	1,312
Revenue**	K£million	66.94	81.78	92.11	102.46	146.06
Revenue per tonne-Km	cts	70	90	99	126	221
Passenger:						
Journeys	'000	3,347	3,109	2,635	2,507	2,426
Passenger-Km	million	732	699	658	563	464
Revenue	K£million	8.09	10.30	11.73	12.39	14.36
Revenue per passenger-Km.	cts	22	29	36	44	62

* Provisional.

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

14.9. There was a fall of 3.2 per cent in the number of passenger journeys made in 1993 compared to the previous year. This was mainly attributed to temporary halt of train services between Nairobi and Mombasa due to the railway accident. Suspension of the Nairobi commuter train service between the months of February and April in 1993 also contributed to the decline. The significant increases in revenue collection both from freight and passenger transport was due to a series of upward tariff revisions announced by the Corporation in 1993.

Harbours and Shipping

14.10. Data on freight activities at the Mombasa sea port for the period 1989 to 1993 is set out in Table 14.6. There was no significant change in the total freight handled at the harbour between the year 1993 and 1992. However, movements in exports and imports cargo were in opposite directions. Exports of dry cargo in the year under review was 2,088 thousand tonnes, a significant rise of 23.4 per cent over the 1,692 thousand tonnes handled in 1992. Exports of bulk liquids in 1993 were 685 thousand tonnes, nearly double the 391 thousand tonnes in 1992. Total imports handled at the port dropped by a significant 11.5 per cent in 1993 compared to 1992. The main reason for the decline was the 20.5 per cent fall in bulk liquids imported, from 2,981 thousand tonnes in 1992 to 2,371 thousand tonnes in 1993. Imports of palm oil and animal oils, both of which constitute significant components of bulk liquids, fell drastically in 1993. However, crude oil imports rose marginally in the year under review.

FREIGHT HANDLED AT MOMBASA HARBOUR. 1989 - 1993

Table 14.6 '000 Tonnes

	1989	1990	1991	1992	1993*
Loaded:					
Dry Cargo	1,466	1,907	1,483	1,692	2,088
Bulk Liquids	529	390	310	391	685
Total	1,995	2,297	1,793	2,083	2,773
Landed:					
Dry Cargo	2,096	2,193	2,081	2.829	2,773
Bulk Liquids	3,104	2,999	3,228	2,981	2,371
Total	5,200	5,192	5,309	5,810	5,144
Total Freight Handled	7,195	7,489	7,102	7,893	7,917

Provisional.

Pipeline Throughput

14.11. In the year 1993, the total amount of refined petroleum products pumped up-country by the Kenya Pipeline Company (KPC) was 1,973.1 thousand cubic metres, 6.1 per cent above the 1,860.3 thousand cubic metres in 1992. As shown in Table 14.7, the amount of light diesel oil increased by a significant 18.1 per cent over the amount shipped in the previous year. During the year under review, however, shipment of motor spirit premium, regular and illuminating kerosene, dropped by 6.7, 5.2 and 7.6 per cent respectively. This was attributed to substantial fall in demand for the products due to sharp price increases. Delivery of jet fuel and aviation turbo fuel by the pipeline increased by 9.5 per cent and 26 per cent respectively in 1993 compared to 1992.

PIPELINE THROUGHPUT OF WHITE PETROLEUM PRODUCTS, 1989 - 1993

Table 14.7 '000 Cubic Metres

Year	Motor Spirit Premium	Motor Spirit Regular	Kerosene Illumin-ating Oil	Light Diesel Oil	Jet Fuel*	Aviation Turbo	Total
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
1993**	300.3	241.8	196.8	755.7	419.8	58.7	1,973.1

* Includes Jet fuel in Mombasa from 1988

* * Provisional

Air Transport

14.12. After the drop in number of passengers travelling by air from the major airports in the country due to political uncertainties in 1992, significant recovery of 5.4 per cent was registered in 1993. As shown in Table 14.8, the number of passengers travelling through Jomo Kenyatta and Moi International Airports in 1993, was 2,720.1

thousand, compared to 2,581.8 thousand for 1992. During the same period the number of landed passengers increased by 6 per cent while those who embarked rose by 3.7 per cent, respectively. Amount of freight handled by air has remained low over the years as compared to sea freight due to high air transportation cost. Amount of cargo landed in 1993 by air rose by a significant 12.6 per cent, with no appreciable change in amount of the cargo loaded.

COMMERCIAL TRAFFIC AT JOMO KENYATTA AND MOI INTERNATIONAL AIRPORTS, 1989 - 1993

Table 14.8

	1989	1990	1991	1992	1993*
Passengers-000's:					
Landed	1,061.6	1,122.9	1,109.2	1,125.9	1,193.5
Embarked	1,055.6	1,056.4	1,119.2	1,147.8	1,190.3
In Transit	531.7	474.2	388.5	308.1	336.3
Total	2,648.9	2,653.5	2,616.9	2,581.8	2,720.1
Freight -'000 tonnes:					
Cargo: Landed	22.3	13.9	13.4	15.9	17.9
Loaded	39.2	42.0	41.1	44.1	45.2
Mail: Landed	3.1	1.3	1.2	1.3	1.2
Loaded	1.8	0.9	0.7	0.7	0.7
Total	66.4	58.1	56.4	62.6	65.0

Provisional

Postal services and communications

14.13. During the year ended December 31st 1993, the Kenya Posts and Telecommunications Corporation (KPTC) initiated privatisation and liberalization business strategies, aimed at increasing efficiency in its operations. Though substantial economic gains were achieved by the Corporation during the period under review, further growth potential was inhibited by the following factors:- shortage of funds and resources; pressure on KPTC services by the public due to increasing population; the generally depressed state of the economy during 1993, aggravated by macro-economic difficulties of inflation and devaluation. On the other hand, several fiscal and monetary policy changes helped sustain growth of KPTC services to the public.

14.14. As shown in Table 14.9, the number of Post Offices increased from 1,013 to 1,094 between 1989 and 1993, an annual average growth rate of 1.6 per cent. During the same period, Installed Private Letter Boxes grew by 3.2 per cent per annum from 231 thousand to 268 thousand. Small uneconomical Sub-post Offices were closed, while others were upgraded during the review period. The number of parcels handled by the Postal body fell from 427 thousand in 1989 to 401 thousand in 1993, an annual declining rate of 1.2 per cent, while the number of money orders handled during the last five years has remained stable. The declines in traffic handled by the KPTC were attributed to increased business competition from private couriers. During the 5 year period under review, total correspondence handled rose from 287 thousand in 1989 to 384 thousand in 1993, an increase of 6.8 per cent per annum. Both the handling of postal orders and registered insured items increased in the review period.

POSTAL AND TELECOMMUNICATION SERVICES, 1989 - 1993

Table 14.9

	Unit	1989	1990	1991	1992	1993*
Post Offices	No	1,013	1,055	1,076	1,096	1,094
Private Letter Boxes	'000	231	243	252	261	268
Registered and Insured Items Posted	million	3.7	3.0	3.6	3.3	5.9
Total correspondence handled	'000	287	318	297	311	384
Parcels handled	'000	427	378	409	415	401
Telephone Exchange connections	'000	169	183	200	207	215
Public Call boxes	No	3,981	5,135	5,525	5,552	5,722
Manual Telephone Calls made	million	11.9	10.9	9.2	8.6	8.1
Subscriber Dialed Units	million	1,746	1,805	2,416	2,483	2,365
Telex Subscribers	'000	2.3	2.2	2.0	1.8	1.7
Telegrams Handled	'000	1,748	1,772	1,672	1,589	1,730
Money Orders	No.(million)	1.9	2.1	2.0	1.9	1.9
Postal Orders	No.('000)	92	73	74	75	101

* Provisional.

14.15. Rapid technological changes in the telecommunication industry have had adverse impact on external telecommunications traffic over the last five years, albeit substantial rise in number of Value Added Services (V.A.S.). Thus, as shown in Table 14.10, demand for telex and telegraphic services have been declining steadily since 1989, due to competition from other telecommunication facilities. Substantial recovery in external telephone business emanating from improved marketing strategies by the External Telecommunications, resulted in significant improvements in demand for services in 1993 compared to 1992. The number of outgoing telephone calls in 1993, was 24.9 million paid minutes, 14.7 per cent above the 21.7 million telephone calls of previous year 1992, while the number of incoming calls increased by 14.8 per cent in the period under review. The number of incoming telex services in 1993 was 2.2 million paid minutes, 10 per cent higher than the 2.0 million of the previous year.

EXTERNAL TELECOMMUNICATIONS TRAFFIC, 1989 - 1993

Table 14.10

	1989	1990	1991	1992	1993*
Telephone service-million paid minutes-					
Outgoing	18.1	21.3	22.8	21.7	24.9
Incoming	23.3	26.3	33.8	39.3	45.1
Telex service-million paid minutes-					
Outgoing	3.0	2.7	2.1	1.6	1.8
Incoming	3.9	3.0	2.6	2.0	2.2
Telegraph service-million paid words-					
Outgoing	1.2	1.2	0.8	0.5	0.5
Incoming	0.6	0.4	1.0	0.7	0.8

• Provisional.

Similarly, the number of outgoing telex services increased by a significant 12.5 per cent in 1993. Number of incoming telegraphic messages in million paid words increased by 14.3 per cent above that recorded in 1993, while no change was observed in number of outgoing telegraphs. The number of public coin telephones in 1993 was 5,722, marginally above the 5,552 level in 1992. While provision of bureau fax facilities has increased steadily over the last four years, significant telecommunication innovations were offered for sale to consumers for the first time in 1993.

Radio, Television and Newspapers

14.16. Poor growth in the domestic economy caused by among other factors, inflationary pressures, high interest rates, and devaluation of the Kenya Shilling adversely affected domestic performance of the electronic and print media. As shown in Table 14.11 the number of radio receivers sold and licensed in 1993 was 119.5 thousand, 22.9 per cent below the 154.9 thousand sold in the year 1992. Re-organisations in television services, however contributed to significant recovery in demand for television sets from the drop recorded in 1992.

NEW RADIOS AND T.V. SETS SOLD AND LICENSED, 1989 - 1993

Table 14.11 Number

	1989	199P	1991	1992	1993*
Radios - '000	224.5	265.7	235.9	154.9	119.5
TelevisionSets-'000	20.5	34.3	33.2	22.7	26.0

* Provisional.

14.17. The number of English newspapers circulated in 1993 was 308.3 thousand copies, 2.8 per cent above the 299.9 thousand circulated in 1992. The number of Kiswahili newspapers fell by more than half during the review period, a factor attributed to declining rural incomes on account of adverse weather. No change was recorded in circulation of English weeklies, while circulation of Swahili weeklies fell significantly. The declining trends in newspaper circulations during the last three years beginning 1990, evident from the data displayed in Table 14.12, is explained by increased input costs in the printing and publishing industry.

DAILY/WEEKLY AVERAGE LOCAL NEWSPAPER CIRCULATION, 1989 - 1993

Table 14.12 '000 Copies

	1989	1990	1991	1992	1993*
Morning Newspapers-					
English	287.7	318.6	304.4	299.9	308.3
Swahili	79.5	81.9	77.7	79.1	39.2
Other Newspapers-					
English Weeklies	331.7	356.7	338.8	346.4	348.2
Swahili	87.6	90.5	75.5	78.1	48.7

* Provisional.

CHAPTER 15 - SOCIAL SCENE

The Central Government expenditure on social services for the 1990/91 to 1993/94 fiscal years is given in Table 15.1. Estimated expenditure rose by 52.5 per cent from K£980.93 million in 1992/93 to K£1,495.47 million in 1993/94. Recurrent expenditure continued to take the lion's share of the total budget by accounting for 80.4 per cent of the 1993/94 estimated total expenditure. The education sector accounted for 80.0 per cent and 64.1 per cent of the recurrent and development expenditure during the 1993/94 fiscal year, 3.3 and 5.0 percentage points rise over the 1992/93 expenditure, respectively.

CENTRAL GOVERNMENT EXPENDITURE ON SOCIAL SERVICES. 1990/91 - 1993/94

Table 15.1 K£million

	1990/91	1991/92	1992/93*	1993/94**
RECURRENT EXPENDITURE-				
Ministry of Education	570.95	608.41	628.21	961.85
Ministry of Health	128.81	147.83	166.20	209.20
Ministry of Labour	2.95	3.44	3.54	6.62
Ministry of Culture and Social Services	15.18	18.23	21.00	24.69
TOTAL	717.89	777.91	818.95	1202.36
DEVELOPMENT EXPENDITURE-				
Ministry of Education	62.66	54.57	95.72	187.80
Ministry of Health	37.62	36.52	59.78	101.74
Ministry of Labour	0.16	0.06	0.10	0.39
Ministry of Culture and Social Services	2.45	3.20	6.38	3.18
TOTAL	102.89	94.35	161.98	293.11
TOTAL EXPENDITURE	820.78	872.26	980.93	1495.47

* Provisional.

** Estimates excluding supplementaries.

15.2. Table 15.2 gives details on Local Government expenditure on social services for 1989/90 to 1993/94 fiscal years. Expenditure fell slightly by 0.4 per cent from K£32.35 million in 1992/93 to K£32.23 million in 1993/94.

LOCAL GOVERNMENT EXPENDITURE ON SOCIAL SERVICES, 1989/90 - 1993/94

Table 15.2 K£million

	1989/90	1990/91	1991/92	1992/93*	1993/94**
Education	11.13	13.05	13.41	15.24	13.56
Health	17.40	15.08	15.23	15.71	17.38
Other Social Services	1.47	1.39	1.19	1.40	1.29
TOTAL EXPENDITURE	30.00	29.52	29.83	32.35	32.23

* Provisional.

** Estimates.

While the education sector dominates Central Government expenditure on social services, health services continued to take up the largest share of Local Government expenditure on social services, its proportion being 53.9 per cent of the total expenditure during 1993/94 fiscal year.

EDUCATION

15.3. The Ministry of Education expenditure for 1990/91 to 1993/94 fiscal years as presented in Table 15.3, indicates a significant increase of 44.0 per cent from K£725.87 million in 1992/93 fiscal year to K£1,045.51 million in 1993/94. This excludes expenditure on Technical and Polytechnic education. Rating highest in recurrent expenditure is Primary Education followed by Secondary education while Higher Education took up 53.4 per cent, the largest share of the estimated development expenditure for 1993/94.

EXPENDITURE OF THE MINISTRY OF EDUCATION, 1990/91 - 1993/94

Table 15.3 K£million

	1990/91	1991/92	1992/93*	1993/94* *
RECURRENT EXPENDITURE-				
General Administration and Planning	48.89	42.70	48.19	55.72
Pre-Primary Education		0.67	0.65	-
Primary Education	292.52	348.36	346.33	572.02
Secondary Education	88.20	98.30	97.24	168.00
Technical Education +	6.10	7.22	7.38	7.66
Teacher Training	14.97	12.87	12.87	15.77
Special Education	3.44	5.14	4.84	2.39
Polytechnic Education +	3.62	9.70	4.15	5.12
Higher Education***	122.21	97.93	118.62	142.25
Miscellaneous	2.17	2.49	1.08	1.40
TOTAL	582.12	625.38	641.35	970.33
DEVELOPMENT EXPENDITURE-				
General Administration and Planning	4.18	1.68	24.22	23.42
Pre-Primary Education	.	-	-	-
Primary Education	0.69	3.60	1.80	1.03
Secondary Education	5.28	5.16	2.94	3.46
Technical Education +	0.28	0.81	4.69	2.02
Teacher Training	10.09	20.23	9.76	11.33
Special Education	0.69	0.54	0.70	0.49
Polytechnic Education +	0.20	0.26	1.35	2.39
Higher Education* *	41.74	23.54	56.63	48.23
Miscellaneous	0.08	.	-	-
TOTAL	63.23	55.82	102.09	92.37
TOTAL RECURRENT & DEVELOPMENT EXPENDITURE	645.35	681.20	743.44	1,062.70

* Provisional.

** Estimates excluding supplementaries.

*** Includes expenditure on Universities of Nairobi, Moi , Kenyatta, Jomo Kenyatta University of Agriculture & Technology and Egerton.

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

15.4. Table 15.4 shows the number of educational institutions from 1989 to 1993. Schools and Training Colleges have increased marginally by 1.9 per cent from 18,126 in 1992 to 18,471 in 1993. Primary schools went up slightly by 2.2 per cent to reach 15,804 while Secondary schools rose marginally by 0.3 per cent to stand at 2,639. Primary Teachers Training colleges remained the same as in 1992 while Secondary School Teachers Training Colleges dropped from 4 to 3 due to the conversion of Kisii Teachers Training College to a post graduate diploma college; a constituent college of Egerton University.

NUMBER OF EDUCATIONAL INSTITUTIONS, 1989 - 1993

Table 15.4 Numbers

Category	1989	1990	1991	1992	1993*
Schools:					
Primary	14,691	14,864	15,196	15,465	15,804
Secondary	2,654	2,678	2,647	2,632	2,639
Training Colleges:					
Primary	17	17	22	25	25
Secondary	7	7	4	4	3
TOTAL	17,369	17,566	17,869	18,126	18,471

Provisional.

15.5. Primary school enrolment from 1990 to 1993 is presented in Table 15.5. The 1993 enrolment is obtained from the 1993 Primary schools census which had 96.2 per cent response rate. Total enrolment dropped by 1.8 per cent from 5.53 million in 1992 to 5.43 million in 1993. Girls constituted 49.1 per cent of the total primary school enrolment. Standard 1 enrolment represented 16.9 per cent of the total enrolment while standard 8 accounted for 7.3 per cent which is the lowest enrolment compared to other standards. The drop in enrolment as pupils move from standard 1 to standard 8 is a crude indicator of drop-out and repetition situation in schools. There was a total of

PRIMARY SCHOOL ENROLMENT BY STANDARD, 1990 - 1993

Table 15.5 '000

	1990		1991		1992		1993*	
Class	Boys	Girls	Boys	Girls	Boys	Girls	Boys	Girls
Standard 1 ..	484.6	457.2	476.2	447.8	479.6	453.1	472.5	446.1
Standard 2 ..	411.4	389.4	409.3	384.9	423.8	399.4	409.9	384.2
Standard 3 ..	382.6	364.2	390.9	369.3	393.0	374.0	387.4	369.0
Standard 4 ..	358.4	344.1	360.9	353.6	376.4	366.8	369.6	364.1
Standard 5 ..	313.5	305.1	322.5	317.8	330.0	329.4	324.4	326.5
Standard 6 ..	292.1	286.5	302.6	302.2	299.1	299.2	288.8	292.5
Standard 7 ..	313.3	305.4	327.4	309.7	309.9	302.7	298.1	299.8
Standard 8 ..	210.4	174.1	207.3	173.7	195.0	198.8	210.4	185.3
TOTAL ..	2,766.3	2,626.0	2,797.1	2,659.0	2,806.8	2,723.4	2,761.1	2,667.5
GRAND TOTAL	5, 3 9 2 .3		5, 4 5 6 .1		5, 530.2		5, 4 2 8 .6	

* Provisional.

403,468 pupils who sat for the 1993 Kenya Certificate of Primary Education (KCPE) examination. This represented an increase of 4.4 per cent from the previous year. Private candidates from the Department of Adult Education dropped from 1,004 in 1992 to 726 in 1993.

15.6. Details on secondary schools enrolment from 1989 to 1993 are shown in Table 15.6. The 1993 enrolment figures are based on the secondary schools census done in 1993 which had 83 per cent response rate. Total enrolment dropped considerably by 16.7 per cent to reach 517,577 where 44.3 per cent were female. A total of 141,922 students sat for the 1993 Kenya Certificate of Secondary Education (KCSE) examination as compared to 138,702 in 1992 representing 2.3 per cent increase. Only 26,392 candidates attained the minimum university entrance grade (C+) which was 18.6 per cent of the total.

ENROLMENT IN SECONDARY SCHOOLS BY FORM AMD SEX, 1989 - 1993

Table 15.6 Numbers

	1989		1990		1991		1992		1993*	
FORM	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE
FORM 1	97,725	69,023	96,079	74,992	95,511	76,126	93,727	65,069	79,706	67,734
FORM 2	93,866	65,109	91,482	69,615	89,181	70,651	93,476	78,519	71,387	59,510
FORM 3	85,471	58,955	83,334	60,172	82,749	64,139	86,260	67,471	70,872	53,889
FORM 4	84,655	54,346	82,800	59,987	78,347	57,457	81,616	55,305	66,074	48,405
FORM 5										
FORM 6	21,418	10,167								
TOTAL	383,135	257,600	353,695	264,766	345,788	268,373	355,079	266,364	288,039	229,538
GRAND TOTAL	640, 735		618, 461		614, 161		621, 443		517, 577	

* Provisional.

15.7. Number of teachers in schools by qualification from 1991 to 1993 are indicated in Table 15.7. The number of Primary teachers dropped marginally by 1.9 per cent from 176,360 in 1992 to 173,002 in 1993, while that of Secondary teachers dropped considerably by 13.4 per cent to reach 31,657 in the year under review. The untrained teachers constituted 18.0 per cent and 26.9 per cent of the Primary and Secondary teaching force, respectively. There was a significant increase of trained primary school teachers by 4.8 per cent from 135,405 in 1992 to 141,872 in 1993. PI teachers totalling 93,066 continue to constitute the bulk of primary school teachers while trained graduates totalling 10,676 take the largest share of the secondary school teaching force. The pupil-teacher ratio for primary school remained constant at 31 pupils per teacher for the fourth year running while that of secondary school improved from 17 students per teacher in 1992 to 16 in 1993. The pupil-trained teacher ratio (pupil per trained teacher) for primary and secondary schools were 38 and 22, respectively.

NUMBER OF TEACHERS IN SCHOOLS BY QUALIFICATION AND SCHOOL LEVEL, 1991 - 1993

Table 15.7 Numbers

	PRIMARY			SECONDARY		
	1991	1992	1993*	1991	1992	1993*
TRAINED-						
Graduate	25	62	)	9,694	11,364	10,676
Approved +	658	755	} 930	1,488	1,658	2,000
S1 /Diploma	5,495	6,204	7,231	12,244	12,947	9,588
Technical	-	-	-	519	713	603
P1	82,024	88,155	93,066	526	409	267
P2	29,579	29,713	29,590	-	-	-
P3	11,393	10,508	10,292	.	-	.
P4	55	9	92	.	-	.
Others	.	.	671	.	356	
TOTAL	129,229	135,406	141,872	24,471	27,447	23,134
UNTRAINED-						
Graduate	-	.	45	1,410	2,013	1,940
Diploma			37			438
Technical	.	.		374	664	782
K.A.C.E. (A' Level)	4,281	4,538	3,567	8,458	6,124	3,637
K.C.E./K.S.C.E. (O' Level)	33,650	30,646	22,329	114	153	411
K.J.S.E	5,028	4,714	3,995	.	-	-
C.P.E	1,105	951	971	.	-	-
Other	77	105	186	270	159	1,315
TOTAL	44,141	40,954	31,130	10,626	9,113	8,523
GRAND TOTAL	173,370	176,360	173,002	35,097	36,560	31,657

* Provisional.

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

15.8. Table 15.8 gives students enrolment in the 20 Government Primary Teachers Training Colleges (PTTCs) in 1993/94. There were 16,421 students enrolled in PTTCs where 47.8 per cent were females. Female student were slightly more in 1st year compared to their number in 2nd year constituting 50.2 per cent of the total. Students pursuing P1 course formed the bulk of the population accounting for 93.4 per cent of the total enrolment. Out of the 20 PTTCs, 16 continued to offer in-service training to untrained teachers. Total enrolment in the 1991/94 group is 5,812 where 34.9 per cent are female trainees.

STUDENT ENROLMENT IN ALL GOVERNMENT PRIMARY TEACHERS TRAINING COLLEGES , 1993/94*

Table 15.8 Numbers

	1ST YEAR		2ND YEAR		TOTAL		GRAND
CERTIFICATION	Male	Female	Male	Female	Male	Female	TOTAL
P1	3,808	3,727	4,298	3,512	8,106	7,239	15,345
P2	221	322	222	248	443	570	1,013
P3	22	28	7	6	29	34	63
TOTAL	4,051	4,077	4,527	3,766	8,578	7,843	16,421

* Provisional.

15.9. Kenya Institute of Special Education (KISE) offers 2 year diploma and short term in-service courses. A total of 83 students were enrolled in the diploma class for 1993/95 period. Females accounted for 28.9 per cent of the total which is 6 percentage points higher than the 1991/93 class. The in-service course running between January to April, 1994 has 43 students enrolled, 46.5 per cent of whom were females. The course starting from May to August, 1994 has an intake of 45 students; 37.8 per cent of them are females.

15.10. Enrolment in the 3 polytechnics (Kenya, Mombasa and Eldoret) increased marginally to 9,038 in 1993 from 9,029 in 1992. Females formed 28.6 per cent of the total enrolment. The 18 Technical Training Institutes enrolled 7,891 students compared to 7,654 in 1992; where 28.2 per cent were females. Enrolment in the 17 Institutes of Technology declined by 6.2 per cent to record 5,281 in 1993. Females constituted 35.1 per cent of the total enrolment which is higher than that recorded by other technical institutes.

15.11. The five Public Universities in the country recorded a decline in enrolment of about 4.6 per cent from 41,492 students in 1992/93 to 39,571 in 1993/94 academic year. The drop is partly attributed to the low first year intake which stood at 9,215 as compared to 10,189 recorded in 1992/93 academic year.

15.12. University of Nairobi had a total enrolment of 12,620 in 1993/94 academic year, which is a 3.4 per cent drop in enrolment from the previous academic year. First year intake also declined markedly by 30.3 per cent to reach 2,616 in the same academic year. The university also enrolled a total of 18 foreign students.

15.13. Kenyatta University enrolment declined by 5.2 per cent from 9,525 in 1992/93 9,055 in 1993/94 academic years. Female students constituted 33.6 per cent of the total enrolment. The first year intake was 2,543 students compared to 2,593 students recorded in 1992/93 academic year.

15.14. The 1993/94 academic year enrolment in Jomo Kenyatta University of Agriculture and Technology was 2,103 students where 11.2 per cent were females. This includes diploma students who account for 26.2 per cent of the total enrolment. The university admitted a total of 642 first year students in 1993/94 academic year where 444 and 198 students were pursuing degree and diploma programmes respectively.

15.15. Moi University enrolled a total of 5,253 students (excluding Maseno University College) in 1993/94 academic year. This represented a significant drop of about 20.1 per cent from the previous year. Female students constituted 25.2 per cent of the total enrolment. First year admission declined drastically by 35.6 per cent from 1,767 in 1992/93 to 1,138 in 1993/94. Also the proportion of female students dropped from 27.8 per cent to 24.4 per cent in the same period.

15.16. There were a total of 2,877 students enrolled in Maseno University College in 1993/94 academic year compared to 2,430 enrolled in 1992/93. Female students formed 36 per cent of the total. First year intake increased by 7.9 per cent from 516 in 1992/93 to 557 students in 1993/94 with 164 of them being females.

15.17. Enrolment in Egerton University dropped slightly by 4.2 per cent from 7,999 in 1992/93 to 7,663 in 1993/94. Female students were 23.6 per cent of the total. Students admitted to first year were 2,018 compared to 2,009 admitted in the previous year.

HEALTH

15.18. The Government has been experimenting on the privatization of health services through the Structural Adjustmment Programme and has taken initiatives to have the private sector participate and be involved in the provision of health services. This has led to the decline in the proportions of both development and recurrent expenditures on health services in 1993/94 compared to 1992/93. The proportion of development expenditure on health as a percentage of total development expenditure on social services declined from 36.9 per cent in 1992/93 to 34.7 per cent in 1993/94, while that of recurrent as a percentage of total recurrent dropped from 20.3 per cent to 17.4 per cent for the respective fiscal years. However, in absolute value both recurrent and development expenditure on health services increased as shown in Table 15.1. Development expenditure on health rose from K£59.8 million during in 1992/93 to K£101.7 million in 1993/94, while the recurrent expenditure similarly increased from K£166.2 million to K£209.2 million for the respective fiscal years.

15.19. Health Institutions: The health infrastructure has been expanding steadily, largely due to the participation of NGOs and the Private sector. About 60 per cent of these institutions are under the government's control and are being administered by the Ministry of Health and Ministry of Local Government through municipalities. Table 15.9 indicates that there were 3,144 health institutions. These exclude mobile clinics, special institutions for the disabled, office consultancy institutions and health programme institutions which account for 136 health institutions.

15.20. Beds and Cots have continued to increase from 33,926 in 1991 to 34,360 in 1992 and is estimated to be 38,000 in 1993, an increase of about 11 per cent. The Bed-Population ratio has increased by 7.6 per cent from 145 in 1992 to 156 in 1993.

15.21. Maternal Health Care: Training on the Maternal and Child Health Care (MCH) has continued to expand despite the financial constraints to conduct more workshops by the Division of Family Health. A number of workshops on the training of clinical officers and nurses were conducted by a number of Non-governmental organizations as depicted in Table 15.10.

HEALTH INSTITUTIONS AND HOSPITAL BEDS AND COTS BY PROVINCE, 1993*

Table 15.9

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	39	92	173	304	6,314	392
Coast	34	56	267	357	3,491	168
Eastern	43	56	400	499	4,849	113
North-Eastern	6	10	36	52	1,245	342
Central	45	69	291	405	5,280	151
Rift Valley	64	155	757	976	7,587	129
Nyanza	47	76	236	359	4,618	117
Western	30	55	107	192	4,747	164
TOTAL 1993	308	569	2,267	3,144	38,137	156
TOTAL 1992	301	477	1,859	2,637	34,360	145

* Provisional

STAFF TRAINED ON THE MATERNAL HEALTH CARE 1989 - 1993

Table 15.10 Number

Type of Personnel	1989	1990	1991	1992	1993*
Enrolled Community Nurses	741	734	382	66	22
Kenya Registered Nurses/Midwife	94	88	66	18	27
Clinical Officers	43	29	31	-	129
Total	878	851	479	84	178

* Provisional

REGISTERED MEDICAL PERSONNEL 1992 - 1993

Table 15.11 Number

Type of Personnel	1992		1993		IN TRAINING	
	Number	No. Per 100,000 Popu-lation*	Number	No. Per 100,000 Popu-lation	1992-93 Number	1993-94 Number
Doctors	3,554	15.0	3,794	15.5	1,254	1,318
Dentists	664	2.8	664	2.7	150	162
Pharmacists	542	2.3	605	2.5	245	252
Pharmaceutical Technologists	680	2.9	720	2.9	132	148
Registered Nurses	5,879	24.9	6,210	25.3	1,165	1,165
Enrolled Nurses	19,604	82.9	20,933	85.4	4,292	4,292
Clinical Officers	2,786	11.8	2,913	11.9	694	745
Public Health Officers	686	2.9	732	3.0	105	88
Public Health Technicians	3,452	14.6	4,203	17.1	560	1,033
TOTAL	37,847		40,774		8,597	9,203

* Revised population based on 1989 census results

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15.22. Medical Personnel in Training: The health manpower training in the various categories has steadily been increasing as shown in Table 15.11. The training capacity increased by 7 per cent in 1993/1994 compared to 12.9 per cent in 1992/93.

15.23. Registered Medical Personnel: The number of registered medical personnel in all categories has continued to increase parallel to the expansion of enrolment to the training institutions as shown in Table 15.11. The total number increased to 40,774 in 1993 from 37,847 in 1992. In 1993 the ratio of Medical Doctors and Clinical officers to the population was 15.5 doctors and 11.9 clinical officers per 100,000 people.

15.24. Disease Prevention and Control: This has remained an area of emphasis with particular reference to outbreak of certain diseases in some parts of the country such as cholera and meningitis. The Aids problem in the country has continued to increase at an alarming rate despite the creation of public awareness. Measures addressing this situation for prevention and control are being undertaken by the Government in consultation with World Health Organization and other Non-governmental organizations. Community participation still remains an area of emphasis for the effective implementation of the community-based programmes in the rural areas where the majority of the population lives and where the disease is prevalent.

15.25. National Hospital Insurance Fund: Total number of contributors to the fund rose by 8.3 per cent from 1.2 million in 1991/92 to 1.3 million in 1992/93. Annual contributions (receipts) paid to the fund continued to rise from K£39.61 million to K£42.97 million in the same period. Benefits paid out by the fund improved significantly by 25.4 per cent to reach K£38.38 million in 1992/93, resulting in a negative contribution net of benefit of K£4.59 million as indicated in Table 15.12. The fund held a total investment of K£46.94 million in the period under review which is 17.2 per cent rise from the one recorded in 1991/92.

NATIONAL HOSPITAL INSURANCE FUND, 1988/89 -1992/93

Table 15.12 K£million

YEAR	Receipts	Benefits	Contribution Net of Benefits
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
1992/93	42.97	38.38	4.59

OTHER SOCIAL SERVICES

15.26. National Youth Service: Enrolment for students attending vocational training in National Youth Service from 1990 to 1993 is given in Table 15.13. It is worth noting that the 1990 to 1993 figure indicates the number of new recruits other than total enrolment in the entire institution. Total enrolment in the entire vocation training in

National Youth Service fell significantly by 54.6 per cent from 6,770 in 1992 to 3,075 in 1993. This consists of 2,531 and 544 service men and women, respectively. The drastic drop is largely due to non-recruitment of students taking artisan courses. Only craft and diploma courses which include Engineering, Catering, Secretarial and Agriculture were catered for. Income earned from development activities such as sale of farm produce and livestock undertaken by the National Youth Service recorded a 17.3 per cent drop to stand at K£801,920 in 1993.

NATIONAL YOUTH SERVICE ENROLMENT AND INCOME EARNED. 1990 - 1993

Table 15.13

	Enrolment(Numbers)			Income Earned
	Service men	Service women	Total	K£
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	969,307
1993	2,531	544	3,075	801,920*

* Provisional

15.27. National Social Security Fund: Details of employers and employees registered with the fund, their contribution and benefits are shown in Table 15.14. Employers and employees registered by the fund increased from 41.4 thousand in 1992 to 42.5 thousand in 1993 and 2,066.1 thousand to 2,150.1 thousand respectively, in the same period. However, annual contribution to the fund went down by 4.3 per cent to register K£65.0 million in 1993, while benefits paid rose significantly by 18.0 per cent from K£15.0 million in 1992 to K£17.7 million in 1993.

NATIONAL SOCIAL SECURITY FUND, 1989 - 1993

Table 15.14

	1989	1990	1991	1992	1993
Employers registered'000	39.0	39.9	40.2	41.4	42.5
Employees registered'000	1,795.1	1,887.7	1,987.1	2,066.1	2,150.1
Annual contribution K£mn	58.0	59.2	55.1	67.9	65.0
Annual benefits paid K£mn	10.6	11.2	12.9	15.0	17.7

15.28. Adult Education: Enrolment in Adult Literacy classes declined for the second time by nearly 2.0 per cent to reach 107,298 in 1993, of which 75.7 per cent of the total were females representing 1.1 percentage points drop from the previous year. There was a marginal improvement in males enrolment recording a 2.4 per cent rise from 25,425 in 1992 to 26,027 in 1993, while females dropped slightly from 84,049 to 81,271 in the same period, registering a 3.3 per cent drop. Details are shown in Table 15.15.

ADULT EDUCATION ENROLMENT BY SEX 1989 - 1993

Table 15.15

Year	Male	Female	Total	% of Female enrolment
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
1993	26,027	81,271	107,298	75.7

15.29. **Youth Polytechnics**: The number of Government assisted Youth Polytechnics increased from 369 in 1991/92 to 370 in 1992/93. The number of 372 Youth polytechnics quoted for 1991/92 was overstated. Enrolment in these institutions was about 40,000 trainees in the year under review.