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UNITS AND SYMBOLS USED

1. *K£ (Kenya Pound) = 20 Kenya Shillings*
2. *Tonnes are metric tons = 1,000 Kg.*
3. *1 Hectare = 2.47 acres*
4. *Totals may not add up due to rounding*
5. *"-" means nil or negligible*
6. *".." means figures not available*
7. *mm = million.*

SUMMARY AND OUTLOOK

Overview

The world economy showed signs of weakness in 1995. The overall real growth of Gross Domestic Product (GDP) in the Organisation of Economic Co-operation and Development (OECD) countries was estimated to be 2.4 per cent in 1995. The inflation rate was estimated to be 4.1 per cent, while the unemployment rate was 7.8 per cent in the same year.

In 1995, the Kenyan Economy experienced a growth rate of 4.9 per cent compared to a 3.0 per cent in 1994. The economy also experienced a fall in interest rates during the first half of 1995, stable exchange rates and a tight monetary policy which held down the inflation rate.

Commodity prices experienced mixed growth rates. Tea and maize prices declined although tea production increased from 209 thousand tonnes in 1994 to 244.5 thousand tonnes in 1995. There was an increase in coffee prices from K£ 7,214 per metric tonne in 1994 to K£ 7,983 in 1995. Coffee production also increased by 17.6 per cent year.

In 1995, the manufacturing sector share stood at 13.6 per cent of total GDP compared to a share of 7.7 per cent in 1964. The industrialisation process can be traced to the impact created in this sector through forward and backward linkages, especially the agricultural and external trade sectors. The manufacturing sector was faced with pressure from cheap imported goods which entered the domestic market as a result of economic liberalisation during the year under review.

The 1995/96 budget created an ideal climate for further expansion in the finance, insurance, real estate and business service sector. During the year, the interest rate on Government debt as well as debt servicing fell, thereby releasing savings to the private sector. Reform and liberalisation of this sector continued with further relaxation of restrictions on foreign investors on the Nairobi Stock Exchange and the repeal of the Exchange Control Act.

International Scene

There were signs of weakness in economic activities in all major regions of the world. In Organisation of Economic Co-operation and Development (OECD) countries, a real growth GDP was estimated to be 2.4 per cent in 1995. North America in general recorded real GDP growth rate of 2.6 per cent. In particular, USA real GDP grew by 3.3 per cent in 1995 compared to 3.9 per cent in 1994.

Japan's economic activity continued to weaken in 1995. The real GDP grew by only 0.3 per cent. In the Dynamic Asian Economies, economic activity continued to be strong although there were signs of deceleration in economic growth. In China, a combination of tighter controls on lending and direct price controls have led to a sharp deceleration in domestic demand and slowing down of inflation. The real GDP fell below 10 per cent for the first time since 1991. Internationally, oil prices strengthened in the early months of 1995 while prices of many non-fuel primary commodities fell steeply due to demand factors.

Domestic Economy

The Kenyan Gross Domestic Product (GDP) in real terms grew at an annual rate of 4.9 per cent in 1995 as compared to a growth rate of 3.0 per cent in 1994 and 0.2 per cent in 1993. The notable growth arose largely from significant performance in all key sectors of the economy. In 1995, real GDP in the agricultural sector grew by 4.8 per cent, while that of the manufacturing sector grew by 3.8 per cent. Trade, restaurants and hotels, financial and transport sectors grew in real terms by 7.9 per cent, 6.9 per cent, and 4.3 per cent, respectively.

The remarkable performance of the economy reflects the impact of structural adjustment efforts which foster macro-economic stability, in improved investment climate, and the liberalisation of the exchange and trade regimes which helped to restore external competitiveness. Specific macro-economic instruments included decontrol of prices, removal of import licensing and exchange controls, freeing of maize and movement other cereals, liberalisation of petroleum and labour markets, and continued implementation of the public sector reform programme. The Government continued to manage the fiscal budget deficit through efficient use of available financial resources by the establishment of recurrent expenditure ceilings for Ministries, improved tax collection and reduction in domestic borrowing.

Inflationary pressures have been considerably reduced since 1993 to the extent that the annualised rate of inflation fell to a single digit level of 1.6 per cent in 1995. The Government budget recorded surpluses of K£ 270 million and K£ 441 million in 1994/1995 and 1995/1996 fiscal years, respectively. Gross fixed investment rose by 16.5 per cent in 1995. Total employment, excluding employment in small scale agriculture, rose by 15.0 per cent to 3.9 million persons in 1995. The increase in employment was mainly in the expanding informal sector of the economy and the private modern sector. The overall nominal wage bill for the modern sector increased by 25.8 per cent to K£ 5303.7 million in 1995, mainly due to pronounced upward wage adjustments during the year. The balance of trade deficit amounted to K£ 2891.47 million and the overall balance of payments worsened by about K£ 369 million in 1995.

Population Dynamics

A detailed analysis of the 1989 population and housing census was done during 1994-95. It focused on nuptiality and fertility, housing, mortality, migration, education and labour force.

Population projections put Kenyans at 27.5 million in 1995 compared to 23.2 million (adjusted) in 1989, implying a population growth rate of 2.7 per cent per annum. Average population density continued to increase over the years, from 26 to 37 persons per square kilometre, in 1979 and 1989, respectively. Disparity in population density over the country, however, is significant as some districts have as high as over 300 persons per square kilometres while others have only 5 persons per square kilometres. Kenya still has a youthful population with 48.9 percent of its population being under 15 years and 60 per cent under 20 years.

A Total Fertility Rate (TFR) of 6.6 was estimated for the 1979-1989 intercensal period which is much lower than the TFR of 8 recorded during 1969-1979. The major factors influencing fertility decline include late marriage for both sexes, increased contraceptive prevalence and growth in urbanisation.

Mortality levels have maintained a downward trend with the death rate of children under five declining from 190 to 157 to 113 during the 1969, 1979 and 1989 censuses, respectively. The spread of the AIDS pandemic poses a big challenge to the decline in mortality rates. If the AIDS pandemic persists the mortality levels will begin to rise again.

Employment, Earnings and Consumer Prices

Total employment outside small-scale agriculture and pastoralist activities rose from 3.4 million persons in 1994 to 3.9 million persons in 1995. The noted expansion in employment was mainly in the private industries of the modem sector and the informal sector of the economy. The expanding informal sector created 448,100 additional jobs in 1995. As a result of the public sector reform programme, employment has been stagnating since 1991, and stood at 690,000 persons in 1995, with an annual growth of 0.2 per cent. The public sector's share in total wage employment has declined from 49.6 per tent in 1991 to 44.3 per cent in 1995.

Significant wage adjustments effected to compensate for previous rises in costs of living and increases in employment in the private sector resulted in the overall nominal wage bill increasing by 25.8 per cent to K£ 5,303.7 million in 1995. The ebbing of inflationary pressures, coupled with pronounced wage adjustments, led to a significant recovery of real average earnings from a decline of 8.3 per cent in 1994 to an increase of 19.7 per cent in 1995.

The inflation rate declined sharply in 1995 from 28.8 per cent in 1994 to 1.6 per cent in 1995. The continued easing of inflationary pressures may be attributed mainly to the continued pursuit of tight monetary policy by central monetary authorities through measures to regulate money supply and reduce the budget deficit, and the lowering of VAT from a rate of 18 per cent to 15 per cent in the 1995/1996 budget.

Money, Banking and Finance

In 1995, money supply grew by 19 per cent, 4 per cent above the targeted growth. Domestic credit increased by 38 per cent. Interest rates recorded in 1995 were higher than the those of 1994, but were above the inflation rate and hence realisation of positive real interest rates.

Net foreign assets decreased from K£ 689 million in 1994 to K£370 million in 1995, reflecting the poor performance of the external sector. The liquidity ratio of commercial banks and Non-Bank Financial Institutions (NBFIs) stood at 41 per cent and 38 per cent respectively.

The number of NBFIs decreased from 48 to 39 due to their conversion into commercial banks or merging with the parent banks, while the number of commercial banks increased

from 36 to 41. In the capital market, the number of listed companies at the Nairobi Stock Exchange (NSE) increased from 54 to 56, while the number of brokerage firms stood at 20. In order to attract foreign capital, foreigners were allowed to own up to 40 per cent of a local company listed in NSE.

Public Finance

Both current revenue and expenditure have increased over the five year period under review. The increase in revenue resulted in current surpluses of K£ 270 million and K£ 441 million in 1994/95 and 1995/96 respectively.

Despite the Government's effort to control expenditure and raise more revenue, the discrepancies between budget forecasts and actual out-turns are still substantial. Municipalities are expected to spend less in capital formation in 1995/96 as compared to 1994/95 reflecting the non-availability of funds for completing ongoing projects or starting new ones.

Consumption Expenditure on goods and services is expected to take 61 per cent of the total current expenditure compared to 52 per cent last year.

International Trade and Balance of Payments

Major indicators of international trade and the balance of payments show a mixed performance in 1995. There was a turn-around from a surplus in the overall balance of payments to a deficit. This may be attributed to the effects of liberalisation whose impact is already being felt.

There was a 25.8 per cent rise in the volume of trade. Imports grew faster than exports by recording 34.8 per cent rise compared to a rise of 13.7 per cent for exports. The upshot of this performance was a deterioration of the balance of trade deficit by K£ 2,891 million.

The slow down in exports was caused by weak world prices for principal primary commodities coupled with falling quantities for some of the exports. On the other hand, imports enjoyed continued growth in demand and relatively higher prices resulting in poor terms of trade.

Agriculture

The agricultural sector grew by 4.8 per cent in 1995. This was an improvement over the 2.3 per cent growth recorded in 1994. Output at current prices rose by 23.0 per cent. This was precipitated by increased production from commodities such as coffee, tea, sugar cane, wheat, horticulture and milk. The increased production was largely due to, the continuing stability of the Kenya shilling, favourable weather and availability of agricultural inputs at comparably lower prices. The agricultural terms of trade improved marginally by 1.0 per cent due to the decline in farm input prices.

Prices of principal crops such as coffee, pyrethrum and sisal on the other hand increased while tea prices declined due to reduced demand for tea in the world market. It is notable

that the maize, dairy, cotton and sugar sub-sectors were hardest hit by the adverse effects of liberalisation. This was mainly due to unfettered importation of dairy products, second hand clothes and sugar respectively. The National Cereals and Produce Board (NCPB) exported a record 403,000 metric tonnes of maize in a bid to offset outstanding debt owed to farmers.

Environment and Natural Resources

Development expenditure on water supplies and related services declined marginally from K£ 214,436 thousand in 1994/95 to K£ 214,432 thousand in 1995/96. Investments by key water undertakers, namely; the National Water Conservation and Pipeline Corporation (NWCPC), Kenya Water for Health Organisation (KWAHO), and Danida sponsored water projects were significant in rural water supplies.

The fisheries sub-sector continued to perform poorly.. The biggest constraint was the inability of the sub-sector to fully exploit the Exclusive Economic Zone (the Kenyan waters of the Indian Ocean).

The continued decline in indigenous forest area coupled with indiscriminate clear-felling of industrial plantation species remained a major concern to the Government. Despite a notable increase in the area planted, the area clear-felled was substantially increased, signifying the magnitude of pressure on forest land for agriculture and human settlement. Total mineral production grew marginally by 1.3 per cent in 1995, against an increase of 4.4 per cent in 1994.

Energy

The Organisation of Petroleum Exporting Countries (OPEC) maintained the same production ceiling of 24.52 million barrels per day and the same quotas allocated to each member country in 1995. The crude oil prices for different types of crude oil averaged between $ 15.40 and $ 19.75 per barrel.

The quantity of crude petroleum imported into the country declined by 22.7 per cent while imports of refined petroleum fuels went up by 129 per cent. Consequently, the decline in the quantity of crude oil imported into the country resulted to low crude oil intake at the refinery. The total domestic demand of petroleum products went up from 2,105.5 thousand tonnes to 2,159.2 thousand tonnes in 1995. During the year under review, six price changes were recorded due to Government taxes, changes of crude oil prices and maximisation of profits by oil companies.

During the year under review, the national installed capacity went up marginally resulting in a modest increase in electricity generated. Power rationing in Nairobi and Mombasa is expected to ease after rehabilitation of Gitaru Power Station and Kipevu thermal station, respectively.

Manufacturing

In real terms, the manufacturing sector grew by 3.9 per cent in 1995 compared with a figure of 1.9 per cent in 1994. Increased agricultural output coupled with the removal of bureaucratic bottlenecks and the introduction of an anti-dumping tax by the Government greatly contributed to the increase in output of the manufacturing sector. Among the industries that recorded relatively large increases in output were meat and dairy products, grain mill products, sugar and confectionery, clay and glass. However, clothing and textile, transport equipment, non-electrical machinery, leather and footwear were outstanding among the industries which experienced declines in production.

Credit financial institutions approved 75 projects valued at K£ 31.2 million in 1995 compared with 219 projects valued at K£ 33.2 million in 1994. Export processing zones had 19 firms established with a total capital investment of Ksh 3.9 billion. An additional 5 companies were approved to start operating in 1996. A total export turn over of Ksh 1.3 billion was realised during the year.

Building and Construction

The building and construction sector recorded modest growth in 1995 relative to 1994. The general economic recovery, increased credits to building and construction enterprises, significant drop in interest rates during the first half of 1995, stability of the Kenya Shilling and increased Government expenditure on roads - all contributed to the improved performance of the sector. However, the lack of adequate funds for public sector building projects and increases in fuel prices observed during the year constrained the growth of the sector. Cement consumption recorded 24.1 per cent growth in 1995 to reach 1,065.0 thousand tonnes from 885.5 thousand tonnes in 1994. Employment in the modem sector expanded marginally by 5 per cent from 73.1 thousand people in 1994 to 76.4 thousand people in 1995. The value of building plans approved by the towns rose significantly by 56 per cent.

Tourism

Key indicators of tourism activity in 1995 point towards an unsuccessful year. Visitor arrivals declined by 20.0 per cent from 863.4 thousand in 1994 to 690.5 thousand in 1995. Visitor departures dropped from 865.3 thousand in 1994 to 656.0 thousand in 1995, equivalent to 24.2 per cent. These are the lowest number of visitors since 1988. Consequently, tourism earnings fell by 24.6 per cent to K£ 1,250 million.

Hotel bed nights as well as available hotel capacity declined marginally by 1.1 per cent and 2.9 per cent respectively during the review period. While visitors to national parks and game reserves fell by 3.1 per cent, visitors to snake park, museums and other historical sites rose by 3.0 per cent.

Transport Storage and Communication

The transport, storage and communications sector registered a growth of 18.9 per cent in 1995, compared to 17.9 per cent growth of 1994. The number of newly registered motor vehicles in 1995 increased by 24 per cent above the 1994 registration. The amount of freight traffic handled by the railways was 9.9 per cent above that ferried in 1994, while the number of passenger journeys by the railways decreased by 9.7 percent in 1995. Total freight handled at the port declined by 3.8 percent in 1995. The air transport sub-sector grew by 10.5 per cent in 1995, although depressed business in the tourism industry led to a fall in flight activity at major airports in the country. Restructuring strategies in the domestic telecommunications industry, led to a sub-sectoral growth of 27.1 per cent in 1995. The number of radio receivers and television sets.sold in 1995 increased by 38.5 per cent and 8.9 per cent respectively compared to 1994.

Social Scene

Enrolment in primary school dropped marginally by 0.2 per cent from 5.56 million in 1994 to 5.55 million in 1995 while secondary school enrolment rose by 2.0 per cent from 619,839 to 632,388 in the same period. Enrolment in public universities increased by 1.8 per cent to 40,065 students in 1995/96 academic year. Total enrolment by adult learners in adult literacy classes increased by 1.6 per cent from 114,278 in 1994 to 116,051 in 1995. Female learners constituted 76.2 per cent of the total enrolment. The Registered Medical Personnel went up by 6.4 per cent from 40,650 in 1993/94 to 43,264 in 1994/95. The doctor-population ratio dropped by 3.3 percentage points to register 14.7 doctors per 100,000 people.

Outlook

The rate of growth of GDP in all OECD countries is projected to grow in real terms at 2.6 per cent in 1996. The rate of inflation for these countries is expected to fall modestly to 3.4 per cent in 1996 while final domestic demand for OECD countries is projected to rise to 2.7 per cent in 1996.

The single digit level of inflation attained in 1995 is expected to be maintained in 1996, as evidenced by movements in consumer prices during the first quarter of 1996. The domestic economic growth in 1996 will necessarily continue to come from increased agricultural and industrial production. Similarly, the structural shift towards the trades and services sectors is expected to continue into 1996. This will be due in part to increased trade liberalisation and relative ease of entry into the informal sector by a large number of entrepreneurs.

The continued liberalisation of the agricultural sector is expected to boost agricultural output provided that inputs are readily available and at affordable prices. Production of major export cash crops such as coffee, tea and horticultural products is expected to increase on account of good weather and prevailing fairly good world market prices. Value added for agriculture in real terms is therefore expected to grow by 5.3 per cent in 1996, up from 4.8 per cent recorded in 1995.

The manufacturing sector has increasingly become export oriented, mainly due to the on-going liberalisation process. Factors expected to improve performance of the manufacturing industry include substantial industrial technological changes, expansion of markets through the revived East African Co-operation, and strict enforcement of anti-dumping taxes in addition to benefits derived from existing initiatives such as the Export Promotion Council (EPC), Export Processing Zones (EPZs) and Manufacturing Under Bond (MUB). Against this background, the manufacturing sector is expected to continue growing for the third year running within an export oriented environment.

Real private investments grew by 54.4 per cent in 1995. As liberalisation continues, coupled with opening up of new regional markets, more investment stocks are expected to be added to the economy to sustain the renewed growth of the economy. In addition, the solid domestic macro-economic stability and the enactment of the Foreign Investment Protection Act (FICA), are expected to create a conducive environment for both local and foreign investors.

Agricultural commodity prices are expected to improve with the recovery of demand in industrial countries, resulting in a boost to our merchandise exports. Foreign exchange earnings from the tourism industry are poised to expand with the anticipated recovery of the world economy and aggressive positive publicity by the recently formed Tourism Promotion Board. Domestic trade, hotels and restaurant sector is expected to expand especially in the informal sector of the economy.

The Central Government fixed investment is expected to stagnate due to continued implementation of public sector reforms. The reduction in employment in the public sector will continue under the Civil Service Early Retirement Scheme, as well as the on-going divestiture from non-strategic businesses. Public expenditure is therefore expected to continue to be constrained. However, supportive programmes such as primary health care and educational projects focused on vulnerable members of the society will be maintained.

The trends outlined point towards a sustained growth. The domestic economy is therefore expected to record a real growth of 5.5 per cent in 1996.

KEY ECONOMIC AND SOCIAL INDICATORS. 1991 - 1995 *

Table 1

			1991	1992	1993	1994	1995 * *	
1	Population	(million)	25	25	26	27	28	
2	Growth of GDP at constant prices ..	(per cent)	2.1	0.5	0.2	3.0	4.9	
3	GDP at market prices	(K£mn)	11,062	12,807	16.007	19,684	23,040	
4	Net cost of petroleum products	(K£mn)	213	389	872	620	714	
5	Trade balance	(K£mn)	-1,094	-1.213	-1.378	-1,472	-2,891	
6	Money Supply...	(K£mn)	3,716	4.965	6,241	8,136	9,649	
7	Total domestic credit	(K£mn)	4,330	4,993	5,011	7,316	10,090	
8	Balance of payments (current account)	(K£mn)	-290	-157	288	291	-1,020	
9	Coffee marketed production	(000 tonnes)	87	88	78	82	96	
10	Tea marketed production	('000 tonnes)	204	188	211	209	245	
11	Maize marketed centrally	('000 tonnes)	304	324	242	316	401	
12	Wheat marketed centrally	('000 tonnes)	199	126	73	105	126	
13	Sugar-cane production	('000 tonnes)	4.048	3,657	3,839	3,308	4,394	
14	Milk sold centrally	(mn litres)	359	220	249	258	350	
15	Manufacturing output	(K£mn)	10,818	11,877	15,908	19,428	23,074	
16	Construction output	(K£mn)	1,005	1,066	1,293	1,447	1,591	
17	Cement Consumption ..	('000 tonnes)	1,119	1,118	894	859	1,065	
18	Petroleum Consumption	('000 tonnes)	1,755	1,840	1,826	2,009	2,067	
19	Electricity consumption	(mn Kwh)	2,854	2.915	3,074	3,205	3.333	
20	Tourism earnings	(K£mn)	594	713	1,222	1,405	1,250	
21	New registration of vehicles	(number)	15,516	14.784	12,420	17,928	22,224	
22	Rail freight	(mn tonnes-Km)	1,865	1,627	1,312	1,172	1,456	
23	Air passengers handled	('000)	2,617	2.582	2,721	2,773	2,712	
24	Wage employment	('000)	1.442	1,462	1,475	1,505	1,557	
25	Education-primary enrolment	('000)	5,456	5,530	5,429	5,557	5,545	
26	Education-secondary enrolment	('000)	614	629	531	620	632	
27	Education-post secondary enrolment	('000)	82	83	80	82	85	
28	Hospital beds and cots ..	(number)	33,926	34,360	38,137	37,271	47.214	
29	Registered doctors and dentists	(number)	4,088	4.218	4,458	5,188	4.510	
30	GDP Per capita	(K£)	389	436	519	610	707	
								Annua) % Rate of change 1991-95
	INDEX NUMBERS: (1982-100)				•			
	Export volumes		126	126	148	167	173	8 2
	Import volumes		111	107	116	144	168	10.9
	Terms of trade		82	79	90	101	96	4.0
	Consumer prices * * *		195	248	363	467	474	24.9
	Real wages		92	89	78	92	120	6.9
	Agricultural terms of trade		93	90	87	87	88	-1.4

* More precise measures are given in individual chapters.

* * Provisional.

Weighted Revised Index (Feb/March 1986 = 100)

CHAPTER 1 - INTERNATIONAL SCENE

Introduction.

In 1995, signs of weakness in economic activities appeared in all major regions as was characterized by the Organization of Economic Co-operation and Development (OECD) countries. The pace of economic expansion in the OECD area slowed somewhat in nearly all member countries in 1995 compared to 1994. Growth of real GDP in the OECD area was estimated to have been about 2.4 per cent as compared to 2.8 per cent in 1994.

1.2. North America recorded real GDP growth rate of 2.6 per cent in 1995, while Japan recorded real GDP growth rate of 0.3 per cent. In OECD Europe, the real GDP grew by 2.9 per cent as compared to 2.3 per cent in 1994. The non-OECD regions experienced mixed achievements. The recovery of activity in most countries of Central and Eastern Europe and Russian Federation continues to strengthen, with a strong contribution from exports. In Asia, following protracted strong growth, China and the Dynamic Asian Economies (DAEs Chinese Taipei, Hong Kong, Korea, Malaysia, Singapore and Thailand) are now showing signs of a deceleration of activity. On the other hand, capital inflows into Central and South America have resumed after a temporary reduction associated with the Mexican crisis.

1.3. Growth prospects in Africa have improved somewhat with the adoption of market-oriented policies in an increasing number of countries Stronger adjustment efforts have fostered macroeconomic stability, and currency realignment and liberalization of exchange and trade regimes have helped to restore external competitiveness and improve the investment climate. Efforts are also underway in many countries to address distortions in resource allocation and to remove obstacles to private sector development. Despite these improvements on policy fronts, many African countries still suffer from declining or stagnating levels of per capita income, wide spread poverty and unsustainable external debt burdens.

Country/Regional Analysis

1.4 **The USA**: after advancing briskly during 1994, the economy slowed down in 1995. The real GDP grew by 3.3 per cent compared to 3.9 per cent in 1994. Private consumption rate of growth was 3.0 per cent in 1995. The unemployment rate stabilized at 5.6 per cent in 1995 compared to 1994 rate of 6.1 per cent. The slowdown was driven by retrenchment in the motor vehicle and housing sectors in response to increases in stocks induced by higher interest rates and by the effects of the Mexico peso crisis on exports.

1.5. **Japan**: after showing signs of recovery late in 1993, economic activity weakened again at the end of 1994 and in the first half of 1995. In part, these developments were due to supply disruptions stemming from the Kobe earthquake and the decline in both public and housing investment, which had been supporting demand during the previous three years. With economic prospects deteriorating and the decline in prices accelerating, the Bank of Japan continued to ease monetary policy while the Government introduced new fiscal stimulus packages in September 1995. The impact of these moves was small in 1995. The real GDP grew by 0.3 per cent in 1995.

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

(SEASONALLY ADJUSTED ANNUAL RATES)

Table 1.1

	1994	1995	1996	1997
	(percentage changes from preceding period)			
Real GDP -				
United States	3.9	3.3	2.7	**2.8**
Japan	**1.0**	0.3	2.0	2.7
Germany* * *	**2.8**	**2.1**	2.4	2.7
OECD Europe ..	2.3	2.9	**2.6**	2.7
Total OECD ..	**2.8**	2.4	**2.6**	**2.8**
Real total domestic demand -				
United States	4.6	3.5	2.4	2.5
Japan	**1.7**	**1.0**	**2.6**	2.9
Germany***.	2.7	**2.0**	2.5	2.7
OECD Europe ..	**1.6**	**2.6**	2.7	2.9
Total OECD ..	2.9	**2.2**	**2.6**	**2.8**
Inflation (GDP deflators)				
United States	2.0	**1.6**	1.7	1.9
Japan	**0.6**	-0.9	-0.4	0.3
Germany* * *	2.3	2.3	**2.0**	**2.1**
OECD Europe	2.5	2.9	2.7	**2.6**
Total OECD ..	4.1	4.1	3.4	3.2
	(US $billion)			
Current balances-				
United States	-154	-170	-161	-155
Japan	140	**112**	93	96
Germany* * *	-25	-19	-23	-27
OECD Europe	-40	70	72	75
Total OECD ..	-34	**-22**	-27	-16
	(per cent of labour force)			
Unemployment-				
United States	**6.1**	5.6	5.7	5.9
Japan	2.9	3.1	3.4	3.4
Germany* * *	9.6	9.3	9.3	9.1
OECD European members ..	**11.6**	**10.8**	10.5	10.3
Total OECD membership ..	**8.2**	7.8	7.7	7.6
	(percentage changes from preceding period)			
World Trade* * ..	8.9	9.2	**8.2**	**8.2**

Source: OECD Economic Outlook no. 58,December, 1995

** Assumptions underlying the 1996 and 1997 projections include:*
no change in actual and announced policies;
unchanged exchange rates from 2nd November 1994, in particular $1 = ¥ 103.7, DM 1.42 DM1.50;
Dollar price (OECD fob imports) for internationally traded oil of US$15.70 per barrel for 95 II and rise in line with OECD manufactured export prices 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'.*

Cut off date for other information used in the compilation of the projections was 10th November 1995

1.6. **Germany:** there was slower than expected GDP growth in 1995 recording 2.1 per cent compared to 2.8 per cent in 1994. This slower growth seems to be attributable to a deterioration in business expectations and a decline in both fixed and inventory investment associated with high wage settlements and a rapid appreciation of the mark in the first quarter. Domestic demand has been underpinned by a modest growth in private consumption, with real

household disposable income beginning to recover despite the large increase in taxation introduced at the beginning of 1995; the household savings rate, although low by historical standards has fallen only marginally. A partial correction of the earlier appreciation of the Deutsche mark together with ongoing restructuring of the Germany industry, has contributed to steady rising optimism of export prospects in 1997

1.7. **South and Central America**: most South and Central American countries have recovered from the effects of the Mexican crisis. After an initial sharp drop, capital inflows have resumed for most of the region, reaching levels similar to those prevailing before the crisis. In 1995 GDP grew by 3 4 per cent while consumer prices increased by 19 5 per cent in 1995. Containing and reducing inflation remains a priority policy in most of Central and South America Accordingly, many governments in the region have maintained relatively balanced budgets and tight monetary policies To moderate external imbalances, these policies have often been complemented by controls on short-term capital inflows and intervention in the foreign exchange market to limit currency appreciation.

1.8. **Central and Eastern European countries and the Russian Federation** recovery of output continues in most of Central and Eastern Europe. In 1995, the output grew by 2.5 per cent in Bulgaria, 4 0 per cent in Czech Republic, 1.0 per cent in Hungary, 6.5 per cent in Poland, 3.0 per cent in Romania, -4.0 per cent in Russian Federation, 6.0 per cent in Slovak Republic and 4.5 per cent in Slovenia All the countries in this region, except Hungary recorded a lower rate of inflation Romania and the Russian Federation recorded a higher rate of unemployment in 1995 compared to 1994. The Czech Republic showed a steady rate of unemployment of 3.2 per cent for both years The rest of the countries recorded a decline in the rate of unemployment

1.9. **China:** in China a combination of tighter controls on lending and direct price controls have led to a sharp deceleration in domestic demand and a slowing down of inflation through 1995. During the first nine months of 1995, fixed capital expenditures grew by around 16 per cent compared to 30 per cent in the same period of 1994, retail sales have slowed down and the annual rate of growth of real GDP has fallen below 10 per cent for the first time since 1991. The deceleration of the domestic economy has coincided with a surge in exports, with the United States and other Asian economies being the most important markets

1.10 **The Dynamic Asian Economies**: strong exports, growing domestic demand and rising foreign direct investment, particularly from Japan have made the economic activity in the DAEs to continue to be strong during 1995 Two years of the above trend growth have exacerbated problems of infrastructure bottlenecks and labour shortages, resulting in growing cost pressures and increased demand for imported capital equipment needed to support high investment requirements. As a result, the output growth for the area averaged at 7.8 per cent in 1995. In Korea, GDP growth peaked in the first half of 1995 at an annual rate of 10 per cent, with the main contributions coming from exports and investment, particularly in plant and machinery which grew at an annual rate of over 20 per cent In Chinese Taipei the GDP grew by 6.3 per cent while in Hong Kong the GDP growth decelerated from 5.5 per cent in 1994 to 5.0 per cent in 1995. Similarly, the GDP growth in Singapore decelerated from 10.1 per cent in 1994 to 8.2 per cent in 1995. In Thailand, the GDP accelerated from 8.5 per cent in 1994 to 8.7 per cent in 1995, while in Malaysia it accelerated from 8 7 per cent in 1994 to 9.6 per cent in 1995.

1.11 Maintaining tight monetary policy to contain inflation, especially for the faster growing economies in DAEs, has been complicated by large capital inflows. As a result, other specific actions have been taken to ease pressure on monetary policy. For example, the Thai authorities have increased bank reserve requirements on foreign borrowing, while taxes on capital gains have been reduced as a means of stimulating private savings. In Malaysia direct measures to slow consumption and property buying have been introduced and mandatory contributions to the national provident fund have been raised

1.12. **Africa:** growth prospects in Africa have improved somewhat with the adoption of market-oriented policies in an increasing number of countries. Stronger adjustment efforts have fostered macroeconomic stability, and currency realignments Liberalization of exchange and trade regimes have helped to restore external competitiveness and improve the investment climate Efforts are also underway in many countries to address distortions in resource allocation and to remove obstacles to private sector development In 1995, the real GDP for Africa grew by 3.0 per cent compared to 2 6 per cent and 0 8 per cent for 1994 and 1993, respectively. The consumer prices grew by 20 8 per cent.

1.13. Only a few countries in Africa such as Ghana, have managed to reduce substantially their debt burdens in the context of strengthened adjustment efforts, supported in some cases by debt restructuring and debt forgiveness. For most of the region, however, the debt burden remains extremely high and the accumulation of arrears continues to raise overall debt burdens, which in much of sub-Saharan Africa have reached levels that exceed 400 per cent of export earnings Few countries appear to have any realistic scope for servicing debt burdens of such a magnitude In most countries, actual debt service is less than one half of the amount of new inflows from donors. There is a risk, however, that excessive debt burdens may deter foreign direct investment and other private flows to some of these countries.

1.14. In South Africa, economic activity is expected to pick up during the period ahead, reflecting increased private investment and strengthening consumer and business confidence. Already the impact of South Africa's economy is being felt by the neighbouring countries. For example Kenya is being affected particularly in the field of canned beers. On the other hand, in many countries of the CFA franc zone, the positive effects of the currency adjustment in early 1994 and the associated macroeconomic and structural policies are now beginning to be visible For these countries, growth is expected to be sustained at a relatively robust pace of about 5 per cent in 1995-96.

Commodity Prices.

115. Oil prices strengthened in the early months of 1995 as market conditions firmed For 1995 as a whole, oil prices are assumed to average $16.67 a barrel, an increase of 7.8 per cent over the previous year. The prices of many non-fuel primary commodities measured in terms of SDRs fell steeply due to demand factors. Large price changes have been recorded in metals and a number of agricultural raw materials. Strong demand and production problems in major producing countries, led to steep increases in prices of agricultural raw materials especially for natural rubber, wool and cotton. The 1994 frosts and subsequent drought in Brazil's coffee growing regions and prospects of tight supply in 1995 boosted the coffee prices In 1995, tea

prices dropped by 10.4 per cent compared to a 1.3 per cent drop in 1994 On the other hand, sugar prices increased by 10.6 per cent in 1995.

SELECTED WORLD COMMODITY PRICE INDICES, 1991-1995
(1990 = 100)

Table 1.2

Year	Coffee*	Tea**	Sisal***	Sugar +	Petroleum + +	All + + + Commodities	Industrial Countries	Developing Countries
1991	95.4	90.7	93.6	105.0	84.2	94.3	94.7	96.8
1992	71.4	98.3	70.7	107.6	82.9	94.4	95.9	94.6
1993	78.5	91.4	86.1	106.2	73.2	96.1	92.5	90.8
1994	166.6	90.2	84.6	106.6	69.2	109.2	98.0	105.6
1995	167.6	80.8		117.9	74.7	1 18.5		

Source: IMF International Financial Statistics, (March, 1996).
Indices are based on prices in US dollar.
** Other milds (New York).*
** * Average Auction Hon don).*
** * * East African (Europe).*
+ E.E.C. Import Price.
+ + Average crude price(Spot) (US $ per barrel).
+ + + World (non-fuel commodities).

Outlook

1.16. Although economic performance has been adversely affected in some countries, there are many reasons to expect that the global economic expansion will proceed at a satisfactory pace. This view is supported by the fact that fears of increased inflation rate in the industrialized countries have abated, long-term interest rates have further declined in most countries following the sharp increases in bond yields in 1994, coordinated foreign exchange market intervention by leading central banks and supportive policies have helped to correct the misalignment of key currencies, contagious effects from the financial crisis in Mexico have been contained and growth in most of the emerging market countries especially the transition countries and the DAEs has remained robust.

1.17. Despite the slowing down of economic expansion in OECD area, underlying economic fundamentals remain generally good: inflation is low and contained in almost all OECD countries; interest rates have fallen in most countries and world trade is strong. Provided these favourable conditions persist, growth in OECD area should pick up steadily to somewhat above 2.5 per cent in 1996 and to around 2.8 per cent in 1997. However, macroeconomic policies will have to be geared to ensuring that the non-inflationary expansion of output and employment is maintained durably beyond the projection period.

1.18. In the United States, following unsustainable rapid growth during 1994, the economy reached very high levels of resource use by early 1995. The real GDP growth for 1996 is estimated to be 2.7 per cent Consumer prices are expected to grow by 3.2 per cent in 1996, while the unemployment rate is expected to be 5.7 per cent.

1.19. In Germany, the appreciation of the Deutsche mark in the first half of 1995 has led to some downward revision of near-term growth expectations following stronger-than expected growth in 1994. Good progress towards fiscal consolidation dampened private consumption in

1995, and planned tax reductions will contribute to raise real disposable incomes in 1996 Official interest rates were eased in March and again in August 1995 in response to the weakness of monetary indicators and the strength of the currency All these factors in addition to low inflation and continued weak growth in M3 provide room for a further easing in support of the recovery. The real GDP is. estimated to grow by 2.4 per cent in 1996. Consumer prices are expected to grow by 1.7 per cent in 1996. On the other hand, unemployment rate is expected to remain at 1995 level.

1.20. The Japanese economy has yet to show convincing signs of recovery from the deep and protracted downturn that began in late 1991. The estimated gap between potential and actual output has now widened to almost 6 per cent. Open unemployment at 3.1 per cent, although still low by the standards of other countries, is at a record high and threatens to rise further in the absence of a strong recovery. The persistent weakness of activity is due to the combined effects of sluggish domestic demand, the overhang of excess capital stocks and the strength of the exchange rate. The sharp appreciation of the yen during the first half of 1995 threatened to set back further the prospects for recovery. However, the subsequent depreciation of the yen to levels; closer to those implied by economic fundamentals and the rise in equity prices have strengthened the prospects for a pickup in growth in 1996.

CHAPTER 2 - DOMESTIC ECONOMY

Overview

2.0 Structural changes in the economy that have come about as a result of macro-economic and fiscal policy reforms implemented by the Government have generated increasing data demands to monitor responsiveness of the economy to policy changes and in particular on human, institutional, public and private enterprise development. Environmental sustainability and population dimensions have added yet another concern to the development agenda. To effectively respond to these challenges structural changes are needed to improve survey methodologies for collection and compilation of information from the rapidly expanding informal sector and in capacity building for institutions directly involved in such activities.

2.1 It is encouraging to note that in 1995, the Kenyan economy maintained a real positive economic growth rate. The Gross Domestic Product (GDP) in real terms grew by 4.9 per cent in 1995 as compared to 3.0 per cent in 1994. The noted growth in the economy resulted from adjustment efforts fostering macro-economic stability, currency re-alignment, improved investment climate, and liberalisation of exchange and trade regimes to restore external competitiveness. Specific macro-economic instruments included the decontrol of prices, removal of import licensing and exchange controls, freeing of the movement of maize and other cereals, liberalisation of petroleum and labour markets, and continued implementation of the public sector reform programme. The Government continued to manage the fiscal budget deficit through efficient use of available financial resources, establishment of recurrent expenditure ceilings for ministries, improved tax collection and reduction in domestic borrowing.

2.2. Real GDP per capita rose by 1.5 per cent in 1995 due to, growth in aggregate real incomes and general improvement in the economy. The ratio of investment to GDP at market prices for the Kenyan economy in 1995 was 22.0 per cent compared to 19.6 per cent recorded in 1994. The improvements in the investments ratio was a consequence of an increase in savings ratio from 19.6 per cent in 1994 to 23.8 per cent in 1995. Rises in private consumption ratios to GDP were attributed to increased imports of consumer goods in 1995.

2.3. The improved performance of the economies of OECD Europe and the rest of the other African countries had positive impact on the Kenyan economy. Economies of OECD Europe, Kenya's traditional trading partners, grew by 2.9 per cent in 1995 in real terms compared with 2.3 per cent in 1994. Similarly, real GDP for rest of Africa grew by 3.0 per cent in 1995, compared to 2.6 per cent in 1994. Inspite of this improved performance, many African countries continue to suffer from declining levels of per capita income, widespread poverty and unsustainable external debt burdens.

Inflation

2.4. Inflationary pressures have considerably eased since 1993. The annualised rate of inflation as measured by the Consumer Price Index (CPI) fell to a single digit level for the first time in a decade. The Nairobi consumer price index upon which the inflation rate is

calculated is strongly influenced by the low income consumer basket. The basket is weighted heavily by maize and maize-meal products and hence any drastic changes in prices of these commodities invariably affects the inflation rate. Overall, the inflation rate declined from 46.0 per cent in 1993 to 28.8 per cent in 1994, and further to 1.6 per cent in 1995. The decline in overall inflation was attributed to a combination of factors. The main ones are tightening of fiscal and monetary policies, a stable exchange rate, favourable weather conditions, increased supply of maize due to abundant harvest in 1994, lowering of VAT from 18 per cent to 15 per cent in the 1995/96 budget, and the low priced imports of consumer goods. The reduction of inflationary pressures, coupled with upward wage adjustments, led to significant recovery of real earnings in 1995.

International Trade

2.5. The overall balance of payments position deteriorated from a surplus of K£265 million in 1994 to a deficit of K£369 million in 1995. The substantial increase in imports and the poor performance of total exports led to an increased balance of trade deficit which increased from K£ 1,472 million in 1994 to K£ 2,891 million in 1995. The slow down in earnings from exports was attributed to price declines in major export earners especially tea and horticultural products. The noted increase in value of imports was attributed to trade liberalisation and relative stability of the Kenyan Shilling.

2.6. In 1995, there was a substantial growth in the value of imports of industrial machinery of 60.5 per cent, and in the value of iron and steel imports of 65.2 per cent. The value of motor vehicles and chassis imports grew by 96 per cent in 1995. The value of imported consumer goods rose from K£385.1 million in 1994 to K£533.6 million in 1995. As a result of good weather, the value of wheat and rice imports declined by 7.1 per cent and 67.5 per cent respectively. There was a significant rise in the value of imports of agricultural machinery and tractors, while value of fertiliser imports declined by 29.3 per cent in 1995 due to lower international prices against a relatively stable Kenya currency. The quantities of imported petroleum products fell from 2,504.7 thousand tonnes in 1994 to 2,429.4 thousand tonnes in 1995; but due to exchange rate losses the value of imports of fuel and lubricants rose by 8.4 per cent to K£ 1,006.8 million in 1995.

2.7. After negative growths in quantities recorded in 1994, there was a remarkable recovery in the exports of coffee which rose from 79,679 tonnes in 1994 to 88,519 tonnes in 1995. The quantity of tea exports rose from 174,926 tonnes in 1994 to 217,937 tonnes in 1995, while that of horticultural products rose from 165,481 tonnes in 1994 to 228,576 tonnes in 1995. However, these major export crops registered significant price declines.

Sectoral Contributions

2 8. As shown in Tables 2.1 and 2.2, virtually all sectors of the economy recorded marked growth in real terms in 1995, in contrast to 1994 and 1993. The positive impact of the liberalisation process contributed to increased foreign exchange available for investment in the manufacturing, agricultural and transport sectors.

Agriculture

2.9. Adequate and well distributed long rains, stable exchange rate and a decline in the prices of agricultural inputs and liberalisation in the various sub-sectors were responsible for the increased agricultural output during the year. Production of principal export crops rose markedly over the year. All these developments led to a growth of 4.8 per cent in real GDP of agriculture. The share of agriculture stood at 25 per cent of GDP, down from 27.3 per cent in 1991.

2.10. ***Coffee:*** Production rose from 79.9 thousand tonnes in 1994 to 90.3 thousand tonnes in 1995, while coffee deliveries to the marketing boards rose by 17.6 per cent to 95.8 thousand tones in 1995. The increase in coffee production is largely due to high coffee prices to farmers in the previous two years, and timely purchase of adequate farm inputs due to prompt payments for deliveries to Coffee Board of Kenya. The average delivery price per tonne rose from K£ 7,214 in 1994 to K£ 7,983 in 1995.

2.11. ***Tea:*** Production rose from 209.4 thousand tonnes in 1994 to 244.5 thousand tonnes in 1995, an increase of 16.8 per cent. This rise was explained by adequate rains in tea growing areas and secondly by the 6.9 per cent increase in acreage of tea from small holder farmers. The world market price for tea declined from K£ 4,369.2 per tonne in 1994 to K£ 3,393.4 in 1995 per tonne.

2.12. ***Maize:*** Production is estimated to have fallen from 29 million bags in 1994 to 26 million bags in 1995, due to failure of the short rains, low quality seeds and the low price payments to farmers arising from a surplus in maize harvest. This surplus arose from two long rains seasons in 1994 and 1995 in the major maize production districts. The National Cereals and Produce Board (NCPB) bought maize at KShs 950 per 90 Kg bag in first half of 1995, while in some areas, the price of maize offered by traders was as low as Kshs 400 per 90 kilogram bag in the peak harvest period during the last quarter of 1995.

2.13. ***Wheat:*** Production rose from 107.8 thousand tonnes in 1994 to 128.6 thousand tonnes in 1995. This output was however, below the domestic requirement, leading to importation of 493 thousand tonnes of wheat.

2.14. The other cash crops such as sugarcane and horticultural crops recorded increased production during the year. However, production of pyrethrum, and cotton declined in 1995 due to competition from imports of low priced textiles and poor crop husbandry practices by pyrethrum farmers.

GROSS DOMESTIC PRODUCT, 1991 - 1995

Table 2.1 K£million

	Current Prices					Constant (1982) Prices				
	1991	1992	1993*	1994"	1995**	1991	1992	1993*	1994*	1995**
A. NON-MONETARY ECONOMY										
	68.04	71.95	75.70	76.52	79.30	32.19	33.04	33.40	34.47	35.58
	3.28	3.42	4.17	4.79	5.09	1.39	1.27	1.21	1.26	1.31
Building and Construction	92.67	101.40	107.80	113.44	117.80	74.39	75.45	76.37	81.32	87.00
Water Collection	49.04	53.08	56.35	60.00	63.72	24.87	25.33	25.51	26.55	27.67
Ownership of Dwellings	245.42	262.04	281.64	309.20	331.70	101.70	102.34	110.37	114.18	118.63
TOTAL NON-MONETARY ECONOMY	458.45	491.89	525.66	563.95	597.61	234.54	237.43	246.86	257.78	270.19
MONETARY ECONOMY										
1. Enterprises and Non-Profit Institutions										
Agriculture	2,337.69	2,681.94	3,583.11	4,337.69	5,428.79	1,178.93	1,134.83	1,088.49	1,119.29	1,173.36
Forestry	131.07	140.44	168.08	188.25	207.07	46.23	48.16	53.11	56.78	60.75
	37.48	45.16	53.89	58.20	62.27	13.10	12.24	12.60	13.11	13.66
Mining and Quarrying	28.03	30.28	35.22	35.68	36.21	11.97	11.01	11.23	11.41	11.72
Manufacturing	1,167.40	1,230.73	1,419.68	1,807.76	2,159.24	581.63	588.61	599.21	610.59	634.40
Building and Construction	477.10	579.60	655.20	733.82	799.87	129.30	122.20	111.61	113.07	117.33
Electricity and Water	92.11	100.33	126.90	164.06	208.33	45.97	45.11	45.52	46.50	47.76
Trade, Restaurants and Hotels	1,133.37	1,517.10	1,920.65	2,601.02	3,025.04	472.05	478.94	479.56	509.05	549.34
Transport, Storage& Communications	681.91	908.70	991.91	1,262.95	1,520.36	259.10	263.60	265.71	273.68	285.58
Finance, Insurance,										
Real Estate and Business Services	865.43	1,081.34	1,398.17	2,015.65	2,470.88	353.47	377.94	406.15	429.87	459.53
Ownership of Dwellings	545.97	575.95	625.71	667.34	814.15	235.31	238.98	239.46	243.10	255.80
Other Services	292.22	368.65	477.87	578.11	676.39	141.11	144.50	145.68	149.41	158.98
Less:Imputed Bank Service Charges	-328.08	-643.03	-725.37	-1,410.09	-1,683.98	-138.59	-142.03	-156.30	-169.17	-180.16
TOTAL	7,461.70	8,617.19	10,731.02	13,040.44	15,724.62	3,329.58	3,324.09	3,302.03	3,406.69	3,588.05
2.PRIVATE HOUSEHOLDS (DOMESTIC SERVICES)	132.40	154.57	180.58	211.13	247.11	78.28	85.26	94.58	102.45	113.92
3.Producers of Government Services										
Public Administration	379.95	443.32	569.80	781.72	890.30					
	39.76	38.15	41.70	52.54	60.41					
Education	717.78	849.19	945.60	1,068.70	1,258.75					
Health	148.08	171.89	215.60	235.44	272.77					
Agricultural Services	53.85	55.80	72.17	85.47	100.71					
Other Services	148.36	163.99	230.17	264.60	303.23					
TOTAL	1,487.78	1,722.34	2,075.04	2,488.47	2,886.17	669.10	685.43	699.82	707.52	720.56
TOTAL MONETARY ECONOMY	9,081.88	10,494.10	12,986.64	15,740.04	18,857.90	4,076.96	4,094.78	4,096.43	4,216.66	4,422.53
TOTAL NON-MONETARY AND MONETARY ECONOMY	9,540.33	10,985.99	13,512.30	16,303.99	19,455.51	4,311.50	4,332.21	4,343.29	4,474.44	4,692.72
GROSS DOMESTIC PRODUCT PER CAPITA K£	389.40	435.95	519.70	610.64	707.47	175.98	171.91	167.01	168.10	170.60

* Revised

** Provisional

GROWTH OF GROSS DOMESTIC PRODUCT, 1991 - 1995

Table 2.2 — Percentages

	Current Prices					Constant (1982) Prices				
	1991-92	1992-93	1993-94*	1994-95**	1991-95***	1991-92	1992-93	1993-94*	1994-95**	1991-95***
A. NON-MONETARY ECONOMY										
Forestry	5.7	5.2	1.2	3.6	3.9	2.7	1.1	3.2	3.2	2.5
Fishing	4.3	21.9	14.9	6.3	4.6	-8.7	-4.8	4.1	4.0	-1.7
Building and Construction	9.4	6.3	5.2	3.8	6.2	1.4	1.2	6.5	7.0	4.0
Water Collection	8.3	6.2	6.5	6.2	6.8	1.8	0.7	4.1	4.2	2.7
Ownership of Dwellings	6.8	7.5	9.8	7.3	7.8	0.6	7.8	3.5	3.9	3.9
TOTAL NON-MONETARY ECONOMY ..	7.3	6.9	7.3	6.0	6.9	1.2	4.0	4.4	4.8	3.6
B. MONETARY ECONOMY										
1 .Enterprises and Non-Profit Institutions										
Agriculture	14.7	33.6	21.1	25.2	23.5	-3.7	-4.1	2.8	4.8	-0.1
Forestry	7.2	19.7	12.0	10.0	12.1	4.2	10.3	6.9	7.0	7.1
Fishing	20.5	19.3	8.0	7.0	13.5	-6.5	2.9	4.0	4.2	1.1
Mining and Quarrying	8.0	16.3	1.3	1.5	6.6	-8.0	2.0	1.6	2.7	-0.5
Manufacturing	5.4	15.4	27.3	19.4	16.6	1.2	1.8	1.9	3.9	2.2
Building and Construction	21.5	13.0	12.0	9.0	13.8	-5.5	-8.7	1.3	3.8	-2.4
Electricity and Water	8.9	26.5	29.3	26.9	22.6	-1.9	0.9	2.2	2.7	1.0
Trade, Restaurants and Hotels	33.9	26.6	35.4	16.3	27.8	1.5	0.1	6.1	7.9	3.9
Transport, Storage and Communications	33.3	9.2	27.3	20.4	22.2	1.7	0.8	3.0	4.3	2.5
Finance, Insurance, Real Estate and Business Services	25.0	29.3	44.2	22.6	29.9	6.9	7.2	6.1	6.9	6.8
Ownership of Dwellings	5.5	8.6	6.7	22.0	10.5	1.6	0.2	1.5	5.2	2.1
Other Services	26.2	29.6	21.0	17.0	23.4	2.4	0.8	2.6	6.4	3.0
Less:Imputed bank service charges.	96.0	12.8	94.4	19.4	49.5	2.5	10.1	8.2	6.5	6.8
TOTAL	15.5	24.5	21.5	20.6	20.5	-0.2	-0.7	3.2	5.3	1.9
2.Private Households (Domestic Services) ..	16.7	16.8	16.9	17.0	16.9	8.9	10.9	8.3	11.2	9.8
3.Producers of Government Services										
Public Administration	16.7	28.5	37.2	13.9	23.7					
Defence	-4.1	9.3	26.0	15.0	11.0					
Education	18.3	11.4	13.0	17.8	15.1					
Health	16.1	25.4	9.2	15.9	16.5					
Agricultural Services	3.6	29.3	18.4	17.8	16.9					
Other Services	10.5	40.4	15.0	14.6	19.6					
TOTAL	15.8	20.5	19.9	16.0	18.0	2.4	2.1	1.1	1.8	1.9
TOTAL MONETARY ECONOMY	15.4	23.8	21.2	19.8	20.0	0.4	0.0	3.0	4.9	2.1
TOTAL NON-MONETARY AND MONETARY ECONOMY	15.6	23.0	20.7	19.3	15.5	0.5	0.2	3.0	4.9	2.1
GROSS DOMESTIC PRODUCT PER CAPITA ..	12.0	19.2	17.5	15.9	16.1	-2.3	-2.9	0.7	1.5	2.9

* Revised

* * Provisional

* * * Cummulative

Manufacturing

2.15. Despite increased competition from low priced imported consumer goods, the real GDP for the manufacturing sector grew by 3.9 per cent in 1995, compared with 1.9 per cent growth of 1994. The manufacturing share contribution to total GDP rose from 13.6 per cent in 1994 to 13.8 per cent in 1995. The improved performance of the sector is largely attributed to adequate supply of agro-based raw materials, availability of foreign exchange, and various export oriented incentives. Exports of manufactured goods rose from K£ 1,382 million in 1994 to K£ 1,509 million in 1995. Of the sub-sectors which depend on agro-based inputs, physical output from the grain milling sector recorded a high growth of 18.6 per cent. The meat and dairy products sub-sector grew by 29.1 per cent, while sugar and confectionery rose by 25.4 per cent. On the other hand, textile and clothing industries fell by 27.0 per cent and 16.8 per cent, respectively, due to stiff competition from imported textile and used clothes.

Financial Sector

2.16. The financial sector has been undergoing major policy reforms. The 1995/96 budget reinforced the policy environment to further boost the financial sector. In the year 1995, the interest rate of Government debt as well as debt service fell thereby releasing savings to the private sector. There was further relaxation of rules pertaining to foreign investors in the Nairobi Stock Exchange. In addition, the Government repealed the Exchange Control Act and enhanced supervision of commercial banks by the Central Bank.

2.17. Against this background the financial sector real GDP grew by 6.9 per cent in 1995, compared with a corresponding growth of 6.1 per cent in 1994. The share contribution of this sector to total GDP has risen from 8.2 per cent in 1991 to 9.8 per cent in 1995. The Kenya Shilling exchange rates were low. up to April 1995 but depressed in May 1995 and there after remained stable for the rest of the year. The Shilling depreciated against the dollar to exchange at Kshs 44.48 to the dollar at the beginning of the year and Kshs 55.00 at the end of the year. The unusual coexistence of low inflation and high interest rates was largely due to the intensified Open Market Operations(OMO) by the Central Bank during the second half of 1995, and the significant increase in demand for credit.

2.18. Holdings of net foreign assets of the banking system declined by 46.4 per cent to stand at K £370 million as at December, 1995. Total domestic credit by the banking system increased by 37.9 per cent to K£ 10,090.3 million in 1995. Borrowing by the Government decelerated from an expansionary growth of 80.3 per cent in 1994 to a modest growth of 22.7 per cent in 1995. The movements in net foreign assets and domestic credit are reflected in the modest growth in the money supply, which increased by only 18.6 per cent in 1995 compared to 30.4 per cent in 1994.

Transport, Storage and Communication

2.19. The sector's real GDP grew from 3.0 per cent in 1994 to 4.3 per cent in 1995. The transport, storage and communications sector share contribution to total GDP remained at 6.1 per cent recorded in 1994. Road transport constituted 35.4 per cent of overall transport total output. New registration of motor vehicles increased by 24.0 per cent to 22,224 in

1995. The amount of dry cargo loaded at the port increased by 19.8 per cent in 1995. However the amount of dry cargo landed fell by 14.2 per cent during the same period. Total freight handled at the port was adversely affected by cargo congestion, rail movements constraints, and poor condition of Mombasa-Nairobi highway.

2.20. The performance of the postal and telecommunications industry benefited from internal restructuring of the industry and new entry to the market of private courier services. Throughput of refined petroleum products transported by Kenya Pipeline Company increased by 11.2 per cent to 2,248.4 thousand cubic meters in 1995. The depressed business in the tourism industry led to significant fall in flight activities at major airports in the country.

2.21. The railway sub-sector did not perform well in 1995. Railway passenger journeys declined by 9.7 per cent, while freight tonnes recorded a 9.9 per cent growth. Continued stiff competition from the road sector has led to the restructuring of the rail sector, which involved retrenchment of the current employed staff and leasing of coaches for private hire. The revival of the East African market is expected to give a boost to this sub-sector.

Building and Construction

2.22. The building and construction sector recorded modest growth in 1995 relative to 1994. Available data shows that there were more reported completion of new private buildings in main towns in 1995 than in the previous two years ,with corresponding increase in total value of the buildings. The expansion in construction activities are reflected by increase in cement consumption. Sales of cement went up by 24.0 per cent from 858.5 thousand tonnes in 1994 to 1,065.0 thousand tonnes in 1995. Overall building and construction cost index rose by 19.4 per cent in 1995 due to continued increase in labour and material costs. Total value of reported private buildings rose to K£ 68.9 million in 1995 from K£ 59.3 million in 1994.

PRODUCTION ACCOUNTS. 1994 AND 1995

Table 2.3 **K£million**

	1994					1995 "				
			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	701.91	137.96	563.95	4.60	559.35	740.43	142.82	597.61	4.95	592.66
B. MONETARY ECONOMY										
1 .Enterprises and Non-Profit Institutions										
Agriculture	4,770.37	432.68	4,337.69	363.95	3,973.74	5,865.37	436.58	5,428.79	444.02	4,984.77
Forestry	261.81	73.56	188.25	115.97	72.28	287.98	80.91	207.07	121.77	85.30
Fishing	61.25	3.05	58.20	15.96	42.24	65.67	3.40	62.27	16.12	46.15
Mining and Quarrying	117.53	81.85	35.68	18.56	17.12	119.05	82.84	36.21	18.80	17.41
Manufacturing	19,428.37	17.620.61	1,807.76	583.25	1.224.51	23,074.29	20,915.05	2,159.24	765.30	1,393.94
Building and Construction	1,446.62	712.80	733.82	541.77	192.05	1,591.28	791.41	799.87	595.95	203.92
Electricity and Water	509.70	345.64	164.06	127.96	36.10	657.67	449.34	208.33	161.40	46.93
Trade, Restaurants and Hotels	4,785.48	2,184.46	2,601.02	1,479.24	1,121.78	7,178.22	4,153.18	3,025.04	1,775.09	1,249.95
Transport, Storage and Communications	2,552.99	1,290.04	1,262.95	381.51	881.44	3,035.95	1,515.59	1,520.36	456.10	1,064.26
Finance, Insurance, Real Estate and Business Services	2,720.15	704.50	2,015.65	567.25	1.448.40	3,311.92	841.04	2,470.88	831.85	1,639.03
Ownership of Dwellings	750.19	82.85	667.34	0.00	667.34	901.14	86.99	814.15	**0.00**	814.15
Other Services	1,021.65	443.54	578.11	412.21	165.90	1,195.33	518.94	676.39	451.11	225.28
Less: Imputed Bank Service Charges ..	-1,410.09	**0.00**	-1,410.09	**0.00**	-1,410.09	-1,683.98	**0.00**	-1,683.98	**0.00**	-1,683.98
	37,016.02	2:3,975.58	13,040.44	4,607.63	8,432.81	45,599.89	29,875.27	15,724.62	5,637.51	10,087.11
2.Private Households (Domestic Services)..	211.13	**0.00**	211.13	211.13	**0.00**	247.11	**0.00**	247.11	247.11	**0.00**
3.Producers of Government Services	3,563.69	1,075.22	2,488.47	2,469.44	19.03	4,015.15	1,128.98	2,886.17	2,863.50	22.67
TOTAL MONETARY ECONOMY	40,790.84	25,050.80	15,740.04	7,288.20	8,451.84	49,862.15	31,004.25	18,857.90	8,748.12	10,109.78
TOTAL MONETARY AND NON-MONETARY ECONOMY	41,492.75	25,188.76	16,303.99	7,292.80	9,011.19	50,602.58	31,147.07	19,455.51	8,753.07	10,702.44

* 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, 1991 - 1995

Table 2.4 Percentage

	1991	1992	1993"	1994*	1995**
A. NON-MONETARY ECONOMY					
Forestry	0.7	0.8	0.8	0.8	0.8
Fishing	0.0	0.0	0.0	0.0	0.0
Building and Construction	1.7	1.7	1.8	1.8	1.9
Water Collection	0.6	0.6	0.6	0.6	0.6
Ownership of Dwellings	2.4	2.4	2.5	2.5	2.5
TOTAL NON-MONETARY ECONOMY	5.4	5.5	5.7	5.8	5.8
B. MONETARY ECONOMY					
1. Enterprises and Non-profit Institutions					
	27.3	26.2	25.1	25.0	25.0
Forestry	1.1	1.1	1.2	1.3	1.3
Fishing	0.3	0.3	0.3	0.3	0.3
Mining and Quarrying	0.3	0.3	0.3	0.3	0.2
Manufacturing	13.5	13.6	13.8	13.6	13.8
Building and Construction	3.0	2.8	2.6	2.5	2.5
Electricity and Water	1.1	1.0	1.0	1.0	1.0
Trade, Restaurants and Hotels	10.9	11.1	11.0	11.3	11.7
Transport, Storage and Communications	6.0	6.1	6.1	6.1	6.1
Finance, Insurance, Real Estate and Business Services	8.2	8.7	9.3	9.6	9.8
Ownership of Dwellings	5.5	5.5	5.5	5.4	5.5
	3.3	3.3	3.4	3.3	3.4
Less: Imputed Bank Service Charges	-3.2	-3.3	-3.6	-3.8	-3.8
TOTAL	77.3	76.7	76.0	76.1	76.5
2. Private Households (Domestic Services) ,	1.8	2.0	2.2	2.3	2.4
3. Producers of Government Services					
Public Administration					
Defence					
Education.					
Health					
Agricutural Services					
Other Services					
TOTAL	15.5	15.8	16.1	15.8	15.4
TOTAL MONETARY ECONOMY	94.6	94.5	94.6	94.2	94.2
TOTAL MONETARY & NON-MONETARY ECONOMY	100.0	100.0	100.0	100.0	100.0

* Revised
* * Provisional

Producer of Government Services

2.23. The Government budget has undergone a lot of restriction/cuts in a bid to reduce the deficit. The impact of Structural Adjustment programmes on the vulnerable groups has necessitated the Government to shift emphasis in expenditure to social programmes in support of this group. The 1.8 per cent growth rate recorded is attributable to major expenses in the Social Dimension Programmes such as education and health services. Other contributory factors include, extra expenses allocated to the Kenyan Army, the issuance of new generation identification cards, a number of by-elections conducted during the year, the ongoing retrenchment programme and the construction of the Eldoret Airport.

Structural changes

2.24. As shown in Table 2.3, the ratio of intermediate inputs to gross output in the domestic trade, restaurants and hotels sector rose significantly from 45.6 per cent in 1994 to 57 9 per cent in 1995. This was a consequence of frequent upward wage adjustments and increasing transportation costs. The ratio of intermediate inputs to gross output in manufacturing has been high, and stood at 90.7 per cent in 1994 and 90.6 per cent in 1995. This may be attributed to the large quantities of intermediate inputs required by the sector. The share of labour costs to GDP in agriculture was low, mainly due to low wages prevailing in the sector and abundance of self-employment and unpaid family workers.

2.26. Table 2.4 depicts some transformation of the Kenyan economy during the last five years. Although agriculture continues to dominate the country's GDP, its share to overall GDP declined from 27.3 per cent in 1991 to 25.0 per cent in 1995; mainly due to diversification of the economy. The other sectors whose shares have declined over the years are producer of Government services sector, mining and quarrying. Of the gaining sectors, the manufacturing sector's share to overall GDP rose from 13.5 per cent in 1991 to 13.8 per cent in 1995. The financial sector increased its share from 8.2 per cent in 1991 to 9.8 per cent in 1995. Trades, restaurants and hotels share rose from 10.9 per cent in 1991 to 11.7 per cent in 1995.

Terms of Trade Effects

2.27. As the population growth rate remained below the 4.9 per cent growth in real GDP, growth rate of unadjusted real GDP per capita accelerated from 0.7 per cent in 1994 to 1.5 per cent in 1995. After adjustments for movements of trade, growth rate of per capita incomes decelerated from 6.1 per cent in 1994 to negative 0.1 per cent in 1995. The fall in per capita incomes, shown in Table 2.5, is largely attributed to worsening terms of trade following increased costs of imports compared with low prices of primary commodity exports.

IMPACT OF COMMODITY TERMS OF TRADE ON PER CAPITA GDP, 1991 - 1995

Table 2.5

		1991	1992	1993	1994*	1995**
1	Unadjusted GDP at constant Factor Cost (K£mn.)	4,311.5	4,332.2	4,342.3	4,474.4	4,692.7
2	Adjustment for changes in terms of trade (K£mn.)	-306.8	-356.1	-203.9	21.0	-68.2
3	Adjusted GDP (K£mn.)	4,004.7	3,976.1	4,138.4	4,495.4	4,624.5
4	Growth in unadjusted per capita GDP	-1.2	-2.8	-2.9	0.7	1.5
5	Growth in adjusted per capita GDP	-2.1	-3.5	0.9	5.8	0.1

* **Revised**

** **Provisional.**

Resource Allocation

2.28. Table 2.6 presents the total available resources and their applications during the last five years. The GDP at market prices rose by 17.0 per cent from K£ 19,684.5 million in 1994 to K£ 23,040.3 million in 1995. The import surplus increased steeply from negative

K£ 629.2 million in 1994 to positive K£ 1,478.3 million in 1995. Changes in stocks recorded an increase of 20.0 per cent in 1995; while overall gross investments rose by 31.6 per cent to K£ 5,078.1 million in 1995. The ratio of gross investments to GDP rose from 19.6 per cent in 1994 to 22.0 per cent in 1995. The ratio of private consumption to total resources rose from 63.8 per cent in 1994 to 85.2 per cent in 1995. Public consumption declined from 15.9 per cent in 1994 to 14.1 per cent in 1995, partly due to reduction of Government expenditure on recurrent activities such as recruitment into the public service, and divestiture from non-strategic parastatals. Due to the decline in public consumption, the ratio of total consumption to total resources declined slightly from 79.7 per cent in 1994 to 79.3 per cent in 1995.

TOTAL USE OF RESOURCES AT CURRENT PRICES, 1991 - 1995

Table 2.6 K£million

	1991	1992	1993	1994*	1995**
G.D.P. at Factor Cost	9,540.33	10,985.98	13,512.30	16,303.99	19,455.51
Of which:					
Non-Monetary	458.45	491.89	525.66	563.95	597.61
Monetary	9,081.88	10,494.10	12,986.64	15,740.04	18,857.90
Indirect Taxes	1,522.22	1,821.17	2,495.30	3,381.57	3,586.02
Subsidies	**0.06**	0.05	0.07	1.06	**1.28**
G.D.P. at Market Prices	1 1,062.49	12,807.10	16,007.53	19,684.50	23,040.25
+ Import of goods and non-factor services***	3,166.35	3,452.07	5,947.90	6,782.06	9,108.07
Export of goods and services ..	3,025.58	3,464.37	6,745.91	7,411.24	7,629.82
= Import Surplus	140.77	-12.30	-798.01	-629.18	1,478.25
+ Total Resources available for Domestic Investment and Consumption	11,203.26	12,794.80	15,209.52	19,055.32	24,518.50
= Gross Fixed Capital Formation ..	2,133.54	2,188.84	2,825.26	3,780.82	4,977.11
Change in Stocks	217.55	44.89	112.23	84.17	**101.01**
Gross Investment	2,351.09	2,233.73	2,937.49	3,864.99	5,078.12
Public Consumption	1,880.32	2,073.76	2,415.34	3,035.97	3,456.99
Private Consumption	6,971.85	8,487.31	9,856.69	12,154.36	15,983.39
TOTAL CONSUMPTION	8,852.17	10,561.07	12,272.03	15,190.33	19,440.38

*** Revised**

** Provisional.

2.29. Table 2.7 presents expenditure on gross investment and its financing. Gross capital formation rose by 31.6 per cent to K£ 4977.1 million in 1995. The financing of investments in the form of grants from abroad dropped from K£ 522.3 million in 1994 to K£ 233.1 million in 1995. Domestic savings financed about 75 per cent of the total investment during the year.

FINANCING OF CAPITAL FORMATION, 1991 - 1995

Table 2.7 **K£million**

	1991	1992	1993	1994*	1995**
GROSS CAPITAL FORMATION:					
Gross Fixed Capital Formation	2,133.58	2189.02	2,825.26	3,780.82	4,977.11
Changes in Stocks	217.55	44.89	112.23	84.17	101.01
TOTAL	2,351.13	2,233.91	2,937.49	3,864.99	5,078.12
FINANCING:					
Grants from Abroad .. .	330.12	314.01	484.62	522.32	233.11
Net borrowing from Abroad***.	289.51	157.28	-287.82	-291.06	1,020.00
Domestic Saving	1,731.50	1,762.62	2,740.69	3,633.73	3,825.01
TOTAL	2,351.13	2,233.91	2,937.49	3,864.99	5,078.12

* Revised.

** Provisional

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

Factor Incomes and National Products

2.30. Table 2.8 shows that the annual rate of growth of total nominal factor incomes amounted to K£ 8,746.6 million in 1995, and increased by 20.0 per cent compared to 29.8 per cent in 1994. Similarly, the rate of increase in public sector wage bill increased by 16.0 per cent in 1995, lower than the 20.7 per cent recorded in 1994. The slow down may be explained by the early retirement scheme for the civil servants, restructuring and privatisation of public sector enterprises. The gross operating surplus rose steadily by 19.6 per cent from K£ 8,451.9 million in 1994 to K£ 10,111.3 million in 1995. These increases in operating surplus, were consistent with upward trends in the growth of output in all sectors of the economy.

GROSS NATIONAL PRODUCT AT CURRENT PRICES 1991 - 1995

Table 2.8 K£million

	1991	1992	1993	1994 *	1995 *
FACTOR INCOMES:					
A. Non-Monetary Economy ..	458.45	491.89	525.66	563.95	597.61
B. 1. Remuneration of Employees :					
Enterprises	2,391.34	2,800.90	3,390.91	4,607.63	5,635.99
Private Households	132.40	154.57	180.58	211.13	247.11
Producers of Government Services	1,481.51	1,717.33	2,045.12	2,469.41	2,863.50
TOTAL	4,005.25	4,672.80	5,616.61	7,288.17	8,746.60
2. Rental Surplus (including depreciation)	545.97	575.95	625.71	975.54	814.15
3. Other Operating Surplus (including depreciation)	4,530.60	5,245.35	6,744.32	7,476.33	9,297.15
TOTAL MONETARY ECONOMY	9,081.88	10,494.10	12,986.64	15,740.04	18,857.90
TOTAL FACTOR INCOMES = GROSS DOMESTIC PRODUCT (AT FACTOR COST)	9,540.33	10,985.99	13,512.30	16,303.99	19,455.51
	1,522.22	1,821.17	2,495.30	3,381.57	3,586.02
Deduct:Subsidies	0.06	0.05	0.07	1.06	1.28
GROSS DOMESTIC PRODUCT AT MARKET PRICES	11,062.49	12,807.11	16,007.53	19,684.50	23,040.25
Add: Factor Incomes Received From Abroad	8.18	2.75	9.70	58.60	65.95
Deduct: Factor Incomes Paid Abroad	636.79	627.42	1,218.99	1,153.72	890.44
GROSS NATIONAL PRODUCT ,.	10,433.88	12,182.44	14,798.24	18,589.38	22,215.76

• Revised

**Provisional.

2.31. Despite revision of regulations to attract foreign investors to own up to 40 per cent of local companies listed in Nairobi Stock Exchange, factor income remitted to non-resident foreign investors declined from K£ 1,153.7 million in 1994 to K£ 890.4 million in 1995, Factor incomes received from abroad increased from K £58.6 million in 1994 to K£ 66.0 million in 1995.

Trends in Gross Fixed Capital Formation

2.32. Data on Gross Fixed Capital Formation (GFCF) by type of asset is shown in Table 2.9. On account of the improved performance in the economy, the rate of real fixed investment has steadily increased in the past two years. The investment increases have mainly-occurred in the private sector in response to a variety of market oriented macro-economic adjustments geared towards renewed growth. Real private investments grew by 54.4 per cent in 1995, the bulk of the investment being in transport and industrial machinery. In an effort to reduce Government spending so as to narrow the budget deficit, and in line with the structural adjustment programmes, there was a drop of 24.9 per cent in Government investment in real terms in 1995.

2.33. Sectoral developments in the country's gross fixed capital formation are presented in Table 2.10. At constant prices, the overall fixed investment in 1995 rose by 16.5 per cent compared with an increase of 13.8 per cent in 1994. The annual rates of increase in real GFCF for agriculture, manufacturing and transport sectors were 32.2 per cent, 36.8 per cent and 2.4 per cent, respectively. The sustained increase in real GFCF in agriculture was attributed to good performance of the sector in the last two years, with increased use of

tractors and farm machinery. The notable increase in manufacturing was mainly in the private sector, and was due to a rise in investments of machinery and related equipment; which rose by 5,5 per cent in 1994 and by 80.5 per cent in 1995. The growth in transport real GFCF decelerated from 38.4 per cent in 1994, mainly due to heavy investment expenditure by the Kenya Pipeline Company (KPC) for the extension to western Kenya in 1994.

GROSS FIXED CAPITAL FORMATION BY TYPE OF ASSET, 1991 - 1995

Table 2.9 **K£million**

	CURRENT PRICES					CONSTANT (1982) PRICES				
	1991	1992	1993	1994*	1995**	1991	1992	1993	1994*	1995"
DWELLINGS:										
PRIVATE:										
Non-Monetary	101.45	108.95	135.65	133.25	140.91	39.63	35.10	28.56	26.65	27.63
Monetary	69.32	69.72	40.35	46.63	28.85	27.08	22.46	8.49	9.33	5.66
TOTAL	170.77	178.67	176.00	179.88	169.76	66.71	57.56	37.05	35.98	33.29
PUBLIC	75.55	51.02	90.80	107.00	83.50	29.51	16.43	19.16	21.40	16.37
TOTAL	246.32	229.69	266.80	286.88	253.26	96.22	73.99	56.21	57.38	49.66
NON-RESIDENTIAL BUILDINGS:										
PRIVATE	64.21	53.10	38.27	35.53	37.94	24.89	17.10	7.59	6.68	7.00
PUBLIC	203.54	178.73	201.06	263.55	219.29	78.89	55.43	53.77	49.54	40.46
TOTAL	267.75	231.83	239.33	299.08	257.23	103.78	72.53	61.36	56.22	47.46
OTHER CONSTRUCTION WORKS:										
PRIVATE	40.02	28.48	156.00	165.35	176.10	16.74	10.65	41.34	41.34	43.16
PUBLIC	406.41	487.42	612.60	426.42	517.06	170.04	211.62	162.93	106.61	126.73
TOTAL	446.43	515.90	768.60	591.77	693.16	186.78	222.27	204.27	147.95	169.89
LAND IMPROVEMENT AND PLANTATION DEVELOPMENT										
PRIVATE	15.51	11.16	10.65	1 1.05	11.47	8.08	11.18	10.65	11.05	11.47
PUBLIC.	0.09	0.07	1.14	0.25	4.03	0.03	0.07	1.14	0.25	4.03
TOTAL	15.60	1 1.23	11.79	11.30	15.50	8.11	11.25	11.79	11.30	15.50
TRANSPORT EQUIPMENT:										
PRIVATE	226.47	215.47	247.34	346.86	914.72	61.88	54.10	48.21	63.06	82.72
PUBLIC	84.24	71.18	94.52	122.68	115.72	23.02	20.12	18.43	24.88	23.01
TOTAL	310.71	286.65	341.86	469.54	1,030.44	84.90	74.22	66.64	87.94	105.73
MACHINERY AND OTHER EQUIPMENT:										
PRIVATE	656.48	727.02	975.64	1,235.06	2,341.33	218.10	232.70	244.45	257.81	465.47
PUBLIC	187.67	184.45	219.24	885.29	384.19	62.35	40.05	56.51	179.59	76.39
TOTAL	844.15	911.47	1,194.88	2,120.35	2,725.52	280.45	272.75	300.96	437.40	541.86
BREEDING STOCK AND DAIRY CATTLE:										
PRIVATE	2.58	2.07	2.00	1.90	2.00	2.09	2.07	2.00	1.90	2.00
TOTAL:										
Non-Monetary Dwellings	101.45	108.95	135.65	133.25	140.91	39.63	35.10	28.56	26.65	27.63
Other	1,074.59	1,107.02	1.470.25	1,842.38	3,512.41	358.86	350.26	362.73	391.17	617.48
TOTAL PRIVATE	1,176.04	1,215.97	1,605.90	1,975.63	3,653.32	398.49	385.36	391.29	417.82	645.11
TOTALPUBLIC***	957.50	972.87	1,219.36	1,805.19	1,323.79	363.84	343.72	311.94	382.27	286.99
TOTAL PRIVATE AND PUBLIC	2,133.54	2,188.84	2,825.26	3,780.82	4,977.11	762.33	729.08	703.23	800.09	932.10

* Revised

**Provisional.

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

GROSS FIXED CAPITAL FORMATION BY INDUSTRY, 1991 - 1995

Table 2.10

K£million

	CURRENT PRICES					CONSTANT (1982) PRICES				
	1991	1992	1993	1994*	1995"	1991	1992	1993	1994*	1995**
A. NON-MONETARY ECONOMY:										
Non-Monetary Dwellings	101.45	108.95	135.65	133.25	140.91	39.63	35.10	28.56	26.65	27.63
B. MONETARY ECONOMY:										
Enterprises and Non-Profit Institutions:										
	140.99	137.34	153.35	246.73	362.72	51.18	52.87	48.57	60.81	80.38
	2.63	5.42	4.85	12.23	9.77	0.87	2.25	1.14	2.84	2.46
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mining and Quarrying	14.16	**20.62**	14.71	13.96	45.45	4.70	5.15	3.72	2.84	9.03
Manufacturing	341.64	307.32	414.94	598.82	1,102.75	111.47	96.36	103.61	**121.62**	166.42
Building and Construction	254.07	209.28	233.15	149.70	210.36	98.67	74.80	44.18	32.72	31.14
Electricity and Water	90.63	143.51	142.94	177.03	332.08	32.18	39.82	58.32	37.26	51.37
Trade, Restaurants and Hotels	136.60	94.36	186.09	122.63	203.54	47.24	37.79	45.41	24.39	28.47
Transport,Storage and Communications	420.65	451.46	797.12	1,291.70	1,300.59	138.43	141.96	196.49	272.04	278.60
Finance,Insurance,Real Estate and Business Services	69.49	40.34	91.88	148.20	225.84	26.60	20.50	20.92	30.91	38.68
Ownership of Dwellings	146.37	125.57	140.57	160.64	121.41	57.09	40.01	29.01	32.16	26.52
Other Services	44.40	77.05	128.49	152.22	213.78	15.74	24.55	32.57	30.80	33.47
TOTAL	1,661.63	1,612.27	2,308.09	3,073.86	4,128.29	584.17	536.06	583.94	648.39	746.54
Producers of Government Services										
Public Administration	170.26	183.09	163.11	230.33	244.37	62.76	60.96	38.88	51.86	56.01
	0.02	**0.02**	0.01	0.00	0.00	**0.01**	0.05	0.00	0.00	0.00
	80.18	74.26	49.91	90.40	106.32	30.38	23.76	10.52	17.66	21.10
Health	30.20	37.19	54.68	**66.02**	54.94	10.90	12.01	13.39	13.88	12.74
Agricultural Services	30.31	45.27	35.94	78.45	94.87	**11.22**	14.63	8.39	16.27	20.43
	59.49	127.79	77.87	108.51	207.41	23.26	46.51	19.55	25.38	47.65
TOTAL	370.46	467.62	381.52	573.71	707.91	138.53	157.92	90.73	125.05	157.93
NON-MONETARY ECONOMY	101.45	108.95	135.65	133.25	140.91	39.63	35.10	28.56	26.65	27.63
MONETARY ECONOMY	2,032.09	2,079.89	2,689.61	3,647.57	4,836.20	722.70	693.98	674.67	773.44	904.47
TOTAL	2,133.54	2,188.84	2,825.26	3,780.82	4,977.11	762.33	729.08	703.23	800.09	932.10
C. PERCENTAGE RATES OF GROWTH:										
Non-Monetary Economy	-11.42	7.39	24.51	-1.77	5.75	-20.63	-11.43	-18.63	-6.69	3.68
Monetary Economy	6.20	2.35	29.32	35.62	32.59	-1.89	-3.97	-2.78	14.64	16.94
TOTAL	5.20	2.59	29.08	33.82	31.64	-3.07	-4.36	-3.55	13.77	16.50

* Revised

* * Provisional.

CHAPTER 3 - POPULATION DYNAMICS

Evidence of Fertility Transition in Kenya

This chapter discusses and presents highlights of findings from various censuses conducted in Kenya, albeit with an emphasis on the 1989 census. The analysis focuses on the dynamics of population change - fertility, mortality and migration - and, where possible, compares results from various censuses with findings of various demographic surveys. This chapter is a forerunner to detailed findings on various aspects covered during the census which will be published shortly in separate volumes.

Population Censuses in Kenya - a historical perspective

3.1. The earliest official estimate of the African Population in Kenya was that made by Sir Arthur Hardinge for the year 1897, when he placed the population of the East Africa Protectorate at 2.5 million. At that time the boundaries of the protectorate differed substantially from the present frontiers of Kenya. Between 1902 and the outbreak of the First World War the population of Kenya was quoted as either 3 or 4 million, and between the wars the official estimates of the African population showed a fairly steady increase from 2,549,300 in 1925 to 3,413,371 in 1939. The means by which these estimates were constructed are obscure and probably somewhat inaccurate.

3.2. A proposal was approved by the Legislative Council in 1925 for a complete population census of the country, and was held in 1948, revealing a total population of 5,407,599, of whom 5,252,753 (97 per cent) were classified as Africans and 154,846 as non-Africans. This census, however, did not count the entire country's population; it merely estimated the population of some regions. Another census was undertaken in August 1962 and enumerated a total population of 8,636,263, of whom 8,365,942 (97 per cent) were Africans and 270,321 non Africans. This census preceded Kenya's independence by some 16 months.

3.3. The third census, featuring United Nations recommendations for a modern census, was undertaken in 1969. Since then, .the country has undertaken decennial censuses as required by the United Nations, with the latest being in 1989. The next census is scheduled to be conducted in 1999 and implementation of various preperatory activities is already underway.

3.4. In addition to censuses, Kenya has conducted a host of well designed demographic sample surveys and socio-economic surveys with demographic content. The country is thus blessed with a wealth of demographic data useful for analysing trends in population dynamics and hence its growth.

Trends in Population Size and Growth in Kenya

3.5. The 1969, 1979 and 1989 population censuses put the country's population at 10.9, 15.3 and 21.4 million, respectively. This represents an increase of 40 per cent during both 1969-79 and 1979-89 intercensal periods. The respective growth rates are 3.37 and 3.36 per cent per annum for the mentioned periods. After detailed analysis of the 1979 and 1989 censuses, the population was adjusted to 16.2 and 23.2 million respectively, representing growth rates of 3.8 and 3.6 per cent per annum.

3.6. Thus, the population more than doubled in two decades. The rate of growth which was of the order of 2 per cent per annum in the 1940's accelerated to a peak of about 4 per cent per annum in the late 1970's, then widely acclaimed to be the highest of any country in the world. Declining mortality coupled with high and constant fertility were responsible for the tremendous growth.

3.7. However, during the early 1980's, there were abrupt and dramatic changes and fertility began to fall rapidly. This led to a constantly falling growth rate, which at the time of writing this report, was estimated at 2.6 per cent per annum, implying a population of 28.3 million and a doubling time of about 27 years. The growth rate is likely to fall further and is projected at 2.2 per cent per annum, implying a population of 31.2 million persons by the year 2000, and to about 1.4 per cent per annum, implying about 37 million people by 2010.

3.8. Kenya's population growth rate which was projected at 2.88 per cent per annum in 1993 (see Table 3.1) is lower compared to those of the two other East African countries, being 3.5 and 3.0 for Uganda and Tanzania respectively (U.N Demographic Year Book, 1993).

Population Growth in Kenya, 1944-2010 (including AIDS)

Table 3.1

Year	Reconstructed Population ('000's)	Rate of Growth (% pa)	Census Total ('000's)	Year	Projected Population ('000's)	Rate of Growth ('000's)
1944	5,578	1.89		1990	23,715	3.16
1945	5,684	1.99		1991	24,477	3.07
1946	5,799	2.09		1992	25,240	2.97
1947	5.921	2.19		1993	26,002	2.88
1948	6.052	2.29	5,408	1994	26,762	2.79
1949	6,192	2.52		1995	27,519	2.68
1950	6.350	2.55		1996	28,267	2.59
1951	6.514	2.59		1997	29,010	2.51
1952	6.685	2.62		1998	29,746	2.41
1953	6,862	2.65		1999	30,473	2.32
1954	7,047	2.65		2000	31,189	2.24
1955	7.236	2.70		2001	31,896	2.15
1956	7,434	2.76		2002	32,588	2.05
1957	7,642	2.81		2003	33,264	1.96
1958	7,860	2.86		2004	33,922	1.87
1959	8.088	2.94		2005	34,561	1.77
1960	8,329	3.01		2006	35,178	1.68
1961	8.584	3.02		2007	35,773	1.58
1962	8,847	3.03	8,636	2008	36,344	1.49
1963	9.119	3.07		2009	36,890	1.40
1964	9.404	3.10		2010	37,408	
1965	9.700	3.13				
1966	10.009	3.15				
1967	10,329	3.23				
1968	10.668	3.35				
1969	11.031	3.50	10,943			
1970	11.424	3.62				
1971	11.846	3.71				
1972	12,293	3.78				
1973	12.767	3.85				
1974	13,268	3.92				
1975	13,798	3.95				
1976	14.354	3.97				
1977	14.935	3.99				
1978	15.542	3.99				
1979	16,175	4.00	15,327			
1980	16,835	3.92				
1981	17.508	3.83				
1982	18.191	3.74				
1983	18.885	3.67				
1984	19,590	3.55				
1985	20,298	3.43				
1986	21,006	3.33				
1987	21,717	3.23				
1988	22,430	3.16				
1989	23,150		21,449			

Population Density and Spatial distribution

3.9. Table 3.2 provides insights into the distributive aspects of Kenya's population, population density increased over the years, from 19 to 27 and to 37 persons per square kilometre in 1969, 1979 and 1989 respectively. However, its rate of change declined from 42 per cent during 1969-79 to 37 per cent during 1979-89.

3.10. During 1969-89, Nairobi's share of national population increased steadily to 6.2 per cent in 1989, although its growth rate declined slightly. This is explained partly by its primacy in the national system and its persistent importance as the primary destination of rural-urban migrants. Mombasa, on the other hand, accounted for much smaller share of the national population (2.2 per cent). Its growth was also a result of rural-urban migration and a steadily expanding economic base spurred by high tourist traffic and the town's uniqueness as the most popular vacationing spot in Kenya.

3.11. Elsewhere, pockets of high population density, with 200 or more persons per Square Kilometre, includes Kisii, Kakamega and Kisumu in Western Kenya, Kiambu, Muranga and Kirinyaga in Central Province. These districts accounted for 27.4 per cent of Kenya's population in 1969, decreasing their share slightly to 26.1 per cent in 1979 and to 25.2 per cent in 1989. The main factors accounting for high population density in these districts are fertile volcanic soils and high and reliable rainfall, suitable for agricultural activities.

3.12. Very low population density areas included about one third of Kenya's rural districts, with below 10 persons per square kilometre which makes up the arid and semi-arid zones in Kenya. These Districts are Lamu and Tana River in Coast Province, Isiolo and Marsabit in Eastern province, all the three districts in North-Eastern province, and Samburu and Turkana districts in Rift-Valley province. Generally, they experience very high temperatures and very low and extremely erratic rainfall.

3.13. Most districts showed an increase in population density of between 30 and 40 per cent in 1989 compared to 1979. However, some showed substantial increase, including, among others, Nairobi (58 per cent), Narok (69 per cent), Laikipia (85 per cent), Kajiado (71 per cent) and Isiolo (50 per cent).

Urbanisation in Kenya

3.14. During the forty years of Kenya's census history (1948-1989), the definition of the minimum population size for an urban area has remained 2,000 persons. The paradox, however, is that although the proportion of urban population is small (Kenya is one of the least urbanised countries in Sub-Saharan Africa), urbanisation in Kenya has been rapid. The share of urban population rose from 5.1 per cent in 1948 to 15.1 per cent in 1979 to 18.0 per cent in 1989.

Percentage Distribution, Population Density and Inter-Censal Growth Rate by district/province, 1969, 1979,1989

Table 3.2

Province/District	Percentage			Area	Density			Percent Change		Inter-Censal Growth Rate	
	1969	1979	1989	percent	1969	1979	1989	1969-79	1979-89	1969-79	1979-89
Nairobi Province	4.6	5.4	6.2	0.1	746	1210	1911	62	58	4.86	4.7
Kiambu	4.3	4.5	4.2	0.4	194	280	353	44	26	3.67	2.82
Kirinyaga	2	1.9	1.8	0.3	151	202	264	34	31	2.95	2.93
Muranga	4.1	4.2	4	0.4	180	261	340	45	30	3.76	2.8
Nyandarua	1.6	1.5	1.6	0.6	50	66	102	32	55	2.77	3.92
Nyeri	3.3	3.2	2.8	0.6	110	148	186	35	26	2.99	6.23
Central Province	15.3	15.3	14.5	2.3	127	178	235	40	32	3.36	2.82
Kilifi	2.8	2.8	2.8	2.2	24	34	46	42	35	3.37	3.17
Kwale	1.9	1.9	1.8	1.5	25	34	46	36	35	3.38	2.75
Lamu	0.2	0.3	0.3	1.2	4	6	8	50	33	6.36	2.94
Mombasa	2.3	2.2	2.2	0	1155	1622	1637	40	1	3.23	3.03
Taita Taveta	1	1	1	3	6	8	12	33	50	2.87	3.4
Tana River	0.5	0.6	0.6	6.9	1	2	3	100	50	6	3.29
Coast Province	8.6	8.8	8.5	14.7	11	16	22	45	38	3.52	3.07
Embu	1.6	1.7	1.7	0.5	62	96	132	55	38	3.86	3.41
Isiolo	0.3	0.3	0.3	4.5	1	1	3	0	200	3.67	4.78
Kitui	3.1	3	3	5.2	11	15	22	36	47	3.03	3.4
Machakos	6.5	6.7	6.5	2.5	50	72	100	44	39	3.69	3.16
Marsabit	0.5	0.6	0.6	13.1	1	1	2	0	100	6.23	2.95
Meru	5.5	5.4	5.3	1.8	63	83	116	32	40	3.31	3.21
Eastern Province	17.4	17.7	17.6	27.8	12	17	24	42	41	3.55	3.26
Garissa	0.6	0.8	0.6	7.8	2	2	3	0	50	6.92	-0.32
Mandera	0.9	0.7	0.6	4.7	1	3	5	200	67	1.06	1.59
Wajir	0.8	0.9	0.6	10	4	2	2	-50	0	4.8	-1.26
N-eastern Province	2.2	2.4	1.7	22.5	2	2	3	0	50	4.19	-0.06
Kisii	6.2	5.7	5.3	0.4	307	395	517	29	31	2.53	2.68
Kisumu	3.7	3.1	3.1	0.4	192	230	320	20	39	1.86	3.2
Siaya	3.5	3.1	3	0.4	151	188	253	25	35	2.14	2.98
South Nyanza	6.1	5.3	5	1	114	143	187	25	31	2.09	2.66
Nyanza Province	19.4	17.3	16.4	2.2	168	211	280	26	33	2.2	2.83
Baringo	1.5	1.3	1.3	1.8	15	20	26	33	30	2.31	3.41
Elgeyo-Marakwet	1.5	1	1	0.4	57	65	71	14	9	-0.68	3.74
Kajiado	0.8	1	1.2	3.5	4	7	12	75	71	5.51	5.52
Kericho	4.4	4.1	4.2	0.7	97	161	182	66	13	2.79	3.52
Laikipia	0.6	0.9	1	1.7	7	13	24	86	85	7.04	4.75
Nakuru	2.7	3.4	4	1	40	90	118	225	31	5.86	4.85
Nandi	1.9	2	2	0.5	75	109	156	45	43	3.59	3.71
Narok	1.1	1.4	1.9	2.9	7	13	22	86	69	5.18	6.39
Samburu	0.6	0.5	0.5	3.1	3	4	5	33	25	1.01	3.48
Trans-Nzoia	1.1	1.7	1.8	0.4	50	124	160	148	29	7.36	4.17
Turkana	1.5	0.9	0.9	10.9	2	2	3	0	50	-1.47	2.55
Uasin Gishu	1.7	2	2.1	0.6	50	89	138	78	55	4.54	3.93
West Pokot	0.8	1	1.1	1.6	16	17	25	6	47	6.54	3.51
Rift Valley	20.2	21.1	22.9	29	12	19	27	58	42	3.83	4.17
Bungoma	3.2	3.3	3.4	0.5	113	163	240	44	47	3.78	3.79
Busia	1.8	1.9	2	0.3	119	183	256	54	40	3.96	3.51
Kakamega	7.2	6.7	6.8	0.6	220	294	411	34	40	2.76	3.5
Western Province	12.1	1.2	12.2	1.5	161	223	317	39	42	3.22	3.58
Total Kenya	100	100	100	100	19	27	37	42	37	3.37	3.36

FINANCING OF CAPITAL FORMATION, 1991 - 1995

K£million

Table 2.7

	1991	1992	1993	1994*	1995**
GROSS CAPITAL FORMATION:					
Gross Fixed Capital Formation	2,133.58	2189.02	2,825.26	3,780.82	4,977.11
Changes in Stocks	217.55	44.89	112.23	84.17	101.01
TOTAL	2,351.13	2,233.91	2,937.49	3,864.99	5,078.12
FINANCING:					
Grants from Abroad .. .	330.12	314.01	484.62	522.32	233.11
Net borrowing from Abroad***.	289.51	157.28	-287.82	-291.06	1,020.00
Domestic Saving	1,731.50	1,762.62	2,740.69	3,633.73	3,825.01
TOTAL	2,351.13	2,233.91	2,937.49	3,864.99	5,078.12

* Revised.

** Provisional

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

Factor Incomes and National Products

2.30. Table 2.8 shows that the annual rate of growth of total nominal factor incomes amounted to K£ 8,746.6 million in 1995, and increased by 20.0 per cent compared to 29.8 per cent in 1994. Similarly, the rate of increase in public sector wage bill increased by 16.0 per cent in 1995, lower than the 20.7 per cent recorded in 1994. The slow down may be explained by the early retirement scheme for the civil servants, restructuring and privatisation of public sector enterprises. The gross operating surplus rose steadily by 19.6 per cent from K£ 8,451.9 million in 1994 to K£ 10,111.3 million in 1995. These increases in operating surplus, were consistent with upward trends in the growth of output in all sectors of the economy.

respectively. One result has been resources being diverted more to consumption and consequently less savings (investments). However, symptoms of fertility decline are apparently observed in the declining proportions of under 10 years, which decreased from 35.8 per cent in 1969 to 34.6 per cent in 1989.

3.17. Comparative statistics from other major regions of the world for the proportion aged 0-14, 15-64 and 65+ are respectively as follows: Africa - 44, 53 and 3; Eastern Africa - 46, 51 and 3; Southern Africa - 38, 58 and 4; Western Europe - 18, 67 and 15; Northern America - 22, 66 and 13, and; South-Eastern Asia - 35, 61 and 4.(United Nations Demographic Year Book, 1993).

3.18. The overall composition of Kenya's population by sex remains more or less at par. Age-Sex composition, however, expresses a deficit of males beyond age 20, which becomes more noticeable above age 40. For those aged 65 and above there were only 85 males per 100 females in both 1979 and 1989. This may be attributed to the disparity in mortality between males and females at advanced ages, which becomes much higher for males than for females with increasing age.

Summary of the Age-Sex structure of the Population according to 1969, 1979 and 1989 censuses.

Table 3.5

Age	1969 Census			1979 Census			1 989 Census		
Group	Male	Female	Total	Male	Female	Total	Male	Female	Total
0-9	36.0	35 5	35.8	38.7	37.3	38.0	35.1	34.2	34.6
0-14	49.1	47.7	48.4	52.3	50.6	51.5	49 5	48.4	48.9
0-19	59.3	57.7	58.5	62.6	60.7	61.6	59 9	58.8	59.3
10-19	23.3	22.2	22.7	23.9	23.4	23.6	24.8	24.6	24.7
15-49	40 7	42.7	41.7	40.5	41.3	40.8	42.4	42.9	42.8
15-64	47.1	48.9	48.0	45.7	47 0	46.3	48.4	49 2	48.9
65 +	3.8	3.4	3.6	2.0	2.4	2.2	2.1	2.4	2.2

Source: compiled from various censuses

Fertility levels and trends

3.19. The evolution of fertility in Kenya during the 1960's and the 1970's was one of rapid increase, culminating in the highest ever recorded Total Fertility Rate (TFR) of 8 births per woman in 1979. This was largely attributed to low contraceptive use, low age at marriage and high value accorded to children as well as the biased nature of the Government's programmes which favoured mortality reduction. These trends posed diverse challenges to the Government in so far as provision of basic needs was concerned. The introduction of SAPs in the course of the 1980's compounded these challenges. The Government thus formulated an integrated population policy in 1984 which accorded fertility reduction utmost priority. The family planning programme was enhanced and integrated in the District Focus Strategy for Rural Development. These efforts have by and large borne fruits and culminated in the onset of a fertility transition (see Table 3.6).

3.20. Evidence from the 1989 the census analysis indicates that fertility in Kenya had been rising steadily over prolonged periods upto the late 1970's. Women who were bom in the mid 1940's were having, on average, nearly 8 births (provided they lived up to the age of 50) compared with a little more than 6 births to women who were born around the

beginning of the century. A TFR of 7.8 births per woman was registered for the 1969-79 intercensal period; the Kenya Fertility Survey (KFS) of 1977/78 showed an average parity for women aged 45-49 of 7.9 and an adjusted TFR of 8.1 for the three years prior to the survey; the National Demographic Survey (NDS) of 1977 gave a Gompertz model TFR of 8.1 for the year preceding the survey; the Kenya Contraceptive Prevalence Survey (KCPS) of 1984 showed an average parity of 8.2 for women aged 45-49. Thus, although different methodologies were employed to derive these rates, evidence is overwhelming that in the 1970's TFR in Kenya had reached a level of the order of 8 births per woman.

3.21. In the early 1980's, there was an abrupt and dramatic change, and fertility began to decline with rapidity that had hitherto been unpredicted. A TFR of 6.6 was estimated for the 1979-89 intercensal period. The order of magnitude of this estimate and the rapidity of the fertility decline have also been confirmed by other sources: the 1989 KDHS gave a TFR of 6.7 for the five years prior to the survey, while the 1993 KDHS gave a TFR of 5.4 for the three years prior to the survey.

Age Specific Fertility Rates, 1962-93

Table 3.6

Age Group	1962 Census	1969 Census	1977 NDS	1978 KFS	1984 KCPS	1969-79	1979-89	1989 KDHS (1984-88)	1993 KDHS (1990-92)
15-19	0.083	0.111	0.135	0.177	0.143	0.188	0.158	0.152	0.110
20 24	0.207	0.284	0.365	0.369	0.358	0.375	0.334	0.314	0.257
25-29	0.223	0.290	0.361	0.356	0.338	0.369	0.323	0.303	0.241
30-34	0.203	0.253	0.316	0.284	0.291	0.301	0.252	0.255	0.197
35-39	0.163	0.200	0.231	0.216	0.233	0.213	0.167	0.183	0.154
40-44	0.109	0.121	0.133	0 132	0.109	0.096	0.070	0.099	0.070
45-49	0.063	0.060	0.056	0.051	**0.066**	0.012	0.008	0.035	0.050
TFR	5.3	6.6	8.0	7.9	7.7	7.8	6.6	6.7	5.4

Note Fertility rates obtained from different data sources are based on different methodologies.

This fall in Kenya's fertility is likely to continue. The major driving forces behind it have been late marriage for both males and females (largely due to increase in level of educational attainment), increased contraceptive prevalence, and increased urbanisation. Age at marriage, for instance, increased from 18.5 and 23.9 years in 1962 to 21.6 and 26.0 years in 1989 for males and females respectively. The proportion of women married by age 15 dropped from 16 per cent among those aged 45-49 to 1 per cent among the 15-19 year olds in 1993 (KDHS 1993). Knowledge of family planning methods was universal with 97 per cent of married women knowing at least a method in 1993. The level of contraceptive prevalence has doubled in the past decade, from 17 per cent among married women in 1984 to 33 per cent in 1993. The use of modern contraception methods increased even faster from 10 per cent to 27 per cent of married women. It may also be noted that parallel to the increase in age at marriage and age at first birth was the Percentage of first births being born outside marriage. This confounded the full impact of late marriage to fertility decline.

Fertility Differentials

3.22. The steep decline in fertility observed above was not universal. It largely occurred for women aged between 20 and 39. The momentum of the transition was more pronounced in urban areas and in Central province. A number of districts in Western and Nyanza province and a majority of those in Rift-Valley province as well as all districts in North Eastern province remained corridors of high fertility, although it declined in most of them. Women with secondary and above level of education also had much lower fertility (see Table 3.7).

Total Fertility Rates and Crude Birth Rates by background characteristics, 1979-89, 1989 and 1993

Table 3.7

Background characteristics	TFR(1979-89) *	CBR (1979-89) *	TFR(1983-85) (1989 KDHS)	TFR(1984-88) (1989 KDHS)	TFR(1990-92) (1993 KDHS)
Residence					
Urban	4.5	39	5.8	4.8	3.4
Rural	6.9	50	7.1	7.1	5.8
Province					
Nairobi	3.8	36	7.0	4.6	3.4
Central	5.7	40	6.4	6.0	3.9
Coast	5.8	46	6.0	5.5	5.3
Eastern	6.5	45	7.0	7.0	5.9
N/Eastern	7.6	52	-	-	-
Nyanza	7.0	54	7.1	7.1	5.8
R/Valley	7.1	50	6.7	7.0	5.7
Western	7.6	53	7.9	8.1	6.4
Education					
No Education	7.5		7.2	7.2	6.0
Primary incomplete	7.1	-	7.5	7.5	6.2
Primary complete			6.4	6.5	5.0
Secondary +	5.0	-	5.0	4.9	4.0
Kenya	6.6	48	6.8	6.7	5.4

* From Census findings

3.23. Table 3.7 shows that during 1979-89 intercensal period, the TFR of women in urban areas was lower than their rural counterparts' by some 35 per cent; that of women with secondary and above level of education was 5.0, which was 33 per cent lower than that of non-educated women of 7.5; the TFR of women in Central province was lower than their counterparts' in Western province by some 25 per cent (and lower by 50 per cent for women in Nairobi).

3.24. According to KDHS (1993), the large differentials in fertility by regions and educational attainment merely represents a mirror image of differentials in contraceptive prevalence. The largest differentials in current use of contraception were found with

educational groups, followed by regions. It increased steadily with level of education from 20 per cent among married women with no education to 52 per cent of those with secondary and above level of education. Similarly, Central province had the highest level of current use (56 per cent), followed by Nairobi (45 per cent).

Mortality Levels and Trends

3.25. Indirect estimates of under-five mortality derived from the 1962, 1969, 1979 and 1989 censuses show an extraordinarily consistent trend. Whereas in early 1950's nearly 25 per cent of all children bom in Kenya were dying in the first five years of life the percentage was down to about 10 by the mid 1980's. Trends in adult mortality reconstructed from the census data on orphanhood also revealed that in the 1950's between 45 and 50 per cent of both men and women were dying between age 15 and 60. By the mid 1980's the proportions were down to 27 per cent for men and 22 per cent for women. These values are substantially lower than the estimates for Sub-Saharan Africa as a whole prepared by a World Bank team, which gave 37.9 per cent for men and 31.8 per cent for women in 1988.

3.26. On average, the number of children dying in the first five years of life dropped from 219 per 1000 in 1962 to 190 in 1969, 157 in 1979 and to 113 per 1000 during 1979-89 intercensal period. The crude death rates similarly dropped from 17 per 1000 in 1969 to 14 during the 1969-79 intercensal period and to 10 during the 1979-89 intercensal period.

3.27. Expectation of life at birth increased from 46.9 years in 1969 to 52.0 years during 1969-79 and to 57.5 years during 1979-89 for Kenyan males. Similarly, it increased from 51.2, 55.1 and to 61.4 years respectively during the same periods for Kenyan females. Male adult mortality dropped by 6 per cent and 14 per cent for the 1969-79 and 1979-89 intercensal periods respectively while female adult mortality dropped by 4 per cent and 18 per cent respectively. National estimates of infant mortality rate decreased from 119 in 1969 to 104 during 1969-79 and to 66 during 1979-89.

Mortality differentials

3.28. There were wide variations in average number of deaths from one district to the other. The disparities in child mortality also existed by sex, level of education of mother, type of place

Mortality Indicator* by Sex, 1979-89

Table 3.12

District and Province	CDR	IMR	Under Five Mortality (per 1000)			Expectation of Life at birth (years)		
			Male	Female	Total	Male	Female	Total
KENYA	10.3	66	117	108	113	67.5	61.4	59.5
NAIROBI	5.4	49	78	72	75	65.3	66.8	66.1
Kiambu	7.0	38	62	57	60	66.7	69.0	67.9
Kirinyaga	7.6	36	60	55	58	66.7	68.6	67.7
Muranga	8.0	29	51	47	49	67.6	68.9	68.3
Nyandarua	5.9	25	43	40	42	70.1	69.5	69.8
Nyeri	7.5	21	38	35	37	69.3	69.6	69.5
CENTRAL	7.3	30	52	48	50	67.7	69.1	68.4
Kilifi	12.7	85	146	135	141	54.3	57.6	56.0
Kwale	13.2	89	156	144	150	53.4	54.1	53.8
Lamu	11.4	72	128	118	123	57.6	56.8	57.2
Mombasa	8.6	60	111	102	107	57.4	59.8	58.6
Taita Taveta	9.7	50	96	89	93	60.2	59.8	60.0
Tana River	12.0	83	145	134	140	55.9	55.1	55.5
COAST	11.3	77	136	125	131	55.8	57.2	56.5
Embu	6.5	44	68	63	66	69.7	69.4	69.6
Isiolo	11.6	73	129	119	124	57.5	57.7	57.6
Kitui	10.7	66	110	102	106	61.6	63.6	62.6
Machakos	7.3	45	70	65	68	67.5	69.3	68 4
Marsabit	11.5	37	70	65	68	60.3	60.8	60.6
Meru	6.5	35	58	53	56	69.2	69.1	69.2
EASTERN	7.7	47	75	69	72	66.7	67.7	67.2
Garissa	10.9	78	140	129	135	56.1	53.8	55.0
Mandera	11.4	72	133	123	128	56.6	54.0	55.3
Wajir	12.3	69	133	123	128	54.9	51.9	53.4
North Eastern	11.3	77	136	125	131	55.3	54.1	54.7
Kisii	10.4	62	113	104	109	56.5	60.9	58 7
Kisumu	17.1	129	213	196	205	47.2	50.7	49.0
Siaya	18.8	135	221	204	213	46.3	50.1	48.2
South Nyanza	18.2	137	221	204	213	46.9	51.1	49.0
NYANZA	15.8	111	186	172	179	49.5	53.5	51.5
Baringo	10.9	63	113	105	109	58.8	59.1	59.0
Elgeyo Marakwet	10.5	57	101	93	97	61.6	61.4	61.5
Kajiado	8.3	45	77	71	74	61.9	64.6	63.3
Kericho	7.7	54	85	78	82	63.9	67.2	65.6
Laikipia	6 6	34	54	49	52	67.5	68.6	68.1
Nakuru	6.8	46	74	68	71	65.6	67.9	66.8
Nandi	9.0	59	92	84	88	63.1	66.2	64.7
Narok	9.2	55	89	82	86	61.0.	65.0	63.0
Samburu	10.6	34	66	60	63	56.9	60.9	58.9
Trans Nzoia	9.0	62	108	99	104	61.0	62.5	61.8
Turkana	17.8	91	186	172	179	44.1	45.3	44.7
Uasin Gishu	7.5	54	184	78	81	65.1	66.6	65.9
West Pokot	16.5	108	189	174	182	49.2	50.0	49.6
Rift Valley	9.3	53	95	88	92	60.9	62.8	61.9
Bungoma	11.4	92	145	134	140	58.9	60.7	59.8
Busia	15.3	111	183	169	176	52.8	52.7	52.8
Kakamega	13.2	101	162	149	156	55.4	57.7	56.6
WESTERN	13.1	101	161	149	155	55.6	57.7	56.7

source: 1989 census volume V

of residence of mother, marital status of mother, source of drinking water and means of sewage disposal.

3 29. During the 1979-89 period, the average rate of child mortality decline was about 22 per cent for both males and females. However, the proportions of male children dying was consistently higher than those of female children for all age groups of mothers. Child mortality in rural areas was about 15 per cent higher than in urban areas. Differentials in child mortality by residence of mother showed mixed signals, being higher in urban areas in some districts and lower in others. In Marsabit district, child mortality was lower in the rural areas by about 35 per cent while in West Pokot, it was lower in the urban areas by 43 per cent.

3.30. While the average proportion of children dying by level of education of mother indicated that educating a Kenyan female upto primary level reduced child mortality by about 36 per cent and by a further 39 per cent if she proceeded to secondary and above level of education, the respective reductions in child mortality with increase in level of education of mother by district varied. For instance, child mortality to mothers who had attained secondary and above level of education in Siaya, South Nyanza, Bungoma, Busia and Kakamega districts was higher than that of children to mothers who never went to school in Nyeri district.

3.31. Single mothers showed the largest drop in child mortality, being 28 and 21 per cent during 1969-79 and 1979-89 respectively, followed by married mothers with 16 and 20 per cent during the same period. Households using main sewer had the lowest proportions of children dead whereas those using the bush had the highest. On average child mortality in households using the bush as a means of sewage disposal was about 53 per cent higher compared to that of households using main sewer.

Migration

3.32. Very limited data have been collected on migration in all censuses. No direct census data have been collected on determinants of the above processes. Also, Kenyan censuses have not been able to cover international migrants, especially emigrants. However, all persons in households were asked to provide information on their District Of Birth (DOB). Cross-classification of the above information with the District Of Enumeration (DOE) gave crude measures of levels and patterns of lifetime migration (those whose district of enumeration was different from district of birth).

Migration patterns

3.33. Internal migration plays a significant role in the spatial distribution of the population in the country. The pattern of internal population movement observed was generally from densely populated districts to low density and arable districts and from rural areas to urban areas in search of employment. The migrants were mostly males. Predominance of rural-rural migration prevailed with the migrants having a high tendency to rotate within their respective provinces. International migration was not observed to be significant, as only about 0.6 per cent of population enumerated in the 1989 census were bom outside Kenya.

Net Migration

3.34. Nairobi, Coast and Rift Valley provinces were net receivers while the other provinces were net losers. The net receivers were either the attractive urban centres or the less densely populated arable lands of Coast and Rift Valley provinces. The net losers, on the other hand, were either the highly productive densely populated areas, or the inhospitable sparsely populated regions. Thus internal migration to a large extent was either in search of arable land for settlement, or employment in the urban centres.

Migration Flows

3.35. During 1989, all districts maintained their direction of flow as in 1979, except Kirinyaga, Embu, Wajir and Kericho, which changed from being net receivers to net losers, and Isiolo which changed from a net loser to a net receiver. The average rate of migration flow for the 1979-89 intercensal period showed increased flow of in-migrants into Nairobi, Coast and Rift-Valley, as well as accelerated flow of out-migrants from Eastern, North Eastern, Nyanza and Western provinces. Generally the direction of migration flow remained the same in 1989 as in 1979, but the pace was somehow hastened, so that the net receivers and losers did so faster than previously.

3.36. Most of in-migrants in Nairobi (86 per cent) were from Central, Nyanza, Eastern and Western provinces while majority in Coast (80 per cent) were from Eastern, Nyanza, Western and Central provinces. Majority of in-migrants in Rift Valley (86 per cent) were from Central, Western and Nyanza provinces (see Table 3.9)

Per cent distribution of Lifetime Migrants by Province of Birth and Province of Residence

Table 3.9

PROVINCE of BIRTH	PROVINCE OF RESIDENCE							
	Nairobi	Central	Coast	Eastern	North Eastern	Nyanza	Rift Valley	Western
Nairobi	0.00	14.16	4.76	21.05	5.54	16.26	3.82	13.29
Central	26.42	0.00	12.52	31.16	14.81	4.09	33.03	7.19
Coast	3.09	3.28	0.00	10.54	13.86	6.88	**1.00**	4.56
Eastern	19.63	25.90	31.46	0.00	31.48	4.22	5.84	2.91
North Eastern	**0.62**	0.70	2.52	8 73	0.00	0.44	0.43	0.36
Nyanza	21.01	11.83	22.67	7.03	11.38	0.00	25.80	29.57
Rift Valley	5.76	25.51	4.80	12.60	9.11	18.39	0.00	**28.60**
Western	18.67	13.35	14.78	3.94	7.60	37.34	27.00	0.00
Province NS	0.10	0.06	0.05	0.06	0.04	**0.12**	0.09	0.55
Outside Kenya	2.12	3.49	3.91	3.38	4.71	9.79	2.11	10.42
Not Stated	2.58	1.72	2.52	1.52	1.47	2.46	0.89	2 54
Total	100	100	100	100	100	100	100	100

Migrants were predominantly males of working age, but over the years there has been an increase in the number of female migrants. Generally, migrants were more educated than the non-migrants.

Literacy

3.37. The results of the analysis of the 1989 population census showed that national average literacy rate of the population aged 10 and over was 73.4 per cent. This was fairly high compared to those of neighbouring countries. Literacy rate was highest (over 90 per cent) for those aged 15-19 and lowest (under 50 per cent) among the elderly aged 45 and over. Males had much higher literacy rates as were urban dwellers. Nairobi and Central provinces had high rates of over 85 per cent while North Eastern had the lowest of 30 per cent.

Educational Attainment

3.38. About 6.2 million out of 16.7 million people aged 6 years and over were attending school in 1989, representing 37 per cent, up from 33 per cent in 1979. The proportion that never attended school declined substantially from 40 per cent in 1979 to 24 per cent in 1989. The proportion that had left school was 36 per cent in 1989.

3.39. The percentage of males and females aged 6 years and over who had never attended school were 18 and 30 respectively. In rural areas 27 per cent had not attended school compared to 13 per cent in urban areas. School drop-out rates in 1989 were observed to increase with the level of education, being 3, 30 and over 80 per cent for lower primary, secondary and higher levels school, respectively. Females and urban residents had relatively higher school drop-out rates. The school drop-out problem was more prevalent in districts located in arid zones. There was an apparent increase in school drop-out rate for the population aged 6-9 and 10-14.

3.40. About 87 per cent of the population aged 6 years and over attending school were in the primary level in 1989. Only 11 per cent and 2 per cent were in secondary form 1-4 and higher (form 5+) respectively. The average scholastic retardation rate, based on the ratio of the population enrolled in primary who were aged 14 years and over to the total primary school enrolments reported in 1989 census, was 28 per cent. Males and rural dwellers had higher scholastic retardation rates than their female and urban counterparts. Scholastic retardation was lowest in Nairobi (17 per cent) and highest in Kitui (38 per cent).

3.41. A large number (53 per cent) of the population aged 6 years and over in 1989 had attained primary level of education, while 13 per cent and 2 per cent had form 1-4 and form 5 and above respectively. Substantial improvements were registered in education attainments of the population at all levels and especially among females.

Housing Characteristics and Related Social Annuities

It has always been the desire of the Kenya Government to improve the housing and living conditions of its people. This is attested to by the number of housing development initiatives undertaken since independence, including, inter alia, site and service schemes, slum upgrading, rental schemes, tenant purchase schemes and the rural housing loan scheme.

3.43. Findings from the 1989 population census indicate the significance of female headed households, accounting for about 35 per cent of the total households. The median household size was 4 persons; heads were generally young with a median age of 36.5 years.

3.44. Analysis of housing stock by tenure revealed that 54.1 per cent of the households were owner occupiers while 45.9 were renters. Public sector housing accounted for only 4.6 per cent of the total housing stock. The average household occupancy rate was 4.9 persons, 5.3 in rural areas and 3.5 in urban areas.

3.45. The dominant roofing material was iron sheets (51.5 per cent), followed by grass/makuti (40.2 per cent). Mud/wood wall was the most prevalent type of wall (56.8 per cent) while earth finished floors were most common (69.7 per cent).

3.46. Male headed households had better houses than the female headed ones; 55 per cent of male headed households had durable roofs compared to 48.7 per cent of female headed ones; 20.3 per cent of male headed households had durable walls compared to 17.6 per cent of female headed ones, and; 28.9 per cent of male headed households had durable floors compared to 24.6 per cent of female headed ones.

3.47. Analysis of household social amenities (water, sewage disposal, cooking fuel and type of lighting) revealed river/stream as the main source of water, being used by 39.8 per cent of the households, compared to piped water used by 31.9 per cent of the households. Pit latrine was the most commonly used means of sewage disposal (68.5 per cent), followed by the bush (20.1 per cent). Firewood was the most dominant source of cooking fuel (73.0 per cent), while paraffin lamp was the most used source of lighting (81.3 per cent).

The Labour Force

3.48. Results of the 1989 population census showed that 9.3 million (66 per cent) of persons aged 10 years and above were economically active; 47.7 per cent of these were females while 81.5 per cent were in rural areas.

3.49. Evidence of child labour was observed with population aged 10-14 accounting for 9.6 per cent of the labour force; 10.2 per cent of such children were found to be employed in rural areas; 26.4 per cent of the labour force were the youth aged 15-24 years, while 6 per cent were those aged 65 years and over.

The Working Population

3.50. The total working population (in gainful employment) was 8.6 million, accounting for about 61 per cent of the population aged 10 years and over; 82.9 per cent of these were located in rural areas. This is not unexpected since agriculture, widely practised in the rural areas, is the mainstay of Kenya's economy. Consequently, the employment rate was higher in rural areas (95.1 per cent) than in urban areas (87.0 per cent). Overall employment rate stood at 92.1 per cent.

3.51. When analysis of employment was restricted to wage earners and non-wage earners, it was observed that only 31.7 per cent of the labour force was in wage employment while 60.5 per cent were none wage earners perceived to work on family holdings. The rural areas contributed only 22.4 per cent of wage earners and 71.3 per cent of non-wage earners. The female unemployment rate (8.2 per cent) was slightly higher than that of males (7.6 per cent).

Population projections based on 1989 census

3.52. Population projections play a vital role in planning for future economic and social services and political requirements. These include health services, education facilities and employment opportunities, etc, all geared towards improvement of standard of living of the human population.

3.53. Population projections were done for the overall total, by sex and for the number of school age children also classified by sex. The computations were done after having constructed models for both fertility and mortality. Fertility projections were based on four assumptions namely no fertility decline, slow fertility decline, medium fertility decline, and fast fertility decline.

3.54. These projections were also made with and without the AIDS pandemic component in the mortality assumptions. The results are presented in Tables 3.10, 3.11, 3.12 and 3.13. They indicate that AIDS will reduce the population of Kenya by about 1 million in 2000, 2 million in 2005, and by between 3 and 4 million in 2010 assuming medium fertility decline(Table 3.11). These reductions are not solely due to excess deaths, but also to a decrease in the number of births because of the deaths of women who would otherwise have borne children.

3.55. Assuming medium fertility decline, population of males is projected to rise from 14.1 million in 1996 to 18.8 million in 2010 (Table 3.12). The female population on the other hand will rise from 14.2 million to 18.6 million over the same period (Table 3.12). Primary and secondary school age population will respectively rise from 6.5 and 2.9 million in 1996, to 6.8 and 3.1 million in 2000, to 7.3 and 3.3 million in 2005 and to 7.5 and 3.6 million in 2010(Table 3.13). The labour force population, aged 15-64, will similarly rise from 14.7 million in 1996 to 16.9 million by the year 2000.

National Population projections by Age and Sex

Table 3.10

Males	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
0-4	2.151	2,191	2,229	2,266	2,301	2,334	2,362	2,388	2,412	2,433	2,451
5-9	1.955	1,983	2,008	2,031	2,052	2,071	2.108	2,145	2,179	2,213	2,245
10-14	1,701	1.750	1,797	1,845	1.892	1,938	1,965	1.990	2,013	2,034	2,054
15-19	1,236	1,320	1,407	1.497	1,589	1,685	1,732	1.780	1.828	1,874	1,921
20-24	985	1,029	1.075	1,1 21	1,169	1,217	1,301	1.387	1,476	1,567	1,660
25-29	797	829	862	895	928	961	1.004	1,048	1,092	1.137	1.182
30-34	657	679	702	724	747	770	798	826	855	884	913
35-39	545	561	578	595	612	629	647	665	683	700	718
40-44	452	465	479	492	505	518	531	544	557	569	581
45-49	371	383	394	405	417	428	438	448	458	468	478
50-54	299	309	319	329	339	349	358	367	376	385	393
55-59	233	241	250	259	269	278	286	294	303	31 1	319
60-64	172	179	187	195	203	211	219	227	235	242	250
65-69	117	123	130	136	143	150	156	163	170	177	184
70 +	**128**	135	143	151	159	168	176	186	196	206	216
Total	**11,799**	**12,177**	**12,560**	**12,941**	**13,325**	**13,707**	**14,081**	**14.458**	**14,833**	**15,200**	**15,565**
Females	**1990**	**1991**	**1992**	1993	**1994**	1995	1996	1997	1998	1999	**2000**
0-4	2,**111**	2,152	2,192	2,230	2,266	2,301	2,328	2,353	2,370	2,396	2,413
5-9	1,931	1,959	1,983	2.006	2,026	2,044	2,083	2,1 21	2,157	2,191	2,224
10-14	1,697	1,742	1,787	1,832	1,875	1,918	1,944	1,908	1,991	2,011	2,030
15-19	1,241	1,324	1,409	1,497	1,588	1,681	1.726	1770	1,814	1,857	1,899
20-24	999	1.041	1,084	1,128	1.171	1,216	1,296	1.378	1,402	1.548	1,635
25-29	814	844	874	905	936	967	1,004	1,041	1,079	1,117	1,155
30-34	**673**	695	717	739	761	782	807	832	850	880	905
35-39	560	578	595	612	628	645	662	679	696	713	729
40-44	**467**	481	496	509	523	537	550	563	576	589	602
45-49	**387**	399	411	423	435	447	458	470	481	492	502
50-54	314	325	336	347	357	369	379	389	400	410	420
55-59	**248**	**258**	267	277	287	297	307	317	326	336	346
60-64	186	195	204	212	221	230	239	248	257	267	276
65-69	131	138	145	152	160	167	175	183	191	199	27
70 +	**158**	**168**	179	190	201	213	226	239	253	267	281
Total	**11,917**	**12,299**	**12,679**	**13,059**	**13,435**	**13,814**	**14,184**	**14,551**	**14,915**	**15,273**	**15,624**
Grand Total	**23,716**	**24,476**	**25,239**	**26,000**	**26,760**	**27,521**	**28,265**	29,009	**29,748**	**30,473**	**31,189**

FINANCING OF CAPITAL FORMATION, 1991 - 1995

Table 2.7 K£million

	1991	1992	1993	1994*	1995**
GROSS CAPITAL FORMATION:					
Gross Fixed Capital Formation	2,133.58	2189.02	2,825.26	3,780.82	4,977.11
Changes in Stocks	217.55	44.89	112.23	84.17	101.01
TOTAL	2,351.13	2,233.91	2,937.49	3,864.99	5,078.12
FINANCING:					
Grants from Abroad .. .	330.12	314.01	484.62	522.32	233.11
Net borrowing from Abroad***.	289.51	157.28	-287.82	-291.06	1,020.00
Domestic Saving	1,731.50	1,762.62	2,740.69	3,633.73	3,825.01
TOTAL	2,351.13	2,233.91	2,937.49	3,864.99	5,078.12

* Revised.

** Provisional

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

Factor Incomes and National Products

2.30. Table 2.8 shows that the annual rate of growth of total nominal factor incomes amounted to K£ 8,746.6 million in 1995, and increased by 20.0 per cent compared to 29.8 per cent in 1994. Similarly, the rate of increase in public sector wage bill increased by 16.0 per cent in 1995, lower than the 20.7 per cent recorded in 1994. The slow down may be explained by the early retirement scheme for the civil servants, restructuring and privatisation of public sector enterprises. The gross operating surplus rose steadily by 19.6 per cent from K£ 8,451.9 million in 1994 to K£ 10,111.3 million in 1995. These increases in operating surplus, were consistent with upward trends in the growth of output in all sectors of the economy.

Projected Population Totals (thousands) by Sex and Single Calender Year, including AIDS

Table 3.12

Year	Slow Fertility Decline			Medium Fertility Decline			Fast Fertility Decline		
	Total	Males	Females	Total	Males	Females	Total	Males	Females
1991	24,477	12,179	12,298	24,477	12,179	12,298	24,477	12,179	12,298
1992	25,240	12,560	12,680	25,240	12,560	12,680	25,240	12,560	12,680
1993	26,002	12,942	13,060	26,002	12,942	13,060	26,002	12,942	13,060
1994	26,762	13,324	13,439	26,762	13,324	13,439	26,762	13,324	13,439
1995	27,519	13,704	13,814	27,519	13,704	13,814	27,519	13,704	13,814
1996	28,295	14,096	14,199	28,267	14,082	14,185	28,241.	14,068	14,172
1997	29,077	14,491	14,585	29,010	14,458	14,553	28,945	14,425	14,520
1998	29,863	14,890	14,973	29,746	14,831	14,915	29,630	14,772	14,858
1999	30,653	15,291	15,362	30,473	15,200	15,273	30,294	15,110	15,184
2000	31,445	15,694	15,752	31,189	15,565	15,625	30,933	15,436	15,498
2001	32,241	16,100	16,141	31,896	15,926	15,970	31,552	15,753	15,799
2002	33,037	16,508	16,530	32,588	16,281	16,307	32,141	16,056	16,085
2003	33,833	16,915	16,918	33,264	16,628	16,636	32,696	16,342	16,354
2004	34,628	17,323	17,306	33,922	16,967	16,955	33,217	16,612	16,605
2005	35,421	17,729	17,691	34,561	17,296	17,264	33,700	16,863	16,837
2006	36,210	18,135	18,075	35,178	17,615	17,563	34,145	17,095	17,050
2007	36,995	18,539	18,456	35,773	17,924	17,850	34,549	17,307	17,242
2008	37,774	18,940	18,834	36,344	18,220	18,124	34,911	17,498	17,413
2009	38,548	19,339	19,208	36,890	18,504	18,385	35,230	17,668	17,561
2010	39,313	19,735	19,579	37,408	18,775	18,633	35,503	17,816	17,687

Projected Numbers of Children of School age (in Thousands by Sex and Single Calendar Years

Table 3.13

Year	School Age	Slow Fertility Decline			Medium Fertility Decline			Fast Fertility Decline		
		Total	Males	Females	Total	Males	Females	Total	Males	Females
1991	Primary 6-13	5968	2996	2971	5968	2996	2971	5968	2996	2971
	Secondary 14-17	2314	1156	1157	2314	1156	1157	2314	1156	1157
1992	Primary 6-13	6077	3052	3025	6077	3052	3025	6077	3052	3025
	Secondary 14-17	2442	1221	1221	2442	1221	1221	2442	1221	1221
1993	Primary 6-13	6182	3106	3075	6182	3106	3075	6182	3106	3075
	Secondary 14-17	2573	1288	1286	2573	1288	1286	2573	1288	1286
1994	Primary 6-13	6281	3158	3123	6281	3158	3123	6281	3158	3123
	Secondary 14-17	2708	1356	1352	2708	1356	1352	2708	1356	1352
1995	Primary 6-13	6375	3207	3168	6375	3207	3168	6375	3207	3168
	Secondary 14-17	2846	1426	1420	2846	1426	1420	2846	1426	1420
1996	Primary 6-13	6478	3258	3220	6478	3258	3220	6478	3258	3220
	Secondary 14-17	2907	1457	1449	2907	1457	1449	2907	1457	1449
1997	Primary 6-13	6576	3306	3270	6576	3306	3270	6576	3306	3270
	Secondary 14-17	2966	1488	1478	2966	1488	1478	2966	1488	1478
1998	Primary 6-13	6668	3352	3316	6668	3352	3316	6668	3352	3316
	Secondary 14-17	3023	1518	1505	3023	1518	1505	3023	1518	1505
1999	Primary 6-13	6755	3395	3360	6755	3395	3360	6755	3395	3360
	Secondary 14-17	3079	1547	1532	3079	1547	1532	3079	1547	1532
2000	Primary 6-13	6836	3435	3401	6836	3435	3401	6836	3435	3401
	Secondary 14-17	3132	1575	1557	3132	1575	1557	3132	1575	1557
2001	Primary 6-13	6962	3498	3464	6943	3488	3455	6924	3479	3445
	Secondary 14-17	3174	1596	1579	3178	1598	1580	3181	1599	1582
2002	Primary 6-13	7098	3566	3532	7045	3539	3506	6991	3512	3479
	Secondary 14-17	3215	1616	1599	3220	1619	1602	3227	1622	1605
2003	Primary 6-13	7233	3633	3599	7141	3587	3554	7049	3541	3508
	Secondary 14-17	3253	1635	1618	3260	1639	1622	3268	1643	1626
2004	Primary 6-13	7365	3699	3666	7231	3632	3599	7097	3565	3533
	Secondary 14-17	3289	1653	1636	3297	1657	1640	3306	1661	1645
2005	Primary 6-13	7495	3764	3731	7315	3674	3642	7135	3583	3552
	Secondary 14-17	3324	1670	1654	3332	1674	1658	3340	1678	1662
2006	Primary 6-13	7641	3838	3803	7376	3705	3671	7108	3570	3538
	Secondary 14-17	3389	1702	1687	3391	1703	1688	3392	1704	1688
2007	Primary 6-13	7786	3911	3874	7429	3732	3697	7069	3551	3518
	Secondary 14-17	3454	1734	1720	3447	1731	1716	3441	1728	1713
2008	Primary 6-13	7928	3983	3944	7476	3756	3719	7019	3527	3492
	Secondary 14-17	3518	1766	1752	3502	1758	1744	3486	1750	1736
2009	Primary 6-13	8068	4054	4013	7514	3776	3738	6958	3496	3461
	Secondary 14-17	3581	1797	1784	3554	1783	1770	3527	1770	1757
2010	Primary 6-13	8205	4124	4081	7545	3792	3753	6885	3461	3425
	Secondary 14-17	3643	1828	1815	3603	1808	1795	3563	1788	1775

CHAPTER 4 - EMPLOYMENT, EARNINGS AND CONSUMER PRICES

Overview

Total employment, excluding employment in small-scale agriculture and pastoralist activities, rose from 3.4 million persons in 1994 to 3.9 million persons in 1995. The expansion in employment was in the private modern sector as well as the informal sector. The expanding informal sector of the economy created 448,100 additional jobs in 1995. The recovery of employment, in both the modern and the informal sectors, reflects the improved economic conditions that have prevailed since 1994.

Inflationary pressures eased greatly during the year to the extent that the annualized inflation rate attained single-digit levels for the first time in a decade. As estimated by the Nairobi Consumer Price Indices, the rate declined from 46.0 per cent in 1993 to 28.8 per cent in 1994, and further to 1.6 per cent in 1995. The reduction of inflationary pressure, coupled with wage adjustments, led to a significant recovery of real average earnings from a decline of 8.3 per cent in 1994 to an increase of 19.7 per cent in 1995.

Employment

4.2. In 1995, total employment, excluding employment in small-scale agriculture and pastoralist activities, was estimated at 3 9 million persons. The growth in employment is largely attributed to an accelerated recovery of the economy, which helped generate an additional 503,500 jobs in both private enterprises in the modern sector and the expanding informal sector. As shown in Table 4.1, employment in the informal sector stood at 2,240,500 persons, and accounted for 58.1 per cent of the reported total employment in 1995.

PERSONS ENGAGED: RECORDED TOTALS, JUNE, 1992 - 1995

Table 4.1 '000's

	1992	1993	1994	1995*
Modern Establishments - Urban and Rural Areas:				
Wage Employees	1,462.1	1,475.5	1,505.5	1,557.0
Self-employed and unpaid family workers	53.8	56.2	58.3	61.1
Informal Sector**	1,237.5	1,466.5	1,792.4	2,240.5
TOTAL	2,753.4	2,998.2	3,356.2	3,858.6

* Provisional.

* * Revised Series

4.3. ***Modern Sector***: wage employment in the modern sector stood at 1,557,000 persons in 1995, with annual growth accelerating from 2.0 per cent in 1994 to 3.4 per cent in 1995. The increase was mainly in the private sector. The number of self-employed and non-wage employees within the modern sector rose by 4.8 per cent to 61,100 persons in 1995.

4.4. From independence until the end of 1980s, expansion of employment in the modem sector of the economy was largely attributed to the absorption of employees into the public sector. However, there was a turn-around in this trend in the 1990s when employment expanded faster in the private sector than in the public sector. As shown in Table 4.2, the share of private sector employment in the modern sector of the economy rose

from 50.4 per cent in 1991 to 55.7 per cent in 1995. Further , the expansion of employment in the private sector accelerated from 2.7 per cent in 1993 to 3.5 per cent in 1994 and further to 6.1 per cent in 1995. During the same period, employment creation in the public sector stagnated; growing only by 0.3 per cent and 0.2 per cent in 1994 and 1995, respectively.

WAGE EMPLOYMENT BY INDUSTRY AND SECTOR. 1991 - 1995

Table 4.2 '000' s

	1991	1992	1993	1994	1995 *	% change 1995/1994
PRIVATE SECTOR:						
Agriculture and Forestry	200.9	203.0	205.9	213.1	226 8	6.4
Mining and Quarrying	3.6	3.7	3.8	3.9	4.0	2.6
Manufacturing	149.8	151.0	154.3	158.2	165.5	4.6
Electricity and Water	0.5	**1.1**	1.2	1.2	1.3	8.3
Building and Construction	40.7	42.0	42.4	44.2	47.1	6.6
Wholesale and Retail Trade. Restaurants and Hotels	108.8	111.0	114 1	119.7	127.9	6.9
Transport **and Communications**	27.3	33.8	36.4	37.2	38.1	2.4
Finance, Insurance, **Real Estate and Business services**	47.3	51.5	54.8	57.1	59.7	4.6
Community. Social and Personal Services .	147.7	171.3	176.6	182.6	196.6	7.7
TOTAL PRIVATE SECTOR	726.6	768.4	789.5	817.2	867.0	6.1
PUBLIC SECTOR:						
Agriculture and Forestry	71.1	70.9	68.3	67.9	67.2	-1.0
Mining and Quarrying .	0.8	0.7	0 7	0.7	0.7	0.0
Manufacturing	39.1	39.3	39.3	39.3	39.3	0.0
Electricity and Water	21 9	21.3	21.2	21.1	21.6	2.4
Building and Construction	31.7	31.2	30 2	29.3	29.3	0.0
Wholesale and Retail Trade, Restaurants and Hotels	7.9	7.5	6.9	6.9	7.0	1.4
Transport **and Communications**	48 9	43.1	41.2	41.2	41.0	-0.5
Finance, Insurance, Real Estate and Business services	19.0	19.1	17.9	17.9	18 3	2.2
Community. Social and Personal Services	474.7	460.6	460.3	464.0	465.6	0.3
TOTAL PUBLIC SECTOR	715.1	693.7	686.0	688.3	690.0	0.2

Provisional

4.5. In the private sector, wage employment in agricultural activities grew by 6.4 per cent to 226,800 persons in 1995 and absorbed 26.2 per cent of private sector wage employment. This significant growth was largely due to improved weather conditions and an improvement of producer prices for major export crops. Of the other leading sectors of the economy, wage employment in manufacturing activities within the private sector expanded by 4.6 per cent to 165,500 persons. Other changes in employment within the private sector were in the distributive trades and personal services industries; which in the course of 1995 grew by 6.9 per cent to 127,900 persons, and by 7.7 per cent to 196,600 persons, respectively.

4.6. Prior to 1990, public sector hiring increased rapidly, mainly due to the deliberate absorption of university graduates in Government employment and the staffing of parastatals. As a result of the public sector reform programme, employment in the sector has been stagnating since 1991, and stood at 690,000 persons in 1995, with an annual growth of 0.2 per cent. The public sector's share in total wage employment has declined from 49.6 per cent in 1991 to 44.3 per cent in 1995. In the course of the year, most public sector industries recorded a stagnation in employment. However, financial institutions under the public sector recorded a 2.2 per cent rise in employment, mainly due to the opening of more branches of public banks.

4.7. As shown in Table 4.3, employment in the Central Government declined by 3.3 per cent to 250,800 persons in 1995. The declining trend can be attributed largely to the on going Civil Service Early Retirement Scheme, the freeze on new recruitment of low cadre staff, and restrictions on hiring Government casuals and work-paid staff. The number of persons employed by the Teachers' Service Commission rose by 4.4 per cent, from 223,300 persons in 1994 to 233,200 persons in 1995. The noted growth was mostly in the teaching force caused by increasing number of school children.

WAGE EMPLOYMENT IN THE PUBLIC SECTOR, 1991 - 1995

Table 4.3 *'000's*

	1991	1992	1993	1994	1995*	Annual Percentage Change 1995/1994
Central Government	273.7	269.0	267.9	259.3	250.8	-3.3
Teachers Service Commission	219.2	208.6	211.9	223.3	233.2	4.4
Parastatal Bodies**.	117.3	115.3	107.7	106.9	106.7	**-0.2**
Majority Control by the Public Sector * * * ..	52.8	50.0	48.9	48.8	48.5	**-0.6**
Local Government	52.1	50.8	49.6	50.0	50.8	**1.6**
TOTAL	715.1	693.7	**686.0**	688.3	690.0	0.2

***** **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. Employment in the parastatals and other institutions with a majority control by the public sector has been reduced as a result of their restructuring and privatization. These reforms have resulted in the retrenchment of workers, while the privatization process has shifted the affected employees to the private sector. As a result, employment in the parastatals declined by 0.2 per cent to 106,700 persons in 1995. Also employment in other institutions with a majority control by the public sector declined by 0.6 per cent to 48,500 persons after declining by 0.2 per cent in 1994. Employment in the local authorities has been expanding since 1993, mainly due to the creation of new districts.

4.9. The Kenyan labour force is predominantly rural, and the majority are engaged in small-scale or subsistence farming and pastoral activities. However, Table 4.4 which sets out data on modern sector wage employment by province, excludes employment in these typical rural activities. Nairobi Province commanded the highest share in wage employment in the modern sector of 25.7 per cent, and its employment expanded by 1.6 per cent to 400,100 persons in 1995. Rift Valley Province with 338,400 paid employees, absorbed the second largest share of 21.7 per cent of total modern sector employment in 1995. On the other hand, North Eastern Province with the smallest share of only 0.9 per cent of total wage employment, registered a significant growth of 3.6 per cent in wage employment in 1995.

WAGE EMPLOYMENT BY PROVINCE, 1992 - 1995

Table 4.4 '000's

Province	1992	1993	1994	1995*	Percentage Change 1995/1994
Nairobi	375.2	376.1	393.7	400.1	**1.6**
Coast	186.3	187.3	189.6	194.5	**2.6**
North Eastern	13.1	13.4	13.8	14.3	3.6
Eastern	125.5	127.3	129.2	132.4	2.5
Central	206.3	209.5	212.4	219.9	3.5
Rift Valley	312.4	316.6	320.3	338.4	5.7
Nyanza	144.6	146.1	146.7	153.8	4.8
Western	98.7	99.2	99.8	103.6	3.8
TOTAL	1,462.1	1,475.5	1,505.5	1,557.0	3.4

*** Provisional**

4.10. Table 4.5 presents modern sector wage employment in major towns by six dominant industries for 1990 and 1995. Over the last five years, 102,500 modern sector jobs were generated in the urban areas, representing an overall increase of 14.6 per cent. Nairobi city had the highest total wage employment of the six main urban areas of 383,400 persons, representing 47.6 per cent of the total urban work force. Mombasa with 140,300 workers and Kisumu with 34,700 workers followed with corresponding shares of 17.4 per cent and 4.3 per cent. However, compared to other urban centres, employment in Nairobi, Mombasa and Kisumu has expanded much slower within the last five years, reflecting emerging importance of small towns. Of the six main urban-based industrial sectors, community services and manufacturing have commanded the largest share of employment in urban areas.

4.11. Wage employment in the modern sector by industry and gender is set out in Table 4.6. Although female participation in wage employment remained low, its share increased from 25.1 per cent in 1994 to 26.2 per cent in 1995. The number of females in wage employment rose by 8.1 per cent to 407,800 persons in 1995. Educational services, agricultural activities and public administration remained the major source of female employment; with corresponding shares of 26.4 per cent 17.5 per cent and 10.4 per cent of total female employment in 1995. In 1995, participation of females in industries traditionally dominated by males was low. Female employees in building and construction constituted 8.0 per cent of total employees in the industry, while only 14.4 per cent of workers in electricity and Water industry were females. There were 1,200 females employed in the mining and quarrying activities, with a share of 25.5 per cent of total employment in that industry. Of the 1,557,000 wage employees, 1,305,700 were regular employees of which 345,800 were females.

WAGE EMPLOYMENT BY MAJOR TOWNS AND SELECTED INDUSTRIES, 1990 AND 1995

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	
	1990	1995*	1990	1995"	1990	1995*	1990	1995*	1990	1995"	1990	1995*	1990	1995*
Nairobi	68.2	73.7	39.4	38.6	46.3	52.3	28.2	29.9	45.0	40.7	140.0	148.2	367.1	383.4
Mombasa	24.0	29.5	5.6	5.9	16.3	18.9	23.9	**28.8**	10.7	12.2	36.1	45.0	116.6	140.3
Kisumu	5.0	6.5	2.7	2.1	2.7	3.9	1.5	1.7	2.1	2.4	16.1	**18.1**	30.1	34.7
Nakuru	6.2	7.9	2.2	2.4	3.7	5.1	1.2	1.5	**1.8**	2.3	8.7	10.4	23.8	29.6
Thika	10.4	14.2	0.4	0.6	1.7	2.8	0.2	0.4	1.1	1.4	3.9	5.5	17.7	24.9
Eldoret	8.9	15.1	1.7	1.8	2.4	3.7	0.9	0.9	1.6	2.7	3.1	4.1	**18.6**	28.3
Malindi	0.3	0.4	0.5	0.3	1.9	2.5	0.3	0.3	0.4	0.3	**2.2**	2.9	5.6	6.7
Kericho	2.9	3.6	0.9	1.0	0.9	**1.2**	0.2	0.2	0.3	0.4	4.6	5.8	9.8	12.2
Others	18.7	23.8	10.1	16.9	11.8	17.8	4.9	7.2	3.9	4.4	63.7	74.7	113.1	144.8
TOTAL	144.6	174.7	63.5	69.6	87.7	**108.2**	61.3	70.9	66.9	66.8	278.4	314.7	702.4	804.9

* Provisional.

WAGE EMPLOYMENT BY INDUSTRY AND SEX, 1994 AND 1995

Table 4.6 '000's

INDUSTRY	MALES		FEMALES		TOTAL	
	1994	1995*	1994	1995*	1994	1995*
Agriculture and Forestry ..	215.4	222.8	65.5	71.2	280.9	294.0
Mining and Quarrying	3.4	3.5	1.2	1.2	4.6	4.7
Manufacturing	173.5	173.9	24.1	30.9	197.6	204.8
Electricity and Water	19.1	19.6	3.2	3.3	22.3	22.9
Building and Construction	69.7	70.3	3.8	6.1	73.5	76.4
Trade, Restaurants and Hotels	104.3	104.4	22.4	30.5	126.7	134.9
Transport and Communications	66.1	64.9	12.1	14.2	78.2	79.1
Finance, Insurance, Real Estate and Business Services ..	57.6	61.2	17.4	16.8	75.0	78.0
Community, Social and Personal Services-						
Public Administration ..	154.1	134.2	45.9	42.6	200.0	176.8
Education Services	163.7	162.0	99.4	107.6	263.1	269.6
Domestic Services	40.3	51.1	38.7	35.3	79.0	86.4
Other Services	61.0	81.4	43.6	48.0	104.6	129.4
TOTAL	1,128.2	1,149.2	377.3	407.8	1,505.5	1,557.0
Of which: Regular	1,020.9	959.9	311.9	345.8	1,332.8	1,305.7
Casual	107.3	189.3	65.4	62.0	172.7	251.3

* Provisional

Wage Earnings in the Modern Sector

4.12. Due to wage adjustments intended to compensate for previous rises in the cost of living, and significant increases in employment in the private sector, the overall nominal wage bill increased by 25.8 per cent to K£ 5,303.7 million in 1995. As shown in Table 4.7, this expansion was largely in the private sector. Total wage payments in the private sector rose by 31.9 per cent to K£ 3,054.0 million compared to a rise of 18.2 per cent in the public sector. Domestic trade, manufacturing and community services industries gave rise to the greatest share of the private sector wage bill. A significant slowdown in public sector hiring resulted in its wage bill being lower than that of the private sector since 1992; and amounted to K£ 2,249.7 million in 1995.

4.13. Table 4.8 summarizes total wage payments in the public sector by type of employer. Despite a decline in numbers employed, the Central Government wage bill increased by 13.0 per cent from K£ 707.1 million in 1994 to K£ 798.8 million in 1995, due to an upward adjustment of salaries and allowances. The wage bill of the Teachers Service Commission rose by 25.9 per cent to K£ 719.7 million, largely due to increase in wage employment and a significant improvement in average earnings. The wage bill for the Government fully-owned corporations and institutions under Government majority control grew by 15.4 per cent to K£ 384.6 million and by 10.6 per cent to K£ 180.9 million, respectively.

ESTIMATED TOTAL WAGE PAYMENTS BY INDUSTRY AND SECTOR, 1992 - 1995

Table 4.7 K£million

	1992	1993	1994	1995*
PRIVATE SECTOR:				
Agriculture and Forestry	160.0	197.4	255.8	328.6
Mining and Quarrying	5.4	6.5	7.7	9.3
Manufacturing	345.7	403.5	485.5	636.3
Electricity and Water	2.1	2.8	3.8	5.1
Building and Construction	75.8	91.4	114.0	154.0
Wholesale and Retail Trade, Restaurants and Hotels	333.0	396.7	495.1	661.3
Transport and Communications	102.7	143.2	174.6	218.8
Finance, Insurance ,Real Estate and Business Services	239.5	287.3	339.3	430.2
Community, Social and Personal Services	309.3	367.4	439.1	610.4
TOTAL PRIVATE SECTOR	1,573.5	1,896.2	2,314.9	3,054.0
PUBLIC SECTOR:				
Agriculture and Forestry	74.9	78.2	94.5	125.0
Mining and Quarrying	2.0	2.2	2.4	2.7
Manufacturing	75.5	82.5	97.8	129.0
Electricity and Water	67.9	75.9	89.8	107.5
Building and Construction	55.3	57.5	70.7	85.1
Wholesale and Retail Trade, Restaurants and Hotels	21.6	21.7	24.2	30.3
Transport and Communications	136.6	141.0	153.7	190.7
Finance, Insurance ,Real Estate and Business Services	107.1	108.8	120.3	158.5
Community, Social and Personal Services	934.5	1,033.6	1,249.3	1,420.9
TOTAL PUBLIC SECTOR	1,475.4	1,601.4	1,902.6	2,249.7
TOTAL PUBLIC AND PRIVATE ..	3,048.9	3,497.6	4,217.5	5,303.7

* Provisional.

TOTAL WAGE PAYMENTS IN THE PUBLIC SECTOR, 1992 - 1995

Table 4.8 K£millon

	1992	1993	1994	1995*
Central Government	619.8	660.4	707.1	798.8
Teachers Service Commission	356.3	397.6	571.5	719.7
Parastatal Bodies**	281.7	306.5	333.2	384.6
Majority Control by the Public Sector***	128.5	142.7	163.5	180.9
Local Government	89.1	94.2	127.3	165.7
TOTAL	1,475.4	1,601.4	1,902.6	2,249.7

* 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.

4.14. Table 4.9 shows that average nominal wage earnings per employee increased by 21.6 per cent, from K£ 2,801.0 per annum in 1994 to K£ 3,406.4 in 1995. Average earnings in the private sector increased by 24.4 per cent to K£ 3522.8 in 1995, and have been higher than the corresponding earnings for workers in the public sector since 1993

Average earnings within the financial sector have traditionally been 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 have been below the national average over the entire period.

AVERAGE WAGE EARNINGS PER EMPLOYEE, 1992 - 1995

Table 4.9 K£ per annum

	1992	1993	1994	1995*
PRIVATE SECTOR:				
Agriculture and Forestry	788.3	958.5	1,200.8	1,448.8
Mining and Quarrying	1,465.9	1,709.5	1,974.8	2,331.9
Manufacturing	2,289.3	2,616.0	3,065.9	3,845.4
Electricity and Water	2,134.2	2,384.0	2,485.8	4,025.1
Building and Construction	1,805.2	2,154.1	2,580.7	3,268.7
Trade, Restaurants and Hotels	2,997.9	3,476.6	4,135.5	5,169.8
Transport and Communications	3,562.2	3,932.4	4,694.9	5,745.1
Finance, Insurance ,Real Estate and Business Services	4,655.3	5,239.5	5,945.5	7,204.0
Community, Social & Personal Services	1,806.1	2,080.4	2,404.2	3,104.5
TOTAL PRIVATE SECTOR	2,061.6	2,401.6	2,832.1	3,522.8
PUBLIC SECTOR:				
Agriculture and Forestry	1,056.5	1,156.2	1,390.7	1,858.8
Mining and Quarrying	2,773.6	3,028.9	3,311.2	3,809.9
Manufacturing	1,920.9	2,119.7	2,487.7	3,282.1
Electricity and Water	3,192.7	3,664.8	4,269.1	5,000.3
Building and Construction	1,774.0	1,922.7	2,409.5	2,901.2
Trade, Restaurants and Hotels	2,894.4	3,150.7	3,477.8	4,346.0
Transport and Communications	2,839.7	3,056.8	3,754.1	4,654.0
Finance, Insurance .Real Estate and Business Services	5,589.3	6,173.3	6,724.1	8,652.8
Community, Social & Personal Services	2,028.9	2,269.2	2,692.3	3,052.0
TOTAL PUBLIC SECTOR	2,111.7	2,335.2	2,763.9	3,260.3
TOTAL PRIVATE AND PUBLIC SECTOR	2,085.5	2,370.7	2,801.0	3,406.4
MEMORANDUM ITEMS IN PUBLIC SECTOR:				
Central Government	2,287.6	2,465.5	2,726.9	3,184.2
Teachers Service Commission	1,695.8	1,877.8	2,559.4	3,086.7
Parastatal Bodies**	2,426.8	2,844.7	3,116.9	3,601.9
Majority Control by the Public Sector	2,549.6	2,915.2	3,349.4	3,732.8
Local Government	1,741.3	1,903.9	2,545.3	3,263.5
TOTAL PUBLIC SECTOR	2,111.7	2,335.2	2,763.9	3,260.3

***Provisional.**

****Refers** to Government wholly-owned corporations.

4.15. Average earnings in the public sector rose by 18.0 per cent, from K£ 2,763.9 per annum to K£ 3,260.3 per annum. Average earnings for employees of the Teachers Service Commission rose by 20.6 per cent to K£ 3,086.7 per annum, while those for Central Government employees rose by 16.8 cent to K£ 3,184.2 per annum. Average earnings for employees in parastatals rose by 15.6 per cent to K£ 3,601.9 per annum in 1995. During the recent past, average earnings for employees of institutions under Governments majority control have been higher than average earnings for other categories of public employees.

4.16. Table 4.10 presents changes in employment and average earnings. During the last five years, total wage employment in the modern sector has grown by 8.0 per cent, with

PERCENTAGE CHANGES IN WAGE EMPLOYMENT AND AVERAGE EARNINGS, 1995/90 - 1995/94

Table 4.10

	EMPLOYMENT		AVERAGE EARNINGS	
	1995 */1990	1 995 */1994	1995 */1990	1995 */1994
PRIVATE SECTOR:				
Agriculture and Forestry	12.1	• 6.5	135.5	20.6
Mining and Quarrying	16.2	3.2	73.6	18.1
Manufacturing	13.2	4.6	78.6	25.4
Electricity and Water	144.4	44.6	38.9	62.0
Building and Construction .. .	27.9	6.6	93.8	26.7
Trade, Restaurants and Hotels	22.3	6.8	84.4	25.0
Transport and Communications .. .	46.2	2.4	83.6	22.4
Finance, Insurance ,Real Estate and Business Services	26.8	4.6	78.7	21.2
Community, Social & Personal Services ..	38.0	7.6	94.7	29.1
TOTAL PRIVATE SECTOR	22.5	6.1	93.2	24.4
PUBLIC SECTOR:				
Agriculture and Forestry	-0.2	-1.0	63.8	33.7
Mining and Quarrying	-0.8	0.0	28.7	15.1
Manufacturing	-5.4	0.0	61.0	31.9
Electricity and Water	-1.5	2.2	78.7	16.5
Building and Construction	-15.1	0.1	125.0	20.4
Trade, Restaurants and Hotels	-25.5	0.3	57.5	25.0
Transport and Communications	-16.4	-0.1	63.8	24.0
Finance, Insurance ,Real Estate and Business Services	0.9	2.4	61.5	28.7
Community, Social and Personal Services	1.7	0.3	76.3	13.4
TOTAL PUBLIC SECTOR	-1.5	0.2	72.3	18.0
TOTAL PUBLIC AND PRIVATE	8.0	3.4	82.5	21.6
MEMORANDUM ITEMS IN PUBLIC SECTOR:				
Central Government	-8.4	-3.3	56.2	16.8
Teacher's Service Commission	14.5	4.4	84.5	20.6
Parastatal Bodies**	-9.1	-0.2	70.2	15.6
Majority Control by the Public Sector ..	-10.4	-0.6	80.4	11.4
Local government	-2.0	1.5	83.4	28.2
TOTAL PUBLIC SECTOR	-1.5	0.2	72.3	18.0

* Provisional.

** Refers to Government wholly-owned corporations

wage employment in the private sector rising by 22.5 per cent. On the other hand, public sector employment has declined by 1.5 per cent during the same period, reflecting the effects of public sector reforms. Over the past five years, wage employment in central Government and parastatal bodies declined by 8.4 per cent and 9.1 per cent, respectively. Over the same period, total nominal average earnings rose by 82.5 per cent, partly due to increased productivity in the private sector and general indexing of wages to inflation. Average earnings in the private sector rose by 93.2 per cent; while earnings within the public sector expanded by 72.3 per cent within the same period.

4.17. Real average earnings per employee by sector and industry are shown in Table 4.11 and 4.12. The ebbing of inflationary pressures, coupled with upward wage adjustments, led

ESTIMATED REAL AVERAGE WAGE EARNINGS * PER EMPLOYEE, 1992 - 1995

Table 4.11

K£ per annum

	1992	1993	1994	1995**
PRIVATE SECTOR:				
Agriculture and Forestry	317.3	264.3	257.0	305.4
Mining and Quarrying	590.0	471.3	422.7	491.5
Manufacturing	921.4	721.3	656.2	810.5
Electricity and Water	859.0	657.3	532.1	848.4
Building and Construction	726.6	593.9	552.4	688.9
Trade, Restaurants and Hotels	1,206.6	958.6	885.2	1,089.6
Transport and Communications	1,433.8	1,084.2	1,004.9	1,210.9
Finance, insurance .Real				
Estate & Business Services	1,873.7	1,444.6	1,272.6	1,518.4
Community, Social & Personal Services	728.9	•573.6	514.6	654.3
TOTAL PRIVATE SECTOR	829.8	662.2	606.2	742.5
PUBLIC SECTOR:				
Agriculture and Forestry	425.2	318.8	297.7	391.8
Mining and Quarrying	1,164.4	835.1	708.7	803.0
Manufacturing	773.2	584.4	532.5	691.8
Electricity and Water	1,285.1	1,010.5	913.8	1,053.9
Building and Construction	714.0	530.1	515.7	611.5
Trade, Restaurants and Hotels	1,165.0	868.7	744.4	916.0
Transport and Communications	1,143.0	842.8	803.5	980.9
Finance, Insurance ,Real				
Estate & Business Services	2,249.7	1,702.1	1,439.3	1,823.7
Community, Social & Personal				
Services	816.6	625.7	576.3	643.3
TOTAL PUBLIC SECTOR	850.0	643.9	591.6	687.1
TOTAL PRIVATE AND PUBLIC	839.4	653.6	599.5	717.9
MEMORANDUM ITEMS IN PUBLIC SECTOR:				
Central Government	920.8	679.8	611.8	671.1
Teacher's Service Commission	682.6	517.7	482.2	650.5
Parastatal Bodies***	976.8	784.3	738.7	759.2
Majority Control by the Public +				
Sector	1,026.2	803.8	761.9	786.8
Local government	700.9	524.9	493.2	687.8
TOTAL PUBLIC SECTOR	850.0	643.9	591.6	687.1

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.

to an exceptional 19.7 per cent recovery of overall real average earnings in 1995, compared with consecutive declines of 22.1 per cent in 1993, and 8.3 per cent in 1994. Real average earnings in the private sector increased by 22.5 per cent to K£ 742.5 per annum in 1995; while average earnings in the public sector rose by 16.1 per cent to K£ 687.1 per annum.

CHANGES IN WAGE EMPLOYMENT, PRICES AND REAL EARNINGS, 1992 - 95

Table 4.12 Percentage

	1992	1993	1994	1995*
Wage employment	1.4	0.9	2.0	3.4
Average earnings at current prices	13.5	13.7	18.2	21.6
Consumer prices (Inflation rates)** ..	27.3	46.0	28.8	1.6
Real average earnings	-10.9	-22.1	-8.3	19.7

* Provisional.

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

Employment in the Informal Sector

4.18. The proportion of employment in the informal and modern sectors of the economy has drastically changed since 1990, with the former overtaking the latter in employment creation. As shown in Tables 4.1, the expansion of the informal sector has been so spectacular that its. share of employment, excluding employment in small-scale farming activities, rose from 44.9 per cent in 1992 to 58.1 per cent in 1995. Further, its employment has grown by 81.0 per cent during the last four years, from an estimated 1,237,500 persons in 1992 to 2,240,500 persons in 1995. The notable expansion of the informal sector underscores its potential for job creation and income generation. The sector has attracted the unemployed, and also persons employed in the formal sector, because its operation requires little capital and equipment, relies on local resources, and uses simple labour-intensive technology. However, it is possible that its growth merely reflects a shift from open-unemployment to that of underemployment in the informal sector.

4.19. Table 4.13 presents informal sector employment by province. Nairobi Province had 538,432 informal sector employees, and absorbed the highest proportion of 24.0 percent followed by Rift Valley Province with 420,960 employees and a share of 18.8 per cent. On the other extreme, North Eastern Province, with the smallest share of informal sector employment, recorded a steady annual growth of about 32.1 per cent in 1995. Informal sector activities have historically been concentrated in urban areas, which accounted for 65.6 per cent of informal sector employment in 1995.

4.20. Distribution of informal sector employment by industry is presented in Table 4.14. Hotels and distributive trade industries accounted for the majority of informal sector employees, contributing 62.7 per cent of total employment in the sector. Manufacturing industry was the second leading source of employment with 616,854 persons, and a share of 27.5 per cent in 1995. The construction industry had the smallest share of persons engaged in the informal sector. The highest growth rate in informal sector employment was in community services, recording an increase of 27.5 per cent in 1995.

INFORMAL SECTOR, 1992 - 1995

NUMBER OF PERSONS ENGAGED BY PROVINCE

Table 4.13 Number

Province	1992	1993	1994	1995*
Nairobi	298,890	366,332	433,016	538,432
Central	196,886	226,305	281,643	356,669
Nyanza	149,418	177,921	213,642	268,356
Western	84,400	98,254	131,472	156,493
Rift Valley	234,020	279,260	332,256	420,960
Eastern	121,065	138,852	164,340	217,204
Coast	148,342	174,582	229,905	274,291
North Eastern	4,459	5,006	6,101	8,061
TOTAL	1,237,480	1,466,512	1,792,375	2,240,466
Of which				
	817,106	560,801	1,165,043	1,470,255
	420,374	505,711	627,332	770,211

provisional

INFORMAL SECTOR, 1992 - 1995

NUMBER OF PERSONS ENGAGED BY ACTIVITY

Table 4.14 Number

Activity	1992	1993	1994	1995*
Manufacturing	342,653	418,252	492,439	616,854
Construction	17,884	20,591	26,015	31,554
Wholesale and Retail Trade, Hotels and Restaurants	777,263	909,879	1,126,218	1,405,450
Transport and Communications **	18,961	23,642	28,862	35,070
Community, Social and Personal Services	80,719	94,148	118,841	151,538
TOTAL	1,237,480	1,466,512	1,792,375	2,240,466

* Provisional

** Includes mainly support services to transport activity

Wage Awards and Registered Collective Agreements

4.21. The Government has liberalized some aspects of the labour market as part of the ongoing reforms. Although minimum wage legislation has not been repealed, the wage guidelines established in the 1970s were removed in mid 1994. This change allows workers and employers to negotiate wages on the basis of productivity and movements in the cost of living indices. The Government also relaxed redundancy procedures as a follow up to representations by Federation of Kenya Employers.

4.22 On Labour Day of 1995, the Government raised the minimum monthly wages for workers in the private sector who fall under the Wages and General Order by 12 per cent, also raised general minimum wages for workers falling under Agricultural Industrial Wages Order by 8 per cent. The general wage increases were meant to cushion against diminishing purchasing power caused by rising inflation of the early 1990s. As shown in Table 4.15, the overall minimum wage on average rose by Ksh. 118 from Ksh. 1,050 per in 1994 to Ksh. 1,168 per month in 1995.

Basic Gazetted Minimum Monthly Wages for Rural Agricultural Industry

Table 4.15 Kshs.

Type of Employee	1992	1993	1994	1995
UNSKILLED EMPLOYEES				
18 years & above	577	756	869	939
Under 18 years	412	539	620	670
STOCKMAN, HERDSMAN AND WATCHMAN				
18 year & above	477	625	719	1,083
under 18 years	605	872	620	777
SKILLED AND SEMI-SKILLED EMPLOYEES				
House servant or cook	659	863	992	1,071
Farm foreman	1,040	1,363	1,567	1,692
Farm clerk	1,040	1,363	1,567	1,692
section foreman	647	883	1,015	1,096
Farm artisan	690	904	1,040	1,123
Tractor driver	731	958	1,102	1,190
Combined harvester driver	805	1,055	1,213	1,310
Lorry driver or car driver	845	1,107	1,273	1,375
AVERAGE	716	941	1,050	1,168

4.23. Table 4.16 presents gazetted monthly basic wages in urban areas. Average monthly basic wages for workers in Nairobi and Mombasa rose from Kshs. 2,677 in 1994 to Kshs. 2,993 in 1995. For workers in all other municipalities, the minimum wage was raised from Kshs. 2,479 to Kshs. 2,776 during the same period. Workers in all other towns had the minimum wage raised from Kshs. 2,132 in 1994 to Kshs. 2,366 in 1995.

4.24. The number of collective agreements registered with the industrial court rose from 307 in 1994 to 377 in 1995. As shown in Table 4.17, the 377 collective agreements benefited some 58,803 unionsable employees, mostly in the food, beverages and tobacco industry; compared with 109,916 employees who benefited from previous agreements registered in 1994. The agreements registered offered an average basic minimum wage of Kshs. 4,222 per month against Kshs. 3,396 per month offered through registered agreements in 1994. The 1995 agreements also offered an average minimum housing allowance of Kshs. 783 compared with an average housing allowance of Kshs. 705 per month offered through agreements registered in 1994.

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

Table4.16 Kshs.

Occupation	Nairobi Area & Mombasa			Other Municipals plus Mavoko & Ruiru Town Councils			All other towns		
	1993	1994	1995	1993	1994	1995	1993	1994	1995
General Labourer	1,416	1,700	1,904	1,306	1,567	1,755	796	955	1,070
Miner, stone cutter, turnboy, waiter, cook	1,526	1,835	2,055	1,357	1,628	1,823	873	1,048	1,174
Night watchman	1,580	1,896	2,124	1,465	1,758	1,969	902	1,082	1,212
Machine attendant	1,604	1,925	2,156	1,493	1,792	2,007	1,211	1,453	1,627
Machinist	1,832	2,198	2,462	1,714	2,057	2,304	1,402	1,973	1,884
Plywood machine operator	1,911	2,293	2,568	1,764	2,117	2,371	1,459	1,751	1,961
pattern designer	2,182	2,681	2,932	1,994	2,393	2,680	1,700	2,040	2,285
Tailor, driver (medium vehical)	2,404	2,885	3,231	2,210	2,652	2,970	1,969	2,363	2,647
Dyer, Crawler tractor driver, Salesman	2,654	3,185	3,567	2,476	2,971	3,328	2,235	2,682	3,004
Saw doctor, Caretaker (building)	2,937	3,524	3,947	2,742	3,290	3,685	2,555	3,066	3,434
Cashier, Driver (heavey commercial)	3,196	3,835	4,295	3,007	3,608	4,041	2,820	3,384	3,790
Artisan (Upgraded)	1,911	2,293	2,568	1,764	2,117	2,371	1,459	1,751	1,961
Artisan Grade III	2,404	2,885	3,231	2,210	2,652	2,970	1,969	2,363	2,647
Artisan Grade II	2,654	3,185	3,567	2,476	2,971	3,328	2,235	2,682	3,004
Artisan Grade I	3,196	3,835	4,295	3,007	3,608	4,041	2,820	3,384	3,790
AVERAGE	2,227	2,677	2,993	2,066	2,479	2,776	1,760	2,132	2,366

Collective Agreements Registered by the Industrial Court

Table 4.17

Industry	No. of Agreements		No. of Unionisabe Employees		Monthly Basic Wage Offered (Kshs)		Monthly Basic Housing Allowance Offered (Kshs)	
	1994	1995	1994	1995	1994	1995	1994	1995
Agriculture Hunting Forestry & Fishing	28	25	1,773	6,401	3,022	2,738	759	698
Mining & Quarrying	3	3	159	290	2,717	3,203	877	616
Food Beverage & Tobacco	32	53	8,611	14,139	418	3,737	587	664
Textile Waring Apparels & Leather Industry	20	18	6,172	2,213	3,370	3,293	663	683
Wood & Wood Industry	9	3	419	138	2,356	3,042	332	490
Paper & Paper Products Printing & Publishing	4	18	329	780	2,521	3,907	593	883
Chemical Petroleum Rubber & Plastic Product	21	24	1,659	1,316	3,852	4,314	642	544
Glass Ceremic & Cement	3	11	349	1,185	3,659	6,161	608	692
Motor Mechanic & Engineering Products	-	2	-	71	-	5,406	-	700
Electronics & Electrical Products	34	39	2,600	4,513	2,854	3,631	605	660
Other Manufacturing Products	3	2	152	63	3,746	2,454	623	525
Electricity And Water	-	1	-	7,893	-	7,829	-	1,972
Buiding & Construction	5	5	148	3,378	2,266	3,372	544	417
Wholesale & retail Trade, Restaurant & hotels	54	60	7,179	4,735	4,020	3,713	726	776
Transport and Communication	34	36	74,698	7,311	3,313	4,753	941	961
Finance. Insurance, Real Estate & Business Service	25	21	2,751	1,963	5,554	6,568	1,285	1,257
Comminity & Social Services	32	56	2,917	2,414	3,377	3,680	795	765
Total	307	377	109,916	58,803	3,396	4,222	705	783

Consumer Prices

4.25. As shown in Table 4.18, the inflation rate declined more sharply in 1995 to attain a single-digit level for the first time in the recent past. As estimated by movements in the Nairobi Consumer Price Indices, inflation dropped from 28.8 per cent in 1994 to 1.6 per cent in 1995, representing a significant decline of 27.3 percentage points. The decline was pronounced for both the lower and the upper income groups, with their respective rates dropping by 28.22 and 26.78 percentage points.

PERCENTAGE INCREASES IN NAIROBI CONSUMER PRICES *. 1991/90 - 1995/94

Table 4 18

Income Group**	1991/90	1992/91	1993/92	1994/93	1995/94
Nairobi Lower Income Index	19 8	29.5	45.8	29.0	0.8
Nairobi Middle Income Index	18.9	21.1	45.9	27.9	4.0
Nairobi Upper Income Index	19.9	16.3	53.3	30.6	3.9
Weighted Average Increases for 12 Months (Inflation rates)***	19.6	27.3	4.6	28.8	1.6

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

* * The Income Groups are re - defined as :

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

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

4.26. The continued easing of inflationary pressures may be attributed to a number of factors. The main ones are the continued pursuit of tight monetary policy by central monetary authorities through measures to regulate money supply and reduce the budget deficit, and the lowering of VAT from 18 per cent to 15 per cent during the 1995/1996 budget. Other factors include persistent good weather conditions, stabilization of prices following price decontrols, a stable exchange rate of the Kenya Shilling against all major foreign currencies, and proliferation of low-priced imports of consumer goods in response to liberalization of trade.

4.27. The single digit level of inflation is expected to be maintained in 1996 as evidenced by movements in consumer prices during the first quarter of 1996. Even though, the month on month rate of inflation, which was recorded at 6.09 per cent in January 1996, accelerated to 6.55 per cent in March 1996. The slight increases in consumer prices were mainly due to recent upward adjustments in the prices of petroleum products. Also, the dry weather conditions that prevailed in January and February affected prices of vegetables.

4.28. Tables 4.19, 4.20 and 4.21 show a six year series of the revised Nairobi Consumer Price Indices for the lower, middle and upper income groups, respectively. The year 1995 witnessed a modest increase in Consumer Price Indices for all income groups. The lower income group index had the lowest increase of only 3.67 points, rising from 463.47 points to 467.14 points. This slight increase largely reflects the stability of prices of food as the item of major consumption for this group. Table 4.20 shows that the middle income group index rose by 19.23 points from 478.79.points to 498.02 points, while the upper income group index rose by 18.68 points from 485.83 points to 504.51 points. The relatively

higher absolute increase in the middle and upper income indices is owing to significant increases in their rent which constitutes the greatest weight in their expenses.

NAIROBI REVISED LOWER INCOME GROUP CONSUMER PRICE INDEX, 1990-1995

Table 4.19 Base: Feb/March 1986=100

Months	1990	1991	1992	1993	1994	1995*
January	146.99	175.01	203.90	276.24	445.59	456.52
February	147.95	180.50	205.39	302.41	463.17	462.05
March	151.21	183.74	224.17	305.73	473.19	465.28
April	153.22	183.36	226.36	327.72	486.58	462.42
May	154.11	188.61	235.06	338.77	477.63	467.16
June	156.98	189.77	265.74	363.32	469.96	465.85
July	157.13	192.61	261.84	367.00	474.18	465.85
August	158.91	193.40	262.51	381.46	464.91	468.29
September	163.98	197.81	267.00	405.93	457.36	473.88
October	166.83	198.05	262.62	409.28	459.31	472.03
November	172.57	199.41	267.10	414.51	443.56	470.08
December	174.97	200.15	275.13	418.55	446.25	476.25
Annual average	158.74	190.20	246.40	359.24	463.47	467.14

NAIROBI REVISED MIDDLE INCOME GROUP CONSUMER PRICE INDEX, 1990 - 1995

Table 4.20 Base: Feb/March 1986= 100

Months	1990	1991	1992	1993	1994	1995 *
January	166.94	196.45	228.91	280.27	452.67	483.04
February	168.05	198.63	232.64	289.73	455.60	485.79
March	170.49	202.89	250.80	318.34	476.44	487.92
April	172.09	204.58	251.54	335.82	487.90	490.05
May	172.88	208.33	255.47	349.50	494.73	491.83
June	176.32	211.91	259.93	380.05	481.28	499.59
July	176.51	213.09	259.37	397.81	482.44	500.13
August	177.62	213.38	261.87	405.41	486.54	502.68
September	182.68	221.78	266.13	423.08	479.11	505.63
October	186.58	222.16	266.67	430.58	484.30	507.93
November	189.71	222.36	269.60	432.21	487.81	508.5
December	196.01	224.81	276.26	449.03	476.70	513.16
Annual average	177.99	211.70	256.60	374.32	478.79	498.02

*Provisional

4.29. Table 4.22 shows the revised Nairobi Consumer Price Indices for food, rent and all other groups combined for the three income groups. The 1995 food index for the lower income group fell from 447.51 points at the end of the first quarter to 445.76 points at the end of the second quarter, in contrast to an increase from 297.21 to 350.98 for the corresponding period in 1994. The fall coincides with the maize harvest season in the second quarter of 1995 in some parts of the country, which induced a fall in maize flour prices. For the middle income group, there was a reversal of the food index movement, where the index increased gradually from 465.48 points at the end of the first quarter to 479.63 points at the end of the year; compared to gradual fall for the corresponding period in 1994. For index for the upper income group fell from 496.22 points at the end of the first quarter to 478.53 points at the end of the second quarter, before picking lip to 510.11 points at the end of the year.

NAIROBI REVISED UPPER INCOME GROUP CONSUMER PRICE INDEX, 1990 - 1995

Table 4.21 Base: Feb/March 1986=100

Months	1990	1991	1992	1993	1994	1995*
January	163.46	195.14	223.61	265.85	452.29	502.95
February	165.39	196.25	224.33	270.12	459.92	505.50
March	166.16	199.45	233.95	309.89	481.99	496.93
April	167.05	201.08	235.65	330.23	483.37	495.62
May	167.83	207.76	239.53	356.55	504.78	493.44
June	171.57	211.12	244.27	385.09	494.96	496.97
July	171.97	211.27	246.02	393.02	493.05	498.50
August	173.49	211.84	246.36	400.62	489.82	503.25
September	178.83	214.99	250.73	431.86	495.94	509.79
October	183.91	215.72	251.81	434.68	488.25	516.38
November	185.79	217.78	254.54	438.59	492.39	515.54
December	192.85	221.52	262.86	449.17	493.14	519.24
Annual average	174.03	208.66	242.81	372.14	485.83	504.51

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
1994		March	297.21	577.45	380.97	473.19
		June	350.98	573.52	379.75	469.96
		September	403.81	558.14	381.46	457.36
		December	417.51	544.58	402.37	446.25
1995		March	447.51	567.80	407.99	465.28
		June	445.76	568.50	411.35	465.85
		September	454.25	578.30	417.29	473.88
		December	458.59	581.19	416.41	476.25
	MIDDLE INCOME	Weights	0.21	0.30	0.49	1.00
1994-		March	473.58	604.83	397.91	476.44
		June	445.98	610.98	416.08	481.28
		September	452.94	608.22	410.29	479.11
		December	437.18	605.16	414.11	476.70
1995		March	465.48	619.40	416.01	487.92
		June	475.15	634.22	426.59	499.59
		September	477.85	641.88	433.08	505.63
		December	479.63	651.45	441.85	513.16
	UPPER INCOME	Weights	0.14	0.32	0.54	1.00
1994		March	538.18	563.04	418.54	481.99
		June	488.05	578.18	446.54	494.96
		September	486.62	579.33	448.04	495.94
		December	494.59	576.07	442.75	493.15
1995		March	496.22	580.49	446.69	496.93
		June	478.53	580.53	451.33	496.97
		September	498.43	595.35	488.22	509.65
		December	510.11	606.54	497.99	519.24

* Provisional

4.30. Rent index went up for all the income groups in 1995. Housing rental index for the lower income group increased by 13.39 points in 1995, while the same index for middle and upper income groups increased by 32.05 points and 26.05 points, respectively. This compares with marginal increases of rental index recorded in 1994. The 1995 Consumer Price Index for all item groups increased very modestly and gradually from the first quarter to the end of the year for all income groups, resulting in a single digit inflation mentioned above. The lower income group index rose marginally from 465.28 points in the first quarter to 476.25 points in the last quarter; while the middle income group index rose slightly from 487.92 points first quarter to 513.16 points at the end of the year. The upper income group index edged up from 496.93 points during the first quarter to 519.24 points during the last quarter of 1995.

4.31. The low rate of inflation prevailing in Nairobi during 1995 was also experienced in the other three major urban centres as can be deduced from Table 4.23. Inflation rates of 5.13 per cent, 2.63 per cent and 0.96 per cent were recorded for Mombasa, Kisumu and Nakuru respectively, compared with higher inflation rates of 23.12 per cent, 26.20 per cent and 25.35 per cent recorded for 1994, respectively.

CONSUMER PRICE INDICES * * FOR MOMBASA,KISUMU AND NAKURU, 1990 - 1995

Table 4.23 Base: 1976 = 100

YEAR		Mombasa	Kisumu	Nakuru
1990	Annual Average	454.60	429.20	41 1.90
1991	Annual Average	503.60	476.20	461.60
1992	Annual Average	593.20	563.40	627.70
1993	Annual Average	919.95	878.04	976.34
1994	Annual Average	1132.66	1108.05	1223.87
1995*	March	1155.82	1113.47	1215.82
	June	1 174.89	1141.61	1202.76
	September	1 186.46	1 128.55	1245.26
	December	1245.69	1164.91	1278.40
	Annual Average	1 190.72	1137.14	1235.56

* Provisional

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

CHAPTER 5 - MONEY, BANKING AND FINANCE

Overall Trends

The tight monetary policy in force since 1994, which aimed at maintaining low inflation rates necessary to support economic growth, was further continued in 1995. Towards this end, monetary authorities intensified Open Market Operations (OMO) during the second half of 1995, to mop excess liquidity in the economy. In addition, both commercial banks and Non-Bank Financial Institutions (NBFIs) were required by December 1995 to maintain a minimum cash ratio of 18 per cent and to receive 5 per cent interest on cash balances with the Central Bank. Restrictions on commercial banks and NBFIs access to Central Bank credit continued to be maintained. Net foreign assets declined by 46.4 per cent while domestic credit increased by 37.9 per cent. Liquidity ratios of commercial banks and NBFIs stood at 41.0 per cent and 38.0 per cent, respectively.

As a result of these developments, money supply only grew by 18.6 per cent, 3.6 percentage points above the 15.0 per cent targeted growth. A low single digit inflation rate of 1.6 per cent was recorded, hence the realisation of positive real interest rates.

5.2. A summary of monetary indicators is presented in Table 5.1. Net foreign assets of the banking system maintained its downward trend in 1995 and decreased by 46.4 per cent. Net foreign assets almost maintained their 1994 levels in the first quarter before settling at K£ 370 million in December 1995. These developments reflect poor performance of the sector during the period under review.

MONETARY INDICATORS, 1991 - 1995

Table 5.1

As at end of		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			
1991	December	-403.07	2,702.77	1,627.36	4,330.13	3,716.31	22	85
1992	December	-329.14	3,377.34	1,615.54	4,992.88	4,964.59	31	79
1993	December	1,010.03	3,480.13	1,531.26	5,011.39	6,241.42	50	61
1994	December	689.16	4,553.34	2,762.82	7,316.16	8,136.29	53	64
1995	March	684.82	4,813.21	2,711.85	7,525.06	8,109.48	46	68
	June	536.63	5,463.35	2,923.77	8,387.12	8,688.77	47	72
	September	456.11	5,888.99	2,957.49	8,846.48	8,762.37	43	77
	December	369.63	6,699.47	3,390.83	10,090.30	9,648.90	41	79

Source: Central Bank of Kenya.

* Includes parastatal bodies.

* * See Table 5.2 for Coverage.

5.3. Total credit by the banking system to the economy increased by 37.9 per cent in 1995 compared with 46.0 per cent increase in 1994. The share of credit to Government and Private Sector (including other Public bodies) in total credit by the banking system stood at 33.6 per cent and 66.4 per cent in 1995, respectively.

5.4. Borrowing by the Government grew by 22.7 per cent, increasing from K£ 2,763 million in 1994 to K£ 3,391 million in 1995. Credit to Government derived mainly from

the Central Bank in the form of overdraft to pay for redemption of Treasury bills and bonds and government stocks worth K£ 1,245 million. In addition, part of the credit was used to reduce the commercial banks' outstanding loans and to finance the budget deficit. Private sector borrowing increased by 47.1 per cent, from K£ 4,553 million in 1994 to K£ 6,699 million in 1995. Expansion in credit to the private sector reflects increase in economic activities, which in turn lends support to the Government's policy which focuses on the private sector as the engine of growth.

5.5. Money supply (M2) defined as narrow money and quasi-money which increased by 30.4 per cent in 1994, increased by only 18.6 per cent in 1995. The decline in growth was due to tight monetary policy pursued in 1995 in order to check resurgence of inflation experienced earlier in 1993. Total money supply (M2) increased from K£ 8,136 million in 1994 to K£ 9,649 million in 1995. A lower money supply growth rate would have been recorded were it not for the deposits of the NBFIs which converted into commercial banks, and those which merged with their parent banks during the period.

5.6. The average liquidity ratio of commercial banks decreased from 53 per cent in 1994 to 41 per cent in 1995 or 16 percentage points above the 25 per cent minimum requirement. The decrease in the liquidity ratio was due to a fall in liquid assets resulting from reduction in holdings of Treasury bills. The average cash ratio for the commercial banks stood at 19.7 per cent in December 1995. On the other hand, advances/deposits ratio increased from 64 per cent in 1994 to 79 per cent in 1995, reflecting high demand for credit.

MONEY AND QUASI-MONEY SUPPLY, 1991 - 1995

Table 5.2 K£million

As at end of		Money*	Quasi-Money* *	Total
1991	December	1,716.97	1,999.34	3,716.31
1992	December	2,470.16	2,494.43	4,964.59
1993	December	3,028.92	3,212.50	6,241.42
1994	December	3,364.31	4,771.98	8,136.29
1995	December	3,666.02	5,982.88	9,648.90
1995	January	3,212.61	4,687.44	7,900.05
	February	3,330.64	4,616.29	7,946.93
	March	3,411.75	4,697.73	8,109.48
	April	3,373.04	4,916.98	8,290.02
	May	3,350.23	4,962.88	8,313.11
	June	3,529.46	5,159.31	8,688.77
	July	3,511.69	4,907.53	8,419.22
	August	3,530.00	5,013.69	8,543.69
	September	3,686.01	5,076.36	8,762.37
	October	3,570.81	5,082.07	8,652.88
	November	3,718.71	5,533.04	9,251.75
	December	3,666.02	5,982.88	9,648.90

Source: Central Bank of Kenya.

* Currency outside banks plus all demand deposits except those of Central Government and Non-Resident Banks

* * All other deposits except those of Central Government, Non-Resident Banks and Commercial Banks

5 .7. Table 5.2 presents components of money supply. Narrow money (Ml) increased moderately by 9.0 per cent while quasi-money recorded a 25.4 per cent increase in 1995.

The share of narrow money (Ml) in money supply (M2) stood at 38.0 per cent in 1995, compared with 41.3 per cent in 1994. The drop was due to an increase in deposit accounts of the NBFIs which converted into banks or merged with the parent commercial banks. It is expected that, the share of narrow money will continue to decline as more NBFIs convert into commercial banks.

CONSOLIDATED ACCOUNTS OF THE BANKING SYSTEM, 1991 - 1995

Table 5.3 K£Million

	AS AT THE END OF							
					1995			
	1991	1992	1993	1994	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
LIABILITIES-								
1. Money:								
1.1 Demand Deposits	1,078.95	1,609.89	1,961.17	2,123.46	2,167.26	2,234.47	2,361.54	2,221.47
1.2 Currency outside banks	638.02	860.27	1,067.75	1,240.85	1,244.49	1,294.99	1,324.48	1,444.55
Sub-Total	1,716.97	2,470.16	3,028.92	3,364.31	3,411.75	3,529.46	3,686.02	3,666.02
2. Quasi-Money:								
2.1 Call + 7 days Notice Deposits	347.48	570.08	857.58	637.74	696.23	811.92	622.12	797.34
2.2 Savings Deposits	891.19	1,090.70	1,420.27	2,063.03	2,122.24	2,234.74	2,194.73	2,332.86
2.3 Time Deposits	760.67	833.65	934.65	2071.21	1879.27	2112.65	2259.51	2852.69
Sub-Total	1,999.34	2,494.43	3,212.50	4,771.98	4,697.74	5,159.31	5,076.36	5,982.89
3. Other Items (Net)	210.75	-300.86	-220.00	- 130.95	100.4	234.99	540.22	811.03
TOTAL	3,927.06	4,663.73	6,021.42	8,005.34	8,209.89	8,923.76	9,302.60	10,459.94
ASSETS-								
4. Net Foreign Assets	-403.07	-329.14	1010.03	689.17	684.82	536.64	456.12	369.64
5. Domestic Credit								
5.1 Central Govern-ment(Net)	1,627.36	1,615.53	1,531.26	2,762.83	2,711.86	2,923.77	2,957.49	3,390.84
5.2 Private Sector	2,499.16	3,177.43	3,279.56	4,269.42	4,534.14	5,206.49	5,628.63	6,435.39
5.3 Other Public Bodies	203.61	199.91	200.57	283.92	279.07	256.86	260.36	264.07
TOTAL	3,927.06	4,663.73	6,021.42	8,005.34	8,209.89	8,923.76	9,302.60	10,459.94

Source:Central Bank of Kenya.

5.8. Consolidated accounts of the banking system are presented in Table 5.3. The banking system total assets and liabilities registered an annual average growth rate of 31 per cent over the last three years; attributed to increases in both the number of banking institutions and the banking activities they perform. Total assets and liabilities of the banking system increased from K£ 8,005 million in 1994 to K£ 10,460 million in 1995 or by 31 per cent. Growth in narrow money (M1) has remained steady while that of quasi-money has fluctuated over the three years period. The "other items" net which includes items in transit and the timing difference that may exist in the recording of transactions, which recorded a negative K£ 131 million in 1994, stood at K£ 811 million in 1995.

5.9. Table 5.4 presents analysis of changes in money supply and sources of these changes. The net outflow of K£ 320 million was mainly offset by the K£ 2,166 million credit to the private sector by the banking system. Thus, the total domestic credit was the main source of change in money supply.

CHANGES IN MONEY SUPPLY AND SOURCES OF CHANGES, 1991 - 1995

Table 5.4 K£million comparing year -end values

	1991	1992	1993	1994	1995
MONEY SUPPLY					
1 Currency plus demand deposits	+ 242.42	+ 753.19	+ 558.76	+ 335.39	+ 301.71
	+ 399.21	+ 495.09	+ 718.07	+ 1,559.48	+ 1,210.91
3. Total money supply	+ 641.63	+ 1,248.28	+ 1,276.83	+ 1,894.87	+ 1,512.62
SOURCES OF CHANGES-					
4. Net foreign assets	-137.91	+ 73.93	+ 1,339.17	-320.86	-319.53
5. Domestic credit —					
(a) to Central Government(net)	+ 156.28	- 11.83	-84.27	+ 1,231.57	+ 628.01
(b) to other public sector	+ 42.15	-3.70	+ 0.66	+ 83.35	-19.85
(c) to private sector	+ 513.46	+ 678.27	+ 102.13	+ 989.86	+ 2,165.97
(d) all domestic credit	+ 711.89	+ 662.74	18.52	+ 2,304.78	+ 2,774.13
6. Other Items (Net)	-67.65	-511.61	+ 80.86	+ 89.05	+ 941.98
7 Total sources of changes	+ 641.63	+ 1,248.28	+ 1,276.83	+ 1,894.87	+ 1,512.62

5.10. Real values of selected financial aggregates obtained by deflating the nominal values by the weighted Consumer Price Index (CPI) is summarised in Table 5.5. Due to the low inflation rate of 1.6 per cent recorded in 1995, all financial aggregates except total liabilities of NBFIs grew in real terms. In real terms, narrow money (M1) and quasi-money grew by 7.3 per cent and 23.5 per cent, respectively. The highest real growth of 46.1 per cent was in total commercial banks credit to private sector, while total liabilities of the banking system grew by 28.7 per cent in real terms. Total liabilities of NBFIs in real terms declined by 15.3 per cent mainly due to NBFIs which converted into banks.

TRENDS IN THE REAL VALUE OF CERTAIN FINANCIAL AGGREGATES *, 1991 - 1995

Table 5.5 K£million at constant (1986) prices

	1991	1992	1993	1994	1995
1. Money	880.8	994.2	835.2	720.1	772.7
2. Quasi-money	1,024.7	1,004.0	885.9	1,021.4	1,261.0
3. Total liabilities of banking system	2,012.6	1,877.1	1,660.4	1,713.5	2,204.6
4. Commercial bank credit to private sector	1,208.7	1,195.1	864.1	898.7	1,313.4
5. Total commercial bank credit	1,347.3	1,297.5	928.4	968.3	1,313.5
6. Total liabilities of non-bank financial institutions	1,251.8	1,142.7	939.7	831.2	704.0
Memorandum Item:					
7. Line 6 as per cent of line 3	62.2	60.9	56.6	48.5	31.9

* Deflated by average Consumer Price Indices.

Interest Rates

5.11. The principal interest rates are presented in Table 5.6. The downward trend of interest rates which started in 1994, continued through June 1995 but recorded an upward trend from July through to December 1995. On the other hand, inflation continued to decline over the period and finally levelled at 1.6 per cent per annum in December 1995. The unexpected co-existence of low inflation and high interest rates was mainly due to two reasons. First, the intensive OMO by the Central Bank during the second half of 1995,

caused the Treasury bills rate to increase from 16.10 per cent in June 1995 to 20.90 in December 1995.

PRINCIPAL INTEREST RATES. 1993 -1995

Table 5.6 Percentage

	1993	1994	1995	
			June	December
CENTRAL BANK OF KENYA				
Discount Rate for 90 day Treasury Bills	39.34	17.90	16.10	20.90
Advances against Treasury Bills	44.50	20.50	18.75	23.50
Bills and Notes under Crop Finance Scheme:				
Discounts	45.50	21.50	19.75	24.50
Advances	45.50	21.50	19.75	24.50
Other Bills and Notes:				
Discounts	45.50	21.50	19.75	24.50
Advances	45.50	21.50	19.75	24.50
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	18.22 - 37.60	9.15 - 16.54	7.85 - 11.45	10.48 - 18.07
3 6 Months	18.66 - 33.07	11.20 - 15.87	8.46 - 11.05	11.34 - 16.32
6 9 Months	18.17 - 30.29	11.35- 15.79	8.21 - 9.96	10.65 - 14.27
9 _ 12 Months	18.89 - 32.45	11.80- 16.82	8.13 - 10.36	10.12 - 13.47
Over 12 Months	10.62 - 18.04	12.94 - 17.97	11.22 - 13.98	12.69 - 15.66
Savings Deposits	11.29 - 23.46	8.56 - 15.73	6.63 - 11.62	6.89 - 12.09
Loans and Advances(Maximum)*	38.54	30.93	26.60	33.14
Inter-bank Rate	36.79	8.90	9.49	24.60
OTHER FINANCIAL INSTITUTIONS				
Kenya Post Office Savings Bank deposits	10.00	10.00	10.00	10.00
Agricultural Finance Corporations, Loans:				
(a) Land Purchase	20.00	20.00	20.00	20.00
(b) Seasonal Crop Loan	20.00	20.00	20.00	20.00
(c) Other	20.00	20.00	20.00	20.00
HIRE-PURCHASE COMPANIES AND				
MERCHANT BANKS				
Deposits (time)	14.00 - 52.00	8.00 - 17.50	9.00 - 15.50	8.00 - 19.50
Loans	19.00 - 43.00	19.00 - 27.00	free	Free
Building Societies:				
Deposits	15.00 - 19.00	11.50 - 30.00	4.00 - 30.00	4.00 - 30.00
Loans	29.00	29.00	22.00	26.00

Source: Central Bank of Kenya.

* Loans and advances for less than 3 years.

* * For all commercial banks consolidated

This was meant to contain the resurgence of inflation given the liquidity released to the monetary system as a result of net redemption of Government securities in June 1995. Secondly, the recovery of economic activities started picking up during the year and given the low interest rates which prevailed during the first half of 1995, demand for credit increased as reflected by the advances/deposits ratio. Both these created upward pressure on interest rates.

5.12. The discount rate for 90-day Treasury bills dropped from 17.90 per cent in 1994 to 16.10 per cent in June 1995 but finally rose to 20.90 per cent in December 1995. Advances against Treasury Bills increased by 14.60 per cent in December 1995 compared

with a decline of 53.90 per cent in 1994. The discount rate for other Government securities and the direct advances to commercial banks against other Government securities all increased by 14.0 per cent in 1995 having declined by 52.70 per cent in 1994. On the other hand, coupon rates on Treasury bonds have remained at the same level for the last six years.

TRENDS IN SELECTED REAL INTEREST RATES, 1993 - 1995

Table 5.7 Percentage

	Year	Nominal Interest	Inflation Rate*	Real Interest**
1 Discount Rate for Treasury Bills				
	1993	39.3	46.0	-6.7
	1994	17.9	28.8	-10.9
	1995	20.9	1.6	19.3
2 Advances against Treasury Bills				
	1993	44.5	46.0	-1.5
	1994	20.5	28.8	-8.3
	1995	23.5	1.6	21.9
3 Commercial bank savings deposits (ave)				
	1993	17.4	46.0	-28.6
	1994	12.1	28.8	-16.7
	1995	9.5	1.6	7.9
4 Commercial bank loans and advances (max)				
	1993	38.5	46.0	-7.5
	1994	30.9	28.8	2.1
	1995	33.1	1.6	31.5
5 Inter-Bank Rate	1993			
		36.8	46.0	-9.2
	1994	8.9	28.8	-19.9
	1995	24.6	1.6	23.0
6 POSB deposits***				
	1993	10.0	46.0	-36.0
	1994	10.0	28.8	-18.8
	1995	10.0	1.6	8.4
7.Building society loans (max)				
	1993	29.0	46.0	17.0
	1994	29.0	28.8	0.2
	1995	26.0	1.6	24.4

* Taken from Table 4.15.

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

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

5.13. All commercial banks' interest rates, which recorded declines in 1994, increased in 1995 and the interest rate differentials for both savings and time deposits widened. Demand for credit during the year 1995 is reflected in the inter-bank rate which almost tripled. The maximum interest rate on loans and advances (for less than 3 years) increased to 33.14 per cent in 1995 from 30.93 per cent in 1994, an increase of 7.10 per cent. Interest rates differentials for hire purchase companies and merchant banks increased from 9.50 percentage points in 1994 for deposits to 11.50 percentage points in 1995 while interest rates for loans were negotiable. Building societies interest rate differentials for deposits increased from 18.5 percentage points in 1994 to 26.0 percentage points in 1995 while

interest rate on loans declined by 10.30 per cent. On the other hand, interest rates offered by Kenya Post Office Savings Bank and Agricultural Finance Corporation (loans) maintained their 1993 levels.

5.14. The upward pressure on commercial banks' interest rates is expected to ease once the treasury bills rate starts to decline. Secondly, the 5 per cent per annum paid on commercial banks' and NBFIs cash balance with the Central Bank, will reduce cost of funds to the financial institutions, hence reduction in their lending rates. This is due to the fact that these cash balances used not to earn interest.

5.15. Interest rates adjusted for inflation, as measured by the Nairobi Consumer Price Index (CPI), are presented in Table 5.7. The rate of inflation, which had substantially fallen in 1994, further declined in 1995 to 1.6 per cent at the end of the period. As a result, all interest rates were above the inflation rate, hence all interest rates were positive in real terms.

Central Bank of Kenya - Assets and Liabilities

5.16. Assets and liabilities of the Central Bank of Kenya are presented in Table 5.8. The assets and liabilities of the Bank increased by 27.8 per cent in 1995 having contracted by 25.9 per cent in 1994. Over the year, the assets and liabilities of the Bank increased gradually from K£ 4,285 million in March to peak at K£ 5,583 million in December 1995. Under assets, the foreign exchange reserves contracted by 9.3 per cent in 1995, mainly due to 9.9 per cent decline in balances with external banks. Securities issued or guaranteed by Kenya Government, advances and discounts declined by 3.0 per cent while advances to Kenya Government more than doubled in the year. The overall increase in assets was mainly due to increase in advances to Kenya Government and other assets including Kenya treasury bills and bonds which grew by 119.9 per cent and 7.7 per cent respectively.

5.17. On the liabilities side, Capital and General Reserve Fund almost remained at their 1994 level during the first quarter before increasing to K£ 43 million in December 1995 representing 44.9 per cent increase. Currency in circulation expanded by 16.6 per cent, increasing from K£ 1,458 million in 1994 to K£ 1,700 million in 1995. Government deposits were zero for the second consecutive year. There was a 42.3 per cent increase in deposits for Kenya banks, 15.7 per cent increase for external banks while "other deposits almost doubled. In general, total deposits grew by 33.6 per cent. Over the period, other liabilities increased from K£ 509 million in the first quarter, dropped to K£ 506 million in the second quarter to peak at K£ 589 in December 1995, an increase of 31.7 per cent.

CENTRAL BANK OF KENYA - ASSETS AND LIABILITIES, 1991 - 1995

Table 5.8 — K£million

ASSETS	1991	1992	1993	1994	1995			
					1st Qr	2nd Qr	3rd Qr	4th Qr
1. Foreign Exchange								
1.1 Balances with External Bank	185.70	235.02	1,500.32	1,312.75	1,337.60	1,299.55	1,258.05	1,183.00
1.2 Treasury Bills ..	13.16	1.74	92.29	6.45	36.70	4.50	1.10	3.80
1.3 Other Investments	30.28	33.04	48.80	37.50	33.45	42.05	42.05	43.10
1 4 Special Drawing Rights	4.50	8.73	10.32	3.65	1.65	0.50	0.65	3.65
TOTAL	233.64	278.53	1,651.73	1,360.35	1,409.40	1,346.60	1,301.85	1,233.45
2. Securities issued or Guaranteed by Kenya Government, Advances & Discounts	204.82	788.71	1,697.10	503.60	589.85	680.65	488.90	488.30
3. Advances to Kenya Government	945.45	503.70	10.00	1,037.75	892.15	1,174.25	1,716.70	2,282.10
4. Other Assets including Kenya Treasury Bills & Bonds	512.63	922.31	2,534.80	1,467 00	1,393.85	1,447.75	1,413.15	1,579.25
TOTAL ASSETS	1,896.54	2,493.25	5,893.63	4,368.70	4,285.25	4,649.25	4,920.60	5,583.10
LIABILITIES :								
1. Capital and General Resources Fund	79.97	102.88	25.00	29.65	29.70	42.95	42.95	42.95
2. Currency in Circulation-								
2.1 Notes	729.90	981.66	1,216.51	1,432 90	1,372.60	1,424.30	1,452.60	1,667.00
2.2 Coins	19.15	21.24	22.35	25.30	32.65	27.35	29.70	32.75
TOTAL CURRENCY	749.05	1,002.90	1,238.86	1,458.20	1,405.25	1,451.65	1,482.30	1,699.75
3. Deposits-								
3.1 Kenya Government			1,914.46					
3.2 Kenya Banks	151.20	283.74	867.75	1,307.60	1,180.50	1,195.00	1,467.60	1,860.30
3.3 External Banks	666.06	707.51	1,301.61	967.65	998.55	1,221.76	1,172.05	1,119.70
3.4 Other	121.18	278.85	277.95	158 75	162.60	232.30	273.00	271.75
TOTAL	938.44	1,270.10	4,361.77	2.434.00	2,341.65	2,649.05	2,912.65	3,251.75
4. Revaluation Account								
5. Other Liabilities	129.08	117.37	268.00	446.85	508.65	505.60	482.70	588.65
TOTAL LIABILITIES	1,896.54	2,493.25	5,893.63	4,368.70	4,285.25	4,649.25	4,920.60	5,583.10

Source: Central Bank of Kenya.

Commercial Banks - Credit and Liquidity

5.18. Analysis of commercial banks' bills, loans and advances are presented in Table 5.9. Total commercial bank credit expanded by 44.9 per cent increasing from K£ 4,524 million in 1994 to K£ 6,556 million in 1995. Borrowing by the public sector remained at the same level as in 1994, which was in line with the Government policy to channel resources to private sector where they can be utilized efficiently and yield high rates of return.

5.19. Credit to the private sector accounted for virtually all the commercial banks credit extended to the economy. In 1995 credit extended to agriculture, manufacturing and trade increased by 21.8 per cent, 67.4 per cent and 66.6 per cent, respectively. Borrowing by financial institutions more than doubled while credit to other business expanded by 31.3 per cent. The share of credit to agriculture, manufacturing and trade out of the total lending by commercial banks stood at 11.6 per cent; 25.8 per cent and 17.5 per cent, respectively.

COMMERCIAL BANKS - BILLS, LOANS AND ADVANCES *, 1991 - 1995

Table 5.9 K£million

	1991 Dec.	1992 Dec.	1993 Dec.	1994 Dec.	1995 Dec.
PUBLIC SECTOR:					
Central Government	68.61	71.21	39.47	56.43	63.53
Local Government	4.03	7.40	10.97	12.46	15.21
Enterprises, Parastatal bodies and other Public entities	197.91	175.69	181.53	256.00	246.33
TOTAL PUBLIC SECTOR	270.55	254.30	231.97	324.89	325.07
PRIVATE ENTERPRISES:					
Agriculture	340.09	412.19	478.79	594.52	723.91
Mining and Quarrying	23.58	18.15	12.18	50.52	76.49
Manufacturing	563.80	581.03	775.47	960.91	1,608.18
Building and Construction	142.77	212.42	177.89	210.86	304.58
Transport, Storage and Communication	109.12	115.34	136.25	205.67	329.71
Trade	439.26	491.16	461.75	654.03	1,089.89
Financial Institutions	108.55	63.70	94.83	76.89	162.10
Other Business	562.77	982.26	873.90	1,288.67	1,691.51
TOTAL PRIVATE ENTERPRISES	2,289.94	2,876.25	3,011.06	4,042.07	5,986.37
COMMUNITY AND PERSONAL SERVICES (including non-profit making institutions)	68.42	93.04	122.33	156.77	244.82
TOTAL BILLS, LOANS AND ADVANCES	2,628.91	3,223.59	3,365.36	4,523.73	6,556.26

Source: Central Bank of Kenya.

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

5.20. Deposit liabilities and liquid assets of the commercial banks is summarized in Table 5.10. Over the period, the deposit liabilities increased by 16.1 per cent while liquid assets contracted by 9.1 per cent. The decrease in liquid assets was mainly due to the reduction of commercial banks holdings of Treasury bills. Also, although the minimum cash ratio remained unchanged at 18.0 per cent, the deposits of financial institutions with the commercial banks were exempted from the cash ratio requirement, thus narrowing the deposit base of the banks. The liquidity ratio of commercial banks decreased gradually from an average of 47.7 per cent during the first and second quarters to 43.0 per cent in the third quarter and finally to 41.0 per cent during the fourth quarter. The minimum liquidity ratio remained at 25.0 per cent for both commercial banks and NBFIs, while the cash ratio to be observed by both institutions was fixed at 18.0 per cent. The high liquidity ratio reflects the preference by the commercial banks to invest in low risk government securities.

COMMERCIAL BANKS - DEPOSIT LIABILITIES AND LIQUID ASSETS 1992 - 1995

Table 5.10

		Deposit Liabilities K£mn	Liquid Assets*' K£mn	Current Liquidity Ratio* * per cent
1992	December	3,642.21	1,128.25	31
1993	December	4,708.29	2,376.58	50
1994	December	6,813.19	3,606.86	53
1995	December			
1995	January	6,877.83	3,373.78	49
	February	6,691.40	3,212.54	48
	March	6,677.40	3,497.75	46
	April	6,893.56	3,376.41	49
	May	7,086.43	3,317.48	47
	June	7,319.26	3,404.61	47
	July	7,062.90	3,052.50	43
	August	7,168.53	3,060.60	43
	September	7,382.21	3,206.46	43
	October	7,454.16	3,118.34	42
	November	7,592.49	3,127.08	41
	December	7,909.97	3,276.88	41

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.

Non-Bank Financial Institutions

5.21. Assets and liabilities of the NBFIs contracted by 14.0 per cent from K£ 3,883 millions in 1994 to K£ 3,340 million in 1995 as shown in Table 5.11. These developments are reflected in the ratio of total liabilities of NBFIs to total liabilities of the banking system which decreased from 48.5 per cent in 1994 to 31.9 per cent in 1995 as shown in Table 5.5. These developments are as a result of NBFIs converting into banks and merger with parent banks.

5.22. On the liabilities side, Central and Local Government and other public sector deposits increased by 15.8 per cent and 31.6 per cent respectively in 1995. On the other hand "other depositors" declined by 17.7 per cent while other liabilities maintained their 1994 level.

5.23. The assets of NBFIs displayed mixed performance; cash and balances with banks increased by 48.6 per cent while balances with other financial institutions and associated companies contracted by 62.9 per cent in 1995. Public sector borrowing decreased from K£ 1,072 million in 1994 to K£ 365 million in 1995 or 65.9 per cent decrease, while lending to private sector increased by 3.3 per cent.

ASSETS AND LIABILITIES OF NON-BANK FINANCIAL INSTITUTIONS, 1991 - 1995

Table 5.11 K£million

	AS AT END OF							
					1995			
	1991	1992	1993	1994	1st Qr	2nd Qr	3rd Qr *	4th Qr *
LIABILITIES:								
Deposits-								
Central & Local Government	45.93	36.37	36.56	29.33	31.14	30.84	33.31	33.95
Other Public Sector	330.02	370.88	368.70	342.61	260.15	267.21	267.40	234.32
Other Depositors ..	1,460.86	1,675.00	1,924.39	2,481.58	2,580.67	2,412.50	2,444.19	2,041.57
Other Liabilities	605.79	756.89	1,078.03	1,029.90	1,026.92	968.74	1,003.59	1,030.15
TOTAL LIABILITIES	2,442.60	2,839 14	3.407.68	3,883.42	3,898.88	3,679.29	3,748.49	3,339.99
ASSETS:								
Cash and Banks	209.78	275.12	289.05	437.05	447.82	379.87	622.54	649.41
Other Financial Institutions	158.53	171.89	149.85	119.25	146.56	65.24	35.18	32.93
Associated Companies	59.37	50.35	44.10	23.01	27 42	20.09	16.62	19 89
Investments, Bills,								
Loans & Advances:-								
Public Sector	259.17	399.77	949.17	1,071.95	1,035.28	887.37	611.88	365.31
Private Sector	1,598.02	1,767.53	1,803.73	2,015.47	2,066.60	2,139.38	2,253.11	2,081.30
Other Assets	157.73	174.48	171.78	216.69	175.20	187.34	209.16	191.15
TOTAL ASSETS ..	2,442.60	2,839.14	3,407.68	3,883.42	3,898 88	3,679.29	3,748.49	3,339.99

Source: Central Bank of Kenya

* Provisional

Developments in the Financial Sector

Money Market Developments

5.24. In 1995, the number of operational commercial banks increased from 33 to 41, with one commercial bank being placed under the management of Central Bank. On the other hand, the number of operational NBFIs decreased from 48 in 1994 to 39 in 1995. The decrease was due to NBFIs which merged with the parent commercial banks or converted into commercial banks. The number of building societies remained at 4.

5.25. Instruments of Monetary Policy were subjected to alteration in order to give equal opportunity to players in the money market. First, the minimum investment in Treasury bills sold in the open market was lowered from K£ 50,000 to K£ 5,000. Secondly, all financial institutions licensed under the Banking Act were required to meet a cash ratio of 18 per cent by December 1995.

5.26. The Central Bank in 1995, broadened instruments and participants in the money market. Firms listed in the NSE were allowed to issue commercial paper and Treasury bills of five days maturity were introduced.Foreigners were permitted to invest in the local money market and participation in the open market operations window was enlarged to include members of the general public.

5.27. In order to facilitate a reduction in banking institution lending rates, the Central Bank in December 1995 started paying interest at 5 per cent per annum on all cash balances held by commercial banks and NBFIs at the Central Bank. Additional conditions were imposed for overnight lending rates by the Central Bank, while the conditions for re-discount rates remained unchanged.

Foreign Exchange Market Developments

5.28. The number of foreign exchange bureaus registered and which became operational in 1995 were 13. The existence of these bureaus has eased congestions in commercial banks and also due to competition, has increased gain per unit of currency exchanged. Further more, their existence has almost eliminated the foreign exchange black market.

5.29. The Exchange Control Act was finally repealed, there-by completing the liberalisation of the foreign exchange market. Commercial banks were from July, 1995 required to submit to the Central Bank a weekly foreign currency exposure return to minimise foreign currency exposure risk and enhance the stability of the financial system.

Capital Market Developments

5.30. In 1995, the number of listed companies at the Nairobi Stock Exchange (NSE) increased from 54 to 56. During the period, the number of brokerage firms increased from 13 in 1994 to 20 in 1995. To strenghthen the stability of the capital markets, an investment compensation fund was established in July 1995. The fund which is managed by both the Capital Markets Authority (CMA) and NSE aims to protect investors against losses arising from equity trading.

5.31. During the year, the performance of the NSE was lower compared with 1994. At the NSE, the number of shares traded increased from 42 million in 1994 to 62 million in 1995. Value of shares traded increased from K£ 154 million to K£ 167 million. On the other hand, the market capitalization decreased from K£ 6,842 million in 1994 to K£ 5,276 million in 1995, while the number of deals recorded were 54,301. The NSE Index decreased from 4559.4 in 1994 to stand at 3468.9 in 1995. The drop in the market capitalization and NSE index was as a result of reduced share prices.

5.32. In order to attract foreign capital, regulations were revised to enable foreigners to own up to 40 per cent of a local company listed in NSE. The equity participation by a single investor was increased from 2.5 per cent to 5.0 per cent. As a result of these developments, the aggregate portfolio investment by foreign investors at the NSE stood at 3.3 million shares valued at K£ 11 million in 1995.

Insurance Sector Developments

5.33. In 1995, there were 38 insurance companies and 3 re-insurance companies operating. The insurance services were provided by 109 insurance brokers, 216 loss assessors, 4 claims settling agents, 17 loss adjusters, 26 insurance surveyors, 3 risk managers and nearly 2,000 insurance agents.

5.34. In order to maintain stability of the sector, supervision of both insurance companies and those providing insurance services was intensified. One state and one private insurance company had their licenses withheld for failure to comply with the provisions in the Insurance Act.

5.35. The Insurance (Amendment) Act came into force in December 1995, thereby giving insurers freedom of investment of their assets. The Government also started phasing out the mandatory cessions to Kenya Re-insurance company during the year.

CHAPTER 6 - PUBLIC FINANCE

Overview

The main objectives of the Government's fiscal policy in the last couple of fiscal years has been the reduction and eventual total elimination of the budget deficit. To reduce the deficit, measures have been introduced to instil fiscal discipline and efficient use of the available financial resources. Consequently, this has resulted into the Government setting recurrent expenditure ceilings for ministries, devising ways of improving tax collection and reducing domestic borrowing. The data in the following Tables give an indication of how far the Government has gone in achieving some of these set goals and objectives.

Overall Results

Table 6.1. gives the details of the budget out-turn between 1991/92 and 1995/96. Although the 1995/1996 figures are still provisional, there has been a steady increase in expenditure and revenue over the last five years with a substantial rise in both current revenue and current expenditure between 1992/1993 and 1993/1994 of 46 per cent and 52 per cent. Since 1993/1994, there has been a continuous increase in current revenue, resulting in surpluses of K£ 270 million and K£ 441 million in 1994/1995 and 1995/1996 respectively. After a modest decrease from K£ 5,913 million in 1993/94 to K£ 5,850 million in 1994/1995, current expenditure rose by K£ 886 million to K£ 6,736 million in 1995/1996. This is as a result of more money being allocated for goods and services (including operations and maintenance) in the fiscal year 1995/96. Capital expenditure is projected to rise from K£ 726 million in 1994/1995 to K£ 1,167 million in 1995/96. While an overall surplus of K£ 217 million was recorded in 1994/95, the budget out-turn is projected to end with an overall deficit of K£ 200 million in 1995/96 fiscal year. This is attributed to sharp drop in capital revenue, increased capital expenditure and declining inflow of external grants.

6.2. There will be an outflow of K£ 61 million on external loans in 1995/96 compared to K£ 106 million last fiscal year. The yield from net short-term domestic borrowing for deficit financing will be K£ 27 million in 1995/96 compared to K£ 778 million in 1994/95. Net long term domestic borrowing will contribute K£ 6 million as contrasted to a net outflow of K£ 372 million last year. These outcomes are in line with the Government policy of reduced domestic borrowing and increased repayment so that financial resources are freed to the private sector.

6.3. An analysis of key fiscal trends between 1991/92 and 1995/1996 presented in Table 6.2 shows that the ratio of current surplus to current revenue has grown from 4.4 per cent in 1994/95 to 6.1 per cent in 1995/96 while that of capital expenditure plus net lending stagnated at 36 per cent. Ratio of overall deficit to current revenue rose to 3 per cent in 1995/96 after recording a surplus ratio of 2 per cent in 1994/1995.

CENTRAL GOVERNMENT OUT-TURN OF REVENUE AND EXPENDITURE *, 1991/92 - 1995/96

Table 6.1 K£million

	1991/92	1992/93	1993/94	1994/95**	1995/96 +	Percentage Increases 1991/92 to 1995/96
Current Revenue	2,852.04	3,454.71	5,039.37	6,120.53	7,176.50	151.63
Current Expenditure***	2,814.54	3,884.17	5,912.64	5,850.11	6,735.65	139.32
Current Surplus	37.50	-429.46	-873.27	270.42	440.85	1,075.60
Capital Revenue	1.99	21.37	12.31	40.61	15.55	681.41
Capital Expenditure***	453.78	423.71	566.67	725.83	1,166.88	157.15
NetLending***.	24.02	76.28	35.90	29.53	52.17	117.19
External Grants	231.85	440.40	458.15	661.45	562.25	142.51
OVERALL DEFICIT	-206.46	-467.68	-1,005.38	217.12	-200.40	-2.94
FINANCING OF DEFICIT:						
External Loans (Net)	11.50	318.00	-56.75	-106.50	-60.70	-627.83
Total Domestic Borrowing	344.90	751.70	1,212.35	406.80	32.75	-90.50
Long-term(net)	346.45	66.00	-168.80	-371.75	5.70	-98.35
Short-term(net)	-1.55	685.70	1,380.95	778.55	27.05	-1,845.16
CHANGES IN CASH BALANCES:						
Increase = (-)	-149.94	-602.02	-150.20	-517.42	228.35	-252.29
MEMORANDUM ITEMS:						
Public Debt Redemption	1,140.11	1,672.45	2,461.34	1,579.62	1,557.14	36.58
(a) External	360.05	269.56	1,018.70	944.87	1,106.18	207.23
(b) Internal	780.06	1,402.89	1,442.64	634.75	450.96	-42.19

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.

\+ Estimates

6.4. Table 6.3 gives comparisons between budget forecasts and actual out-turns for the financial year 1992/93 to 1995/96. There has been considerable discrepancies between budget and actual out-turns for both recurrent revenue and recurrent expenditure.

ANALYSIS OF KEY FISCAL TRENDS, 1991/92 - 1995/96

Table 6.2

	1991/92	1992/93	1993/94	1994/95*	1995/96 * *
1. Current Surplus/Deficit as % of Current Revenue	1.3	-12,4	17.3	4.4	6.1
2. Current Surplus/Deficit as % of Capital Expenditure plus Net Lending	7.9	84.5	-69.0	35.9	36.2
3. Ratio of Capital Expenditure to Current Expenditure	16.1	10.9	9.6	12.4	17.3
4. Overall Deficit as % of Current Revenue	-7.2	-13.5	-20.0	2.2	-2.8
5. Overall Deficit as % of Total Expenditure	-4.7	-7.7	-39.3	-17.6	-2.1
6. External Grants and Loans as % of Capital Expenditure plus Net Lending	50.9	151.7	12.8	23.0	41.1
7. Net Short-Term Borrowing as % of Capital Expenditure plus Net Lending	-	134.8	150.1	73.8	41.1
8. Current Revenue as % of GDP at Current Market Prices	25.8	27.0	31.4	32.4	31.1
9. Total Government Expenditure as % of GDP at Current Market Prices	40.1	48.2	55.8	48.6	41.4
10. Overall Deficit as % of GDP at Current Market Prices	-1.9	-3.6	-5.6	-3.6	-0.9

* Provisional

* * Estimates

CENTRAL GOVERNMENT

COMPARISON OF BUDGET ESTIMATES WITH ACTUAL OUT-TURNS, 1992/93 - 1995/96

Table 6.3. K£million

	1992/93			1993/94		
	Budget	Actual	Difference	Budget	Actual	Difference
Recurrent Revenue	3,263.46	5,881.31	2,617.85	4,525.04	5,051.68	526.64
Recurrent Expenditure	4,503.78	5,213.32	709.54	6,613.51	7,981.08	1,367.57
Recurrent Balance	-1,240.32	667.99	1,908.31	-2,088.47	-2,929.40	-840.93
Development Expenditure + Net Lending	802.21	927.69	125.48	1,004.90	1,062.54	57.64
External Financing (Net)**	815.33	758.40	-56.93	1,056.00	401.40	-654.60
Balance for Domestic Financing (Net)	1,227.20	7,087.64	5,860.44	2,037.37	-3,590.54	-5,627.90
	1994/95*			1995/96**		
	Budget	Actual	Difference	Budget	Actual	Difference
Recurrent Revenue	7,403 89	6,161.14	-1,242.75	7,192.58	7,192.05	-0.53
Recurrent Expenditure	6,855.49	6,933.87	78.38	7,437.07	7,577.93	140.86
Recurrent Balance	548.40	-772.73	-1,321.13	-244.49	385.88	-141.39
Development Expenditure + Net Lending	2,031.58	1,328.77	702.81	1,961.22	2,023.91	62.69
External Financing (Net)**	1,186.65	554.95	631.70	499.55	501.55	2.00
Balance for Domestic Financing (Net)	296.53	-1,546.55	1,843.08	-1,706.16	1,908.82	202.66

* Provisional.

* * Includes external grants.

* * * Estimates

6.5. Taxes continue to be the main source of Government revenue as shown in Table 6.4. The performance of the exchequer receipts showed an improvement over last fiscal year. Gross receipts grew by K£ 1,031 million from K£ 6,161 million in 1994/95 to K£ 7,192 million in 1995/96.

CENTRAL GOVERNMENT

GROSS RECEIPTS ON RECURRENT ACCOUNT*, 1991/92 - 1995/96

Table 6.4 K£million

	1991/92	1992/93	1993/94	1994/95**	1995/96 +
DIRECT TAXATION:					
Income Tax	851.39	998.52	1,838.36	2,185.74	2,509.87
Other					
	851.39	998.52	1,838.36	2,185.74	2,509.87
INDIRECT TAXATION:					
Sales Tax/VAT on Domestic Manufacture	335.63	406.54	651.24	675.00	738.53
Sales Tax /VAT on imports	592.14	700.60	798.48	548.94	616.94
Import Duties***	255.93	459.15	739.64	929.91	1,178.72
Excise Duties	340.46	418.35	556.27	966.61	1,062.56
Export Duties	0.74	0.22	0.30		
Trading Licences ..	13.57	11.28	11.01	23.63	25.24
Licences and Fees Under Traffic Act	16.31	16.26	19.53	28.31	33.65
Other Taxes, Licences and Duties ..	70.28	59.78	89.38	67.17	83.02
TOTAL	1,625.06	2,072.18	2,865.85	3,239.57	3,738.66
OTHER REVENUE AND INCOME:					
Compulsory Fees, Fines and Penalties	32.96	40.56	76.16	65.19	93.15
Income From Property	186.24	241.86	58.91	155.53	202.63
Current Transfers	10.77	8.74	9.66	28.61	9.42
Sales of Goods and Services	74.37	78.85	101.90	363.65	552.29
Other	7.27	35.37	100.84	122.85	86.03
TOTAL	311.61	405.38	347.47	735.83	943.52
TOTAL	2,788.06	3,476.08	5,051.68	6,161.14	7,192.05
MEMORANDUM ITEM:					
Loan Repayments to Government	12.41	8.08	29.69	51.69	37.73

* 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.

\+ Estimates

This continued improvement is mainly due to the widening of the tax net, enhanced tax collection and recovery of the economy. Almost all sources of revenue earned higher revenue in 1995/96 than last fiscal year with significant improvement on sales tax/VAT on imports, recovering from a decline of 31.3 per cent in 1994/95 to a positive growth rate of 12.4 per cent in 1995/96. It is also evident from the Table that the main sources of Government receipts are income tax, VAT on both domestic manufactures and imports, excise and import duties. These account for 85 per cent of gross receipts for 1995/1996.

6.6. Table 6.5 gives import duties on commodities by end use category. Transport equipment, machinery and fuels were the main source of import duty collection. The yield from the three was 54 per cent of the total import duty collection in 1995 as compared to 53 per cent in 1994. There were considerable improvement on duty collection on transport equipment and machinery. Duty from equipment increased by 69 per cent in 1995 while that from machinery increased by 50 per cent over the same period. These

CENTRAL GOVERNMENT

IMPORT DUTY COLLECTIONS, 1991 - 1995

Table 6.5 K£million

END-USE CATEGORY	1991	1992	1993	1994	1995 *
Food, drinks and tobacco	6.82	5.59	17.88	56.35	70.98
Basic materials	20.17	33.41	69.95	77.91	84.28
	32.19	1.51	102.34	195.13	187.18
Chemicals	62.73	50.83	108.80	115.29	121.18
	5.63	4.97	27.53	29.24	37.16
Semi-manufactures	26.14	20.49	38.02	45.06	72.85
	30.10	29.34	57.05	73.23	114.57
Transport Equipment	41.20	19.08	80.54	151.45	255.46
Machinery	50.19	47.84	113.25	139.48	208.65
Miscellaneous commodities	9.16	9.63	27.49	39.09	49.87
TOTAL	284.33	222.69	642.85	922.23	1,202.18

* Provisional.

increases in import duty from transport equipment and machinery were a result of substantial importation of these items during 1995. Import duty on all the commodities have shown an upward trend since 1993.

6.7. Excise revenue by commodities is presented in Table 6.6. After a substantial growth of 114 per cent in 1992, overall growth in exercise revenue has since dropped to below 15 per cent, resulting from decelerated growth in revenue from beer and spirits. The revenue from beer and spirits increased by 15 per cent while that from cigarettes by 9 per cent. The continued positive growth however, was mainly a result of improved excise revenue collection over the period.

CENTRAL GOVERNMENT

EXCISE REVENUE BY COMMODITIES, 1991 - 1995

Table 6.6 K£'000

	1991	1992	1993	1994	1995 *
Beer and spirits	54,581	194,849	255,923	289,585	332,274
Sugar	17,844	16,150	18,505		21
Cigarettes	91,321	117,651	164,764	193,873	211,033
Othercommodities**	6,385	35,832	36,537	38,250	49,002
TOTAL	170,131	364,482	475,729	521,708	592,330

*Provisional.

* * Includes transfer adjustments not allocated by commodity.

6.8. Additional data on the financing of the capital account (including deficit on current account) are provided in Table 6.7. Overall, the total of capital expenditure and net lending has been rising steadily since 1991/92 growing from K£ 477.80 million to K£ 1,219.05 million in 1995/96. Net lending has been fluctuating with a general decrease between 1992/1993 and 1994/95. In 1995/1996 net lending is expected to grow by K£ 23 million from K£ 30 million in 1994/95 to K£ 52.17 million over the same period, financed by the expected surplus on current account, continued inflow of external grants and marked

positive change in cash balances. Capital expenditure is projected to grow by K£ 441 million to K£ 1,167 million in 1995/96.

Analysis of Government Expenditure

6.9. Despite the limited resources at its disposal the Government has the unenviable crucial role of providing services to its ever growing population. This role has of late been more challenging because of the implementation of the structural adjustment policies which though is anticipated to lead to faster economic growth and its accompanying benefits, has adversely effected some segments of the society.

CENTRAL GOVERNMENT

FINANCING OF CAPITAL EXPENDITURE AND NET LENDING, 1991/92 - 1995/96

Table 6.7 K£million

	1991/92	1992/93	1993/94	1994/95 *	1995/90**
EXPENDITURE:					
Capital Expenditure	453.78	423.71	566.67	725.83	1,100.88
Net Lending	24.02	76.28	35.90	29.53	52.17
TOTAL	477.80	499.99	602.57	755.36	1,219.05
FINANCING:					
Surplus on Current Account ..	37.50	-429.46	-873.27	270 42	440.85
Capital Revenue	1.99	21.37	12.31	40.61	15.55
External Loans (Net)	11.50	318.00	-56.75	-106.50	-60.70
External Grants	231.85	440.40	458.15	661.45	502.25
Long-Term Domestic Borrowing (Net)	346.45	66.05	-168.60	-371.75	5.70
SHORT TERM BORROWING:					
Cereals and Sugar Finance Corporation (Net)	-	-		-	-
Treasury Bills (Net)	21.50	1,217.50	1,522.60	-1,121.45	10.65
Other Short-Term Borrowing (Net) ..	-23.05	-531.85	-141.65	1,900.00	10.40
Change in Cash Balances(decrease = +)	-149.94	-602.02	-150.27	-517.42	228.35
TOTAL.	477.80	499.99	602.57	755.36	1,219.05

* Provisional.

* * Estimates

Details of expenditure on main services are highlighted in Table 6.8. The demand for these services has led to growth of total Government expenditure on main services by K£ 3,383 million between 1992/93 and 1995/96 fiscal years. Over the same period, the share of development expenditure from total Government expenditure on main services increased from 13.8 to 20.6 per cent. General administration, public order and safety, defence, education, health, agriculture and roads are expected to take a bigger share of the total expenditure. Total Government expenditure on main service is expected to grow by 16 per cent from K£ 8,237 million in 1994/95 to K£ 9,550 million in 1995/96. This increase in expenditure is attributed to construction of Eldoret Airport and rehabilitation of Moi airport, construction of district headquarters, settling of pending bills, extra expenses on the Kenya Army and issuance of new national identity cards. On the other side, the Government increased her expenditure on health services, gave grants to Kenya Co-operative Creameries for payment to dairy farmers and allocated more funds for its activities especially in road construction in the current financial year.

CENTRAL GOVERNMENT EXPENDITURE ON MAIN SERVICES, 1992/93-1995/96

Table 6.8 K£million

	1992/93			1993/94			1994/95 *			1995/96 +		
	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	243.13	189.75	432.88	276.55	233.71	510.26	471.07	490.49	961.56	621.77	430.89	1,052.66
External Affairs	**68.26**	5.27	73.53	**118.16**	3.42	121.58	102.46	5.30	107.76	112.37	12.42	124.79
Public Order and Safety	213.96	17.65	231.61	280.56	9.21	289.77	371.09	12.59	383.68	405.69	17.58	423.27
TOTAL	525.35	212.67	738.02	675.27	246.34	921.61	944.62	508.38	1,453.00	1,139.83	460.89	1,600.72
Defence	243.70	26.61	270.31	329.98	12.81	342.79	308.57	6.29	314.86	510.96	28.49	539.45
Education	783.78	71.01	854.79	1,004.32	65.33	1,069.65	1,299.09	88.41	1,387.50	1,523.33	156.87	**1,680.20**
Health	175.30	56.95	232.25	229.33	97.73	327.06	295.26	55.29	350.55	401.30	170.89	572.19
Housing and Community Welfare	4.37	4.76	9.13	9.79	27.99	37.78	12.42	32.94	45.36	**16.81**	103.03	119.84
Social Welfare	51.96	43.23	95.19	52.40	**18.26**	70.66	67.30	44.77	112.07	93.05	79.16	172.21
ECONOMIC SERVICES:												
General Administration	31.29	43.44	74.73	41.04	87.12	**128.16**	53.88	51.81	105.69	67.88	103.00	170.88
Agriculture, Forestry and Fishing	129.80	201.10	330.90	160.62	302.88	463.50	183.55	192.25	375.80	256.42	295.14	551.56
Mining,Manufacturing & Construction	47.00	17.40	64.40	59.73	28 38	**88.11**	74.99	11.39	86.38	69.03	**22.66**	91.69
Electricity, Gas, Steam and Water	33.14	41.34	74.48	44.30	38.83	171.24	53.38	84.81	138.19	48.82	111.32	160.14
Roads	18.05	116.14	134.19	54.75	99.96	154.71	136.61	130.91	267.52	196.03	245.68	441.71
Other Transport & Communications	11.14	15.43	26.57	6.27	0.42	6.69	10.37	94.94	105.31	64.78	191.11	255.89
Other Economic Services * *	137.44	1.33	138.77	38.37	0.59	38.96	46.49	0.65	47.14	32.57	3.50	36.07
TOTAL ECONOMIC SERVICES	407.86	436.18	844.04	405.08	558.18	1,051.37	559.27	566.76	1,126.03	735.53	972.41	1,707.94
OTHER SERVICES; INCLUDING PUBLIC DEBT	3,123.21	0.00	3,123.21	5,274.90	0.00	5,274.90	3,447.34	0.00	3,447.34	3,157.13	0.00	3,157.13
TOTAL* * *	5,315.53	851.41	6,166.94	7,981.07	1,026.64	9,007.72	6,933.87	1,302.84	8,236.71	7,577.94	1,971.74	9,549.68

* Provisional.

* * Includes Export Compensation.

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

\+ Estimates

6.10. Table 6.9 gives details of economic analysis of Government expenditure as from 1991/92 to 1995/96. Consumption expenditure on goods and services is expected to take 61 per cent of the current expenditure compared to 52 per cent last year. Consumption of goods and services other than labour costs increased from K£ 1,253 million in 1994/95 to K£ 2,058 million in 1995/96. Interest payments on both foreign and domestic borrowing has continued to drop from a high peak of K£ 2,738 million in 1993/94 to K£ 1,488 million in 1995/96. This trend is also followed by loan repayments which peaked at K£ 2,461 million in 1993/94 and is forecast to fall to K£ 1,557 million in 1995/96.

Public Debt

6.11. The figures in Table 6.10 give the extent of the liability of the Government to both domestic and foreign lenders. This excludes interests chargeable on the debts. The outstanding debt has been decreasing since 1993 when it stood at K£ 15,949 million to K£ 14,104 million in 1995. This was partly due to the redemption of stocks by the Central. Bank of Kenya and decreased borrowing by the Government using Treasury bonds.

6.12. An illustration of unfunded debt by source from 1991 to 1995 is given in Table 6.11. The figures show fluctuations in volume of debt mainly due to conditionalities set by the donors which affect both the volume and timing of the loans. Japan and France led the bilateral donors each contributing K£ 2,330 million and K£ 979 million in 1995, respectively. Among the leading multilateral lenders were the World Bank institutions of International Development Association(over the entire period) and the International Bank for Reconstruction and Development during 1991-1994. The two provided a total of K£ 5,054 million equivalent to 41 per cent of the total external lending in 1995. The African Development Bank and the African Development Fund lending to Kenya have been significant although with a notable decline after reaching a peak in 1993. Kenya was indebted to ADB to the tune of K£ 610 million in 1993 which decreased to about K£ 445 million in 1995. Corresponding figures for ADF were K£ 255 million and K£ 247 million in 1995.

CENTRAL GOVERNMENT

ECONOMIC ANALYSIS OF EXPENDITURE, 1991/92 - 1995/96

Table 6.9 **K£million**

	1991/92	1992/93	1993/94	1994/95*	1995/96 +
CURRENT EXPENDITURE:					
CONSUMPTION EXPENDITURE ON GOODS AND SERVICES:					
	691.75	800.70	1,064.38	1,164.08	1,323.43
Other Goods and Services	620.35	1,345.84	1,061.13	1,253.16	2,058.42
TOTAL	1,312.10	2,146.54	2,125.51	2,417.24	3,381.85
SUBSIDIES**	78.20		0.09	2.03	0.53
INTEREST:					
Foreign	238.85	203.87	515.53	473.55	}1487.82
Domestic	546.01	1,188.79	2,222.44	1,294.85	}
TRANSFERS TO:					
Households and Unincorporated Enterprises including Private Non-profit Institutions	102.95	75.39	} 97.17	248.03	}
Financial and Non-Financial Enterprises			} 0.15		}
General Government	563.17	164.61	}914.25	1,176.36	}1,865.45
Rest of the World	9.07	9.14	} 27.75	21.96	}
	4.16	88.05	} 9.68-	216.04	}
TOTAL TRANSFERS	679.35	337.19	1,049.00	1,662,39	1,865.45
OTHERS	0.03	7.78	**0.06**	0.05	
1. TOTAL CURRENT EXPENDITURE	2,854.54	3,884.1 7	5,912.64	5,850.11	6,735.65
2. CAPITAL EXPENDITURE:					
Gross Fixed Capital Formation	391.58	384.79	465.30	682.41	1,014.36
Capital Transfers	62.20	38.92	101.37	43.42	152.52
TOTAL	453.78	423.71	566.67	725.83	**1,166.88**
3. NET LENDING;					
Purchase of Equity in Enterprises	3.78	3.45	3.45	1.33	
Loans to Households, Enterprises and General Government Agencies	32.65	80.91	62.14	79.89	89.90
Less Loan Repayments to Government	-12.41	-8.08	-29.69	-51.69	-37.73
TOTAL	24.02	76.28	35.90	29.53	52.17
4. PUBLIC DEBT REDEMPTION	1,140.1 1	1,672.45	2,461.36	1,579.62	1,557.14
5. Total Expenditure (1+2+3+4)	4,432.45	6,056.61	8,976.57	8,185.09	9,511.84
MEMORANDUM ITEM:	78.10	102.20			

***Provisional.**

****Includes Export Compensation.**

+ Estimates

CENTRAL GOVERNMENT

PUBLIC DEBT, 1991 - 1995

Table 6.10 K£ **million**

As at 30th June	Public Debt"								
	Funded			Unfunded			Total		
	External	Internal	Total	External	Internal***	Total	External	Internal	Total
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	13,604.71	1,937.56	15,542.27	13,578.41	2,370.16	15,948.57
1994		1,402.59	1,402.59	10,403.56	2,554.13	12,957.69	10,403.56	3,956.72	14,360.28
1995*		229.39	229.39	12,268.96	803.06	13,072.02	11,981.04	1,032.45	14,104.47

* Provisional

* * Excludes Short-term borrowing.

* * * Includes Treasury bonds.

CENTRAL GOVERNMENT

SOURCES OF UNFUNDED DEBT, 1991 - 1995

Table 6.11 K£million

Outstanding as at 30th June	1991	1992	1993	1994	1995*
EXTERNAL DEBT:					
Lending Countries:					
Germany	30.74	56.96	111.23	240.97	434.31
Japan	702.38	929.61	2,165.40	1,971.14	2,330.41
France	25.97	213.22	661.23	428.02	979.13
U.S.A	126.46	141.79	285.90	-	13.19
Netherlands	133.84	176.16	321.70	279.65	463.04
Denmark	85.68	100.28	185.95	181.72	215.38
Finland	6.74	6.53	9.55	10.04	169.20
Other	877.75	1.445.68	3,341.57	1,280.34	1,512.32
Total	1,989.56	3,070.23	7,082.53	4,391.88	6.116.97
International Organizations:					
I.D.A	1,519.04	2,001.46	4,470.40	4,376.93	4,653.38
I.B.R.D	526.55	523.96	765.26	500.81	400.62
African Development Bank	233.42	279.43	609.92	498.44	444.73
O.P.E.C	20.01	20.32	45.18	33.10	24.48
E.E.C	91.58	118.00	294.21	254.94	287.91
I.M.F					
Arab League	2.75	2.71	5.86	3.36	2.62
Badea	5.87	4.54	40.78	25.59	21.67
I.F.A.D	16.14	26.25	59.96	63.55	69.85
C.D.C	7.21	7.11	7.59		
A.D.F	46.82	58.97	223.02	254.96	246.73
Total	2,469.39	3,042.75	6,522.18	6,011.68	6,151.99
Total External	4,458.95	6,112.98	13,604.71	10,403.56	12,268.96
INTERNAL DEBT:					
Central Bank of Kenya	10.00	10.00	10.00	10.00	10.00
Other	1,056.79	1,749.50	1,927.56	2,544.13	793.07
TOTAL INTERNAL	1,066.79	1,759.50	1,937.56	2,554.13	803.07
TOTAL UNFUNDED DEBT	5,525.74	7,872.48	15,542.27	12,957.69	13,072.02

*** Provisional**

6.13. An analysis of public funded debt at book value by holders is provided in Table 6.12. Generally the book value for each category has either remained constant over the reference period or has been decreasing in volume. Except for Central Bank which acquired some stocks in 1994 and redeemed them before June 1995, the other public bodies have been redeeming what was acquired in the past. Most of these bodies now prefer short-term instruments like the Treasury bills. In 1995, **N**.S.S.F held the highest value of stocks followed by the Central Government, holding 67.8 per cent and 21.6 per cent of total public funded debt, respectively.

ANALYSIS OF PUBLIC FUNDED DEBT AT BOOK VALUE BY HOLDERS
ON LOCAL REGISTER AS AT 30TH JUNE, 1991 - 1995

Table 6.12 K£million

	1991	1992	1993	1994	1995
PUBLIC BODIES:					
National Social Security Fund	245.08	211.57	188.08	188.08	155.58
Central **Government**	69.42	65.36	59.58	60.69	49.51
Local **Government**	0.22	0.22	0.22	0.22	0.18
Kenya Post Office Savings Bank ..	4.37	4.37	2.30	2.30	2.30
Former E.A.Community Institutions*	15.37	14.77	8.70	8.70	3.28
Central Bank	162.76	154.41	154.04	1122.92	0.00
Other Public Sector	1.10	1.10	1.10	1.10	1.10
OTHER INTERNAL:					
Commercial Banks	5.03	5.03	4.99	4.99	4.94
Insurance Companies	8.46	7.47	4.43	4.43	3.48
Other Companies	13.20	9.74	9.08	9.08	8.94
Private Individuals	0.09	0.08	0.08	0.08	0.08
TOTAL	525.10	474.12	432.60	1402.59	229.39

* And their successors

Source: Central Bank of Kenya.

Total public funded debt has maintained a downward trend except for 1994 when there was a sharp rise. This was attributed to the fact that many of those holders of stock have turned to other debt instruments and the suspension by the Central Bank on sale of stocks.

CENTRAL GOVERNMENT
DEBT SERVICING CHARGES', 1991 1995

Table 6.13 K£ million

Year ending	ANNUAL DEBT SERVICING CHARGES			INTEREST AND LOAN REPAYMENT RECEIPTS			NET SERVICING CHARGES		
30th June	External	Internal	Total	External	Internal	Total	External	Internal	Total
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		12.24	12.24	473.43	2,579.44	3,052.87
1994	1.534.23	3.665.08	5,199.31		29.69	29.69	1,534.23	3,626.98	5,161.21
1995	1418.42	1929.6	3346.08		51.69	51.69	1418.42	1875.97	3294.39

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

* * Provisional

6.14 Table 6.13 gives information on annual debt servicing charges. Total debt servicing charges decreased by 36 per cent from K£ 5,161 million in 1994 to K£ 3,294 million in 1995. This was mainly due to reduced domestic borrowing by the Government. There was

also a decline in external debt service charges. This improvement together with an increase in export of goods and services (Table 6.14) led to a decrease in the ratio of external debt service charges as percentage of export of goods and services, from 20.7 per cent in 1994 to 18.6 per cent in 1995. This ratio is a measure of the Government's ability to service its debt.

CENTRAL GOVERNMENT
DEBT SERVICE CHARGES ON EXTERNAL DEBT RELATED TO EXPORT
OF GOODS AND SERVICES 1991 - 1995

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	
1991	614.25	3,022.63	20.32
1992	598.90	3,464.37	17.29
1993	473.43	6,745.00	7.02
1994	1,534.23	7,411.24	20.70
1995*	1,418.42	7,629.82	18.59

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

• Provisional.

Local Authorities

6.15. Provisional data in Table 6.15 indicate that in the financial year 1995/1996 Local Authorities spent less compared to 1994/1995. Municipalities registered 25 per cent decline in expenditure while urban, towns and county councils recorded a significant 85 per cent growth in expenditure. This was essentially due to lower capital expenditure in the municipalities, and an increased number of new county councils resulting from the creation of new districts.

EXPENDITURE ON LOCAL AUTHORITIES, 1991/92 - 1995/96

Table 6.15 K£million

	MUNICIPALITIES			Town, Urban and County Councils	Total
	Nairobi City Council	Other Municipal Councils	Sub-Total		
1991/92	126.77	171.33	298.10	66.15	364.25
1992/93	456.27	99.00	555.27	44.76	600.03
1993/94	185.01	151.95	336.96	49.71	386.67
1994/95*	209.54	327.49	537.03	69.35	606.38
1995/96**	198.59	203.58	402.17	128.45	

* Provisional

** Estimates

6.16. A breakdown of current and capital expenditure on main services by municipal councils is presented in Table 6.16. Total expenditure on main services is projected to fall from K£ 537 million in 1994/95 to K£ 402 million in 1995/96. Expenditure on roads is expected to decrease from K£ 141 million in 1994/95 to K£ 17 million this financial year.

Nairobi, Mombasa, Kapsabet and Kisii municipal council's undertook projects on sewerage, road construction and water supply.

MUNICIPAL COUNCILS: CURRENT AND CAPITAL EXPENDITURE ON MAIN SERVICES, 1991/92 - 1995/96

Table 6.16 K£ million

	1991/92	1992/93	1993/94	1994/95*	1995/96 *
ADMINISTRATION	63.95	47.68	78.41	84.76	94.36
COMMUNITY **SERVICES:**					
Roads	29.65	15.59	15.89	141.04	17.53
Sanitation	21.03	72.91	39.03	59.69	68.84
Other	3.75	**2.62**	3.66	3.74	5.76
Total	54.43	91.12	58.58	204.47	92.13
SOCIAL **SERVICES**					
Education	13.02	10.30	12.56	19.90	18.43
Health	16.86	18.02	17.80	31.68	33.85
Other	1.11	1.90	0.63	3.21	4.40
Total	30.99	30.22	30.99	54.79	56.68
ECONOMIC **SERVICES:**					
General Administration	4.52	6.96	10.79	10.65	18.32
Water Undertaking	44.94	329.67	80.53	106.06	70.20
Housing Estates(including staff housing)	54.21	33.80	13.89	38.78	14.65
Other	45.06	15.82	63.77	37.52	55.86
Total	148.73	386.25	168.98	193.01	159.03
TOTAL **EXPENDITURE**	298.10	555.27	336.96	537.03	402.20

*** Provisional**

6.17. Total labour costs and other goods, presented in Table 6.17, increased by 44.5 per cent and 9.2 per cent respectively. This was mainly due to payment of salary arrears and also increase in both salary and allowances by some major municipalities. Despite this increase in labour costs, total expenditure is set to be lower by 25 per cent in 1995/96, as compared to 1994/1995. This follows from a sharp decline in growth of capital formation.

6.18. Table 6.18 shows an economic analysis of revenue for municipal councils. The leading sources of revenue continue to be rates and sale of goods and services (including service charge). During 1995/96 fiscal year rates and sales of goods and services contributed 20.5 per cent and 40.6 per cent, respectively of the total revenue. The increase in rates came from upward revision of rates by some municipalities. The trend in capital formation over the years corresponds to that of loans raised since projects in municipal councils are mainly financed from borrowing.

MUNICIPAL COUNCILS: ECONOMIC ANALYSIS OF EXPENDITURE, 1991/92 - 1995/96

Table 6.17 K£million

	1991/92	1992/93	1993/94	1994/95*	1995/96**
CURRENT EXPENDITURE:					
Labour Cost	67.59	70.67	72.46	99.57	143.85
Other Goods and Services	42.57	46.70	81.98	82.48	88.38
Transfer to Households & Enterprises	2.25	0.08	2.19	0.14	0.32
Transfer to Funds (Current)	0.59	0.80	1.02	6.53	3.70
Interest			0.44		0.66
Total	113.00	118.25	157.65	188.72	236.25
CAPITAL EXPENDITURE:					
Gross Fixed Capital Formation	177.06	425.91	171.36	327.44	149.08
Loan Repayment***	7.87	11.00	5.73	16.34	14.44
Transfer to Funds (capital)	0.17	0.11	1.77	4.53	1.77
Total	185.10	437.02	178.86	348.31	165.29
TOTAL EXPENDITURE	298.10	555.27	336.51	537.03	401.54

* Provisional.

** Estimates

*** Includes interest

MUNICIPAL COUNCILS: ECONOMIC ANALYSIS OF REVENUE, 1991/92 - 1995/96

Table 6.18 K£million

	1991/92	1992/93	1993/94	1994/95*	1995/96 +
CURRENT REVENUE:					
Direct Taxes (Rates * *)	43.55	51.57	54.95	60.24	70.11
Indirect Taxes (Licences and cesses)	9.82	10.76	8.44	7.47	11.76
Income from Property	9.84	12.92	14.09	23.08	22.14
Current Transfers	0.01	0.01	0.14	0.03	1.93
Sale of Goods and Services***	73.08	89.89	133.97	152.23	138.88
TOTAL	136.30	165.15	21 1.59	243.05	244.82
CAPITAL REVENUE:					
Loans Raised	101.40	361.62	101.78	107.73	96.42
Loan Repayment	0.00	0.53	0.29	0.51	0.56
TOTAL	101.40	362.15	102.07	108.24	96.98
TOTAL REVENUE	237.70	527.30	313.66	351.29	341.80

* Provisional.

** Paid by households and enterprises.

Includes service charge.

\+ Estimates

TOWN, URBAN AND COUNTY COUNCILS:

ECONOMIC ANALYSIS OF EXPENDITURE AND REVENUE. 1991/92 - 1995/96

Table 6.19 K£million

	1991/92	1992/93	1993/94	1994/95*	1995/96 +
CURRENT EXPENDITURE:					
Labour Cost	25.14	25.76	28.17	34.67	52.23
Other Goods and Services	12.25	14.11	15.28	18.54	41.02
Transfer to households & Enterprises	3.16	0.18	0.09	0.93	0.14
Transfer to Funds (Current)	0.15	0.15	2.36	0.15	5.93
Total	40.70	40.20	45.90	54.29	99.32
CAPITAL EXPENDITURE:					
Gross Fixed Capital Formation	24.91	3.64	2.62	12.13	26.99
Loan Repayments**	0.52	0.24	0.38	0.46	0.36
Transfer to Funds (capital)	0.02	0.68	0.80	2.47	1.78
Total	25.45	4.56	3.80	15.06	29.13
TOTAL EXPENDITURE	66.15	44.76	49.70	69.35	128.45
CURRENT REVENUE:					
Direct Taxes (Rates * * *)	1.68	1.68	3.04	5.12	5.52
Indirect Taxes (Licences and cesses)	6.19	7.76	15.99	15.20	18.39
Income from Property	0.34	1.78	13.56	2.22	31.40
Current Transfers	0.05	0.15	0.42	0.18	0.15
Sale of Goods and Services	27.57	25.97	21.88	37.41	36.08
Total	35.83	37.34	54.89	60.13	91.54
CAPITAL REVENUE:					
Loans Raised	11.36	0.31	0.42	3.45	4.82
Loans Repayments	0.01	0.00	0.00	0.01	0.02
Total	11.37	0.31	0.42	3.46	4.84
TOTAL REVENUE	47.20	37.65	55.31	63.59	96.38

* Provisional.

* * Includes Interest.

* * * Paid by households and enterprises.

\+ Estimates

6.19. An analysis of expenditure and revenue for town, urban and county councils is given in Table 6.19. Labour cost and other goods and services remain as the main items of expenditure taking 94 per cent of the total current expenditure. There was a substantial increase in capital formation for this category of local authorities in 1995/96. Indirect taxes, income from property and sale of goods and services provided 86 per cent of revenue.

CHAPTER 7-INTERNATIONAL TRADE AND BALANCE OF PAYMENTS

Overview

Indicators of international trade and the balance of payments show a mixed performance in 1995. The overall balance of payments position deteriorated from the surpluses recorded in the previous two years, to a deficit of K£ 369 million. Substantial rises were registered in commodity exports and imports, causing a widening balance of trade gap.

7.2. The volume of trade grew by 25.8 per cent from K£ 10,036 million in 1994 to K£ 12,625 million in 1995. Direct imports grew faster than exports at 34.8 per cent and 13.7 per cent respectively, in 1995 when compared against 1994 levels. As a result of these performances, the balance of trade deficit increased to K£ 2,891 million.

7.3. The deficit in the overall balance of payments position can be attributed to a poor performance of the current account, which recorded a deficit of K£ 1,020 million in 1995 compared with a surplus of K£ 291 million in 1994. However, the capital account net balance improved from a deficit of K£ 35 million in 1994 to a surplus of K£ 637 million in 1995, as a result of increased Government capital inflows.

Balance of Trade

7.4. There was a slowdown in the rise of value of total exports in 1995, which recorded a growth of 13.7 per cent compared to a 16.4 per cent rise in the previous year. However, direct imports grew by 34.8 per cent in 1995 compared to 13.8 per cent in 1994. This was as a result of imports responding faster to liberalisation and the stability of the Kenya shilling during the year. The substantial growth in imports and the relatively poor performance of total exports exacerbated the balance of trade deficit which rose from K£ 1,472 million in 1994 to K£ 2,891 million in 1995, or by 96.4 per cent. This was the highest balance of trade gap ever recorded as shown in Table 7.1.

7.5. While domestic exports performance was not very impressive in 1995 relative to 1994, re-exports, whose performance has been fluctuating over the years, grew substantially by 89.2 per cent in 1995 when compared to 1994. In support of the manufacturing sector, commercial imports rose by 34.9 per cent in 1995, with imports of industrial supplies and machinery accounting for 60.5 per cent. Government imports which had been fluctuating in the past, rose from K£ 198 million in 1994 to K£ 263 million in 1995, a rise of 32.8 per cent.

BALANCE OF TRADE, 1991 - 1995

Table 7.1 K£million

		1991	1992	1993	1994	1995*
EXPORTS	(f. o. b) :					
	Domestic Exports	1,533.83	1,708.08	3,625.21	4,170.72	4,656.19
	Re-exports	18.29	34.18	53.04	111.41	210.76
	Total	1,552.12	1,742.26	3,678.25	4,282.13	4,866.95
IMPORTS	(c. i.f):					
	Commercial	2,500.91	2,828.85	4,845.06	5,556.16	7,495.49
	Government	145.00	126.01	21 1.36	197.83	262.93
	TOTAL	2,645.91	2,954.86	5,056.42	5,753.99	7,758.42
BALANCE OF TRADE		-1,093.79	-1,212.60	-1,378.17	-1,471.86	-2,891.47

* Provisional

Price Changes

7.6. Table 7.2 presents price indices for exports and imports since 1991. Higher export prices for whisky in 1995 contributed to the rise of index for beverages and tobacco by 83.0 per cent from the 1994 level. Similarly, better prices of precious metals and jewelry resulted in 32.0 per cent rise in the index for miscellaneous manufactured articles while the 20.7 per cent growth in manufactured goods was caused by the rise in cement prices. The index for animal and vegetable oils and fats declined by 26.0 per cent arising from price falls of fatty acids. The fall in prices of pyrethrum products in 1995, effectively slowed down the index for crude inedible materials by 9.1 percentage points. Marginal decline were recorded in the chemical export index.

7.7. The combined effect of the declines noted in crude materials, animals and vegetables oils and fats and chemicals and rises in the rest of the categories resulted *in* an overall 9.8 per cent growth in the index for all exports in 1995. Owing to better prices in the world market for a great number of commodities, the non-oil export index slightly edged the overall export index, by registering a 10.1 per cent rise. The rise in prices of petroleum products stifled demand thereby weakening growth in both the oil index and the overall index.

7.8. The import price index was affected by low world market prices as evidenced by marginal growth in the non-oil import index of 2.6 per cent in 1995. While there was no growth in the index for crude inedible material category, indices for chemicals as well as beverages and tobacco declined by 18.8 per cent and 6.1 per cent, respectively.

PRICE INDICES, 1991 - 1995

Table 7.2 1982 =100

	1991	1992	1993	1994	1995
EXPORTS:					
Food and live animals	218	240	475	534	558
Beverages and tobacco	300	327	737	401	734
Crude materials, inedible	244	260	465	561	510
Mineral fuels	184	207	276	297	310
Animal and vegetable oils and fats	323	325	344	427	316
Chemicals	234	564	516	491	480
Manufactured goods	213	265	458	497	600
Machinery and transport equipment	368	404	436	204	222
Miscellaneous manufactured articles	257	431	527	488	644
All Exports	216	244	438	450	494
Non-oil Exports	227	254	483	486	535
IMPORTS:					
Food and live animals	188	331	551	369	487
Beverages and tobacco	484	456	821	677	636
Crude materials, inedible	262	300	480	472	472
Mineral fuels	163	211	309	257	273
Animals and vegetable oils and fats	243	327	527	571	743
Chemicals	393	444	776	743	603
Manufactured goods	340	371	613	634	669
Machinery and transport equipment	321	341	569	589	629
Miscellaneous manufactured articles	307	318	565	492	641
All imports	265	307	486	445	513
Non-oil Imports	318	359	594	536	550

The rise in the index for animal and vegetable oils and fats was mainly due to high import prices of palm oil. The outcome of this mixed performance in the various categories was a rise of the overall import index by 15.3 per cent in 1995.

Terms of Trade

7.9. Table 7.3 presents data on terms of trade for the last five years. Terms of trade for all items which had shown signs of recovery in 1994 fell in 1995 by 5 percentage points while that for non-oil items rose by 6 percentage points. The data shows that import commodities enjoyed better prices relative to export commodities a situation that has prevailed in the past.

TERMS OF TRADE, 1991 - 1995

Table 7.3 1982 = 100

	1991	1992	1993	1994	1995
All Items	82	79	90	101	96
Non-oil Items	71	71	81	91	97

Volume Changes

7.10. Changes in volume of trade as measured by the quantum indices are summarised in Table 7.4. The quantum index for exports presents a mixed performance both

between categories and when compared to the import index in which the bulk of categories registered growths during 1995. Overall quantum index of exports decelerated in growth from 12.8 per cent in 1994 to 3.6 per cent in 1995. The decline in growth was mainly due to reduction in export volumes of beverages and tobacco, mineral fuels, manufactured goods, and miscellaneous manufactured articles during the year. The growths registered in the remaining five categories were not strong enough to translate into a better performance than the 3.6 rise recorded for all exports in 1995.

7.11. There was a marked reduction of imports of food and live animals, which declined by 72.0 per cent in 1995. This is consistent with the better performance recorded in the domestic agricultural sector. The quantum import index for chemicals which rose by 86.3 per cent stemmed from high imports of plastic products in 1995. Substantial increase in import of tyres was similarly the cause of 69.3 per cent growth in manufactured goods index. High imports of tractors and motor vehicles in 1995 contributed to the 61.3 per cent rise in machinery and transport equipment index, while beverages and tobacco grew by 57.6 per cent arising from added imports of wine. Other mild growths were registered in the remaining categories.

QUANTUM-INDICES, 1991 - 1995

Table 7.4 1982 =100

	1991	1992	1993	1994	1995
EXPORTS:					
Food and live animals	132	134	142	132	151
Beverages and **tobacco**	302	**565**	723	1.823	859
Crude materials, inedible	**120**	125	97	133	178
Mineral fuels	96	80	**89**	67	**59**
Animal and vegetable oils and fats	183	428	**1,088**	3,617	6,694
Chemicals	137	131	165	267	354
Manufactured goods	162	180	290	310	308
Machinery and transport equipment	34	67	**110**	394	**578**
Miscellaneous manufactured articles	233	118	358	1,067	530
All Exports	126	126	148	167	173
Non-oil Exports	135	141	164	196	205
IMPORTS:					
Food and live animals	148	**211**	136	560	157
Beverages and tobacco	**85**	85	121	**118**	186
Crude materials, inedible	**176**	194	179	177	232
Mineral fuels	94	91	123	**110**	**113**
Animals and vegetable oils and fats	154	**176**	138	176	194
Chemicals	113	115	131	124	**231**
Manufactured goods	112	99	114	114	193
Machinery and transport equipment	**95**	92	84	111	179
Miscellaneous manufactured articles	114	**112**	**118**	153	166
All imports	111	107	116	144	168
Non-oil Imports	119	**114**	113	159	**216**

Composition of Exports

7.12. There was a general rise in the value of exports classified by Broad Economic Category (BEC) in 1995, for all categories except transport equipment, fuels and lubricants as presented in Table 7.5. Food and beverages which have been the leading exports in the past, followed by industrial non-food supplies, maintained this pattern in 1995. Food and beverages registered a 10.9 per cent growth due to increase in exports of tea and coffee. Industrial non-food supplies recorded a 13.9 growth in 1995 arising from increased exports of pyrethrum extract and soda ash. Consumer goods not elsewhere specified registered a 21.5 per cent growth mainly from exports of metallic and plastic household goods, mattresses and footwear.

7.13. Table 7.6 presents quantities of principal exports. There was remarkable recovery in the exports of coffee, tea and horticultural products in 1995 from negative growths of 9.8, 7.2 and 37.6 per cent, respectively in 1994 to record increases of 11.1, 24.6, and 38.1 per cent, respectively. There were substantial improvements in exports of sisal which almost tripled and maize which increased from 1,685 metric tonnes to 152,606 metric tonnes. Exports of petroleum products and cement declined by 17.4 per cent and 15.9 per cent respectively resulting from higher export prices while exports of pyrethrum products declined by 46.1 per cent due to inadequate demand.

7.14. While there were notable rises in exports by the various BEC categories, the percentage share remained unchanged. The share of industrial non-food supplies, which has been steadily rising but peaked at 29.36 per cent in 1994, decreased to 26.90 per cent in 1995. Food and beverages, the dominant export category, was slightly above the 50 per cent. The share of fuels and lubricants declined from 17.4 per cent in 1991 to 5.3 per cent in 1995. Share of machinery and other capital equipment and consumer goods not elsewhere specified increased marginally.

TOTAL EXPORTS * VALUE BY BROAD ECONOMIC CATEGORY, 1991 - 1995

Table 7.5 K£million

	1991	1992	1993	1994	1995"
1. FOOD AND BEVERAGES	817.73	929.12	1,986.10	2,147.65	2,381.03
Primary	078.00	758.14	1,608.13	1,032.07	1,775.41
For Industry	228.93	210.51	559.74	656.12	722.03
For Household Consumption	449.13	547.03	1,048.38	975.95	1,053.38
Processed	139.67	170.98	377.97	515.58	605.62
For Industry	9.26	10.14	21.91	79.46	180.34
For Household Consumption	130.41	100.84	356.06	430.12	425.28
2. INDUSTRIAL SUPPLIES (Non-Food)	320.58	371.51	877.08	1,099.54	1,252.58
Primary	121.46	127.99	224.60	248.96	372.33
Processed	199.12	243.52	053.08	850.58	880.25
3. FUEL AND LUBRICANTS	200.09	246.50	353.85	272.54	244.98
Primary	0.01	0.02	0.01	0.02	0.02
Processed	200.08	246.48	353.84	272.52	244.96
Motor Spirit	28.82	34.09	57.04	41.31	72.06
Other	237.20	212.39	290.80	231.21	172.90
4. MACHINERY & OTHER					
CAPITAL EQUIPMENT	10.52	13.76	23 43	37.30	64.47
Machinery & Other Capital Equipment	9.34	12.14	18.74	31.40	34.08
Parts and Accessories	1.18	1.63	4.69	5.90	29.79
5, TRANSPORT EQUIPMENT	4.35	8.06	30.59	47.00	24.88
Passenger Motor Vehicles	0.40	0.08	12.42	19.45	2.12
Other	0.26	1.44	8.34	10.82	8.72
For Industry	0.20	1.39	8.31	10.44	8.11
Non-Industrial	0.06	0.05	0.03	0.38	0.61
Parts and Accessories	3.69	0.54	9.83	16.73	14.04
6. CONSUMER GOODS NOT					
ELSEWHERE SPECIFIED	113.45	139.13	353.56	566.56	688.21
Durable	1.68	2.07	5.04	8.39	9.98
Semi-Durable	28.61	35.76	115.17	199.18	215.68
Non-Durable	83.15	101.31	233.35	358.99	462.55
7. GOODS NOT ELSEWHERE SPECIFIED	1.11			0.13	0.03
TOTAL	1,533 83	1,708.08	3,625.21	4,170.72	4,656.18
PERCENTAGE SHARES:					
1. Food and Beverages	53.31	54.40	54.79	51.49	51.14
2. Industrial Supplies (Non-Food)	20.90	21.75	24.21	29.36	20.90
3. Fuel and Lubricants	17.35	14.43	9.70	6.54	5.20
4. Machinery and other Capital Equipment	0.70	0.81	0.65	0.90	1.38
5. Transport Equipment	0.28	0.47	0.84	1.13	0.53
6. Consumer Goods not elsewhere specified	7.40	8.14	9.75	13.58	14.78
7. Goods not elsewhere specified	0.06				0.00
TOTAL	100.00	100.00	100.00	100.00	100.00

* Excluding Re-exports.

* * Provisional.

QUANTITIES OF PRINCIPAL EXPORTS, 1991 - 1995

Table 7.6

Commodity	unit	1991	1992	1993	1994	1995"
Coffee	Tonnes	84,191	78,147	88,356	79,679	88,519
Tea	"	175,557	166,518	188,435	174,926	217,937
Petroleum Products	Mn. Lt	767	769	723	540	446
Pyrethrum Products	Tonnes	442	241	749	399	215
Meat products		2,153	401	740	911	1,068
Sisal		27,743	32,026	27,000	25,354	71,207
Hides and Skins		274	410	748	2,704	2,218
Soda Ash		197,427	163,521	215,024	178,312	205,676
Fluorspar		55,679	66,538	71,040	62,202	64,434
Cement		304,917	392,144	522,125	595,777	501,014
Maize(raw)		18,720	417	111	1,685	154,291
Horticulture**		169,292	154,112	265,305	165,481	228,576
Butter and ghee		49	75	100	70	175
Cotton(raw)			..	..	..	962
Wool		2	983	399	301	347
Animal feeds		34,692	14,219	13,361	12,269	11,008

* Provisional.

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

Exports Prices

7.15. Prices paid for Kenyan products are presented in Table 7.7. The major export earners, namely coffee, tea and horticultural products registered price declines while petroleum products, recorded a marginal price rise of 4.6 per cent and raw maize prices went up by 16.4 per cent in 1995. Of the three mineral products exported from Kenya, cement and fluorspar recorded increases of 17.8 per cent and 6.3 per cent respectively, while soda ash registered a fall of 8.0 per cent. Prices of meat and meat products declined by 29.0 per cent while prices of butter and ghee more than doubled.

7.16. The value of selected exports in 1994 and 1995 together with changes in value, quantities and prices during 1995 are presented in Table 7.8. All agricultural exports experienced price falls, except hides and skins, wool and butter and ghee. The price declines in the major agricultural export categories were compensated by increases in quantities of exports of sisal, horticultural products, coffee and tea. The price increase in petroleum products and cement reduced demand for those products and as a result the value of export earnings dropped by 13.6 per cent and 1.0 per cent, respectively.

EXPORT PRICES, 1991 - 1995

Table 7.7 KSh./Unit

Commodity	Unit of Quantity	1991	1992	1993	1994	1995 *
Coffee, unroasted	Kg.	51.94	52.81	124.93	164.01	163.21
Tea	Kg.	43.48	57.04	99.10	96.51	82.54
Petroleum Products	1,000 Lt.	6,644.80	6,130.00	9,291.15	9,391.63	9,819.66
Maize(raw)	100Kg.	513.23	3,631.22	5,501.11	1,007.83	1,173.58
Meat and meat products	Kg.	39.67	104.70	151.20	117.17	83.17
Pyrethrum Extract	Kg.	2,214.15	3,035.78	5,368.33	6,409.33	5,070.68
Sisal	100Kg.	1,273.51	1,089.04	2,657.00	2,612.62	826.16
Hides and Skins(undressed)	Kg.	46.22	46.07	160.78	105.00	131.22
Wattle extract	Kg.	21.77	24.63	47.67	39.51	35.44
Soda Ash	100Kg.	313.72	333.35	571.38	544.95	501.17
Fluorspar	100Kg.	251.01	212.11	360.63	376.93	400.86
Cement	100Kg.	106.65	124.60	249.10	274.12	322.82
Horticulture	Kg.	21.84	27.15	29.42	50.14	46.49
Wool	Kg.	93.84	29.06	27.64	66.44	78.46
Animal feeds	100Kg.	193.05	282.86	404.30	535.16	391.76
Cotton(raw)	Kg.	25.41	60.00	94.34	-	79.89
Butter and ghee	Kg.	32.33	49.55	59.55	53.82	130.89
Wattle bark	100Kg.	403.67			3,620.57	7,108.44

* Provisional.

Composition of Imports

7.17. Imports classified by BEC are presented in Table 7.9 while Table 7.10 presents imports of selected commodities. Substantial growth in imports of industrial machinery and iron and steel of 60.5 per cent and 65.2 per cent respectively, were recorded in 1995. Imports of motor vehicles and chassis grew by 96.1 per cent in 1995. This pattern of investment in capital equipment is a pointer to increased industrialisation process. Imports of wheat and rice however declined by 7.1 per cent and 67.5 per cent respectively during the review period. Fertilizer imports declined by 29.3 per cent while imports of agricultural machinery and tractors rose by 80.2 per cent. All other selected products registered growth in imports in 1995 except for crude petroleum whose imports declined by 19.5 per cent, because of the shift to imports of refined products. The value of imports of refined petroleum products which had declined by 30.8 per cent in 1994 more than doubled.

EXPORT CHANGE IN VALUE, QUANTITY AND PRICE *, 1994- 1995

Table 7.8

Commodity	VALUEK£'000			PERCENTAGE CHANGE IN		
	1994	1995**	Changes	Value	Quantity	Price
Coffee, unroasted	652,896.9	722,132.4	69,235.5	10.60	11.15	-0.49
Tea	844,068.8	899,472.9	55,404.1	6.56	24.59	-14.48
Petroleum products	253,431.6	219,060.8	-34,370.8	-13.56	-17.41	4.56
Meat and meat products	5,335.0	4,442.7	-892.3	-16.73	17.23	-29.02
Pyrethrum extract	78,330.0	66,369.4	-11,960.6	-15.27	7.10	-20.89
Sisal	33,120.1	29,413.8	-3,706.3	-11.19	180.85	-68.36
Hides and skins (undressed)	14,193.8	14,554.6	360.8	2.54	-17.97	24.97
Wattle extract	14,698.3	10,762.3	-3,936.0	-26.78	-18.37	-10.30
Soda ash	48,585.8	51,539.8	2,954.0	6.08	15.35	-8.03
Fluorspar	11,706.0	12,914.4	1,208.4	10.32	3.59	6.50
Cement	81,656.2	80,869.6	-786.6	-0.96	-15.91	17.77
Horticulture	414,853.6	531,293.6	1 16,440.0	28.07	23.23	-7.28
Animal feeds	3,283.0	2,156.3	-1,126.7	-34.32	- -10.28	-26.79
Cotton (raw)		3,842.3	3,842.3	0.00	0.00	0.00
Wood carvings	10,706.0	10,923.6	217.6	2.03	-12.53	16.65
Metal scrap	7,212.4	8,393.9	1,181.5	16.38	7.59	-1.02
All other Commodities	1,696,646.3	1,988,041.7	291,395.4	17.17		-
TOTAL	4,170,723.8	4,656,184.1				

* Excluding Re-exports

* * Provisional

7.18. Imports of food and beverages went down by 39.2 per cent in 1995 when compared to 1994, mainly due to reduced imports of refined and semi-refined animal and vegetable oils and fats. Primary imports for household consumption went up from K£ 8.7 million to K£ 17.0 million. Processed products for household consumption fell by K£ 42.1 million to K£ 85.2 million in 1995 mainly from reduced imports of milk and cream.

TOTAL IMPORTS BY BROAD ECONOMIC CATEGORY, 1990 - 1994

Table 7.9 K£million

	1991	1992	1993	1994	1995*
FOOD AND BEVERAGES	119.76	225.07	315.61	577.83	351.13
Primary	54.38	49.42	169.81	146.89	152.00
For Industry	53.44	47.13	163.75	138.21	134.95
For Household Consumption	0.94	2.29	6.06	8.68	17.05
Processed	65.39	175.65	145.80	430.94	199.13
For Industry	24.51	107.44	84.81	303.60	113.89
For Household Consumption	40.87	68.21	60.99	127.34	85.24
2. INDUSTRIAL SUPPLIES (Non-Food)	994.98	1,109.97	1,922.24	2,265.32	3,042.52
Primary	43.85	173.71	99.96	382.27	112.71
Processed	951.13	936.26	1,822.28	1,883.05	2,929.81
3 FUEL AND LUBRICANTS	494.66	627.59	1,254.44	929.14	1.006.78
Primary	449.25	563.64	966.69	729.07	590.33
Processed	45.41	63.95	287.75	200.07	416.45
Motor Spirit	9.09	12.28	75.95	31.92	75.43
Other	36.31	51.67	211.80	168.15	341.02
4. MACHINERY AND OTHER CAPITAL EQUIPMENT	608.65	599.65	739.42	883.43	1,493.80
Machinery and Other Capital Equipment	460.77	453.15	533.38	622.81	1,079.01
Parts and Accessories	147.86	146.50	206.04	260.62	414.79
5. TRANSPORT EQUIPMENT	293.03	237.98	461.80	705.96	1,318.81
Passenger Motor Vehicles	80.46	79.36	122.34	222.02	394.94
Other	118.73	92.57	197.26	299.14	611.73
Industrial	108.73	82.28	181.90	267.44	578.60
Non-Industrial	10.00	10.29	15.36	31.69	33.13
Parts and Accessories	93.84	66.05	142.20	184.80	312.14
6. CONSUMER GOODS NOT ELSEWHERE SPECIFIED	132.55	149.07	357.89	385.08	533.55
Durable	24.11	20.68	42.88	53.99	110.08
Semi-Durable	20.20	22.50	32.75	46.25	99.64
Non-Durable	88.25	105.90	282.26	284.84	323.83
7. GOODS NOT ELSEWHERE SPECIFIED	2.28	5.53	5.02	7.23	11.82
TOTAL	2,645.91	2,954.86	5,056.42	5,753.99	7,758.41
PERCENTAGE SHARES:					
1. Food and Beverages	4.53	7.62	6.24	10.04	4.53
2. Industrial Supplies (Non-Food)	37.60	37.56	38.02	39.37	39.22
3. Fuel and Lubricants	18.70	21.24	24.81	16.15	12.98
4. Machinery and other Capital Equipment	23.00	20.29	14.62	15.35	19.25
5.Transport Equipment	11.07	8.05	9.13	12.27	17.00
6. Consumer Goods not elsewhere specified	5.01	5.05	7.08	6.69	6.88
7. Goods not elsewhere specified	0.09	0.19	0.10	0.13	0.15
TOTAL	100.00	100.00	100.00	100.00	100.00

*Provisional.

SELECTED IMPORTS, 1991-1995

Table 7.10 K£million

	1991	1992	1993	1994	1995
Crude Petroleum	441.71	549.39	946.53	720 38	579.63
Industrial Machinery (including Electrical)	569.97	506.35	653.28	811.93	1,303.21
Iron and Steel	177.20	182.87	300.93	310.58	513.10
Motor Vehicle and Chassis	184.46	144.51	276.29	475.76	932.98
Petroleum Products refined	44.12	62 49	284.88	197.26	41 9.62
Artificial Resins and Plastic Materials and Cellulose Esters and Ethers	105.90	1.08 98	194.60	21 3.24	462.80
Pharmaceuticals	75 38	96.95	273.55	173.63	237.38
Fertilizers	62.63	75.13	166.60	170.60	120.56
Agricultural Machinery and Tractors	33.83	37.09	53.97	49.17	88.61
Wheat .	48.70	34.09	1 52 61	125.88	1 16.97
Paper and Paper Products	46.38	48.03	76.35	80 27	234.51
Rice	29.36	28.46	23.30	69.05	22.44

* Provisional

Direction of Trade

7.19. Kenyan exports to African countries accounted for 48.8 per cent of total exports in 1995 compared to 44.6 per cent in 1994. This may be attributed to substantial improvements in exports to Tanzania, Uganda and South Africa. This was a continuation of the reversed trend which started in 1994 in which the share of exports to Europe (traditional destinations of Kenyan exports) decreased. The share of exports to Western European markets declined from 34.5 per cent in 1994 to 32.8 per cent in 1995. Exports to African countries on the other hand increased from 44.6 per cent to 48.8 per. cent over the same period. Except for aircraft and ship stores, all other destinations of exports recorded growths during 1995. Table 7.11. shows destinations of Kenya exports.

7.20. Europe, particularly member countries of the European Union (EU) has been the traditional source of imports. The same position was maintained in 1995 and imports from EU members rose by 66.2 per cent as shown in Table 7.12. Imports from the Far East and Australia rose from K£ 1,393 million in 1994 to K£ 2,105 in 1995 a rise of 51.1 per cent. Imports from the Middle East which had declined in 1994 picked up in 1995, and grew by 13.7 per cent. For all these groups of countries the balance of trade has remained in their favour. Imports from African countries declined by 11.3 per cent with trade balance in favour of Kenya.

7**.21.** Table 7.13 presents exports and imports to Africa, with special emphasis on member countries of Common Market for Eastern and Southern Africa (COMESA). Kenya maintained trade with the traditional partners in East Africa where exports to Uganda and Tanzania accounted for 71.7 per cent of total exports to COMESA during 1995. Exports to Uganda included wheat flour, motor spirit gasoline, cement, salt and vegetable oils while those to Tanzania included flat rolled iron, soap, beer and containers in form of bottles and jars. Exports to Ethiopia have taken over the third position from Rwanda with exports value of over K£ 168 million in 1995, made up of iron products and household articles. In 1995, within COMESA, the balance of trade favours Kenya except for Zimbabwe which enjoyed favorable trade against Kenya.

DESTINATION OF TOTAL EXPORTS 1991 - 1995

Table 7.11 K£million

	1991	1992	1993	1994	1995**
European Union					
United Kingdom	266.88	319.22	590.18	496.61	487.73
West Germany	123.54	113.32	267.78	332.67	369.44
Italy	39.20	55.51	66.23	78.82	80.25
France	40.35	46.23	72.93	82.11	91.94
Netherlands	66.38	70.94	145.69	182.01	214.59
Other	96.27	86.09	177.40	193.28	311.75
TOTAL	632.62	691.31	1,320.21	1,365.50	1,555.70
Other Western Europe, Total	59.42	53.36	131.22	112.77	40.17
Eastern Europe, Total	2.92	0.97	6.65	7.05	5.31
U.S.A	57.83	63.29	137.18	146.83	131.66
CANADA	10.33	11.49	29.81	28.92	31.02
AFRICA:					
Tanzania	54.13	80.99	270.48	454.78	631.02
Uganda	107.25	122.84	325.98	544.27	766.70
Zambia	4.02	5.76	8.52	8.90	9.17
Other	214.89	259.90	669.48	901.11	969.88
TOTAL	380.29	469.49	1,274.46	1,909.06	2,376.77
MIDDLE EAST:					
Saudi Arabia	11.04	11.91	26.28	16.57	27.30
United Arab Emirates	5.04	4.69	16.02	13.45	33.44
Iran	5.01	0.82	0.02	0.39	12.05
Other	25.76	33.14	62.65	43.92	43.02
TOTAL	46.85	50.56	104.97	74.33	115.81
FAR EAST AND AUSTRALIA:					
Australia	6.84	6.63	12.83	16.22	11.61
Japan	15.85	23.77	33.39	33.30	32.89
India	9.07	11.25	29.57	25.73	34.56
China(Mainland)	1.12	3.13	4.01	2.12	3.86
Other	142.00	191.47	367.09	407.15	447.61
TOTAL	174.88	236.25	446.89	484.52	530.53
ALL OTHER COUNTRIES	6.72	11.84	29.79	24.17	35.64
Aircraft and Ships Stores	180.26	153.70	197.07	128.98	44.34
ALL EXPORTS	1,552.12	1,742.26	3,678.25	4,282.13	4,866.95

* Excluding gold and currency but including Re-exports.

** Provisional.

ORIGIN OF TOTAL IMPORTS, 1991 - 1995

Table 7.12 K£million

	1991	1992	1993	1994	1995*
European Union					
United Kingdom	430.33	338.37	602.38	757.63	980.51
West Germany	228.99	199.66	361.52	357.56	528.62
France	150.71	154.95	212.45	232.22	348.72
Italy	91.92	87.83	228.09	175.33	456.99
Netherlands	60.43	75.23	123.16	163.93	222.06
Other	148.99	139.39	218.90	249.69	682.19
TOTAL	1,11 1.37	995.43	1,746.50	1,936.36	3,219.09
Other Western Europe, Total	111.06	124.82	177.08	214.25	132.51
Eastern Europe, Total	24.09	18.18	38.63	65.57	69.73
U.S.A	132.06	243.43	293.40	381.60	323.06
CANADA	24.41	21.30	40.17	26.55	31.98
AFRICA:					
Tanzania	11.29	14.45	24.44	54.54	31.10
Uganda	2.65	7.77	15.98	9.29	8.03
Zambia	11.03	15.65	17.64	7.12	8.96
Other	54.04	56.19	63.57	719.97	653.37
TOTAL	79.01	94.06	121.63	790.92	701.46
MIDDLE EAST:					
United Arab Emirates	328.84	482.08	759.07	643.63	520.33
Saudi Arabia	133.03	71.51	233.85	136.46	282.23
Iran	39.84	53.16	61.89	48.12	26.83
Other	26.63	37.85	97.23	57.56	177.63
TOTAL	528.34	644.60	1,152.04	885.77	1,007.02
FAR EAST AND AUSTRALIA:					
Japan	303.55	278.49	383.01	496.77	852.93
Australia	9.75	10.53	12.84	17.30	24.22
India	50.35	85.55	136.47	217.07	416.14
China(Mainland)	24.85	29.36	68.69	76.40	159.61
Other	209.19	272.02	347.96	585.93	651.96
TOTAL	597.69	675.95	948.97	1,393.47	2,104.86
ALL OTHER COUNTRIES	37.88	137.09	538.00	59.50	168.71
Parcel Post and Special Transactions	-				
TOTAL	2,645.91	2,954.86	5,056.42	5,753.99	7,758.42

*Provisional.

7.22. Kenya imported substantial quantities of petroleum products, iron and **motor** vehicles from South Africa and exported unmilled maize, tea, cut flowers, soda ash and coffee during the review period with the balance of trade ending in favour of South Africa in 1995. Kenya exported tea and sisal to Egypt and cigarettes, soap and vegetable oils to Somalia in 1995. Exports to African countries doubled between 1991 and 1995 while imports rose threefold when compared with world trade, a reflection of intra-African trade.

TRADE WITH AFRICAN COUNTRIES, 1991 - 1995

Table 7.13

K£'000

	EXPORTS					IMPORTS				
	1991	1992	1993	1994	1995 *	1991	1992	1993	1994	1995 *
Common Market for Eastern and Southern Africa COMESA										
Angola	28	434	68	67	170	1	3	104	62	
Burundi	14,548	10,875	22,294	**32.728**	22,692	139	1.104	2,305	1,401	2.308
Comoros	5.952	6.960	**15,158**	7.959	5,556		26	•	-	**220**
Eritrea										
Ethiopia	14,192	18,581	84.521	103,682	168.454	72	136	72	480	**174**
Lesotho	48	271	6	15	100	37	13		2	**163**
Madagascar	1461	1677	1582	1720	1342	233	152	31	160	71
Malawi	2,425	2.421	6,295	7,267	7,756	217	54	2.500	661	562
Mauritius	6,258	9.847	27,731	24.818	22.190	2.585	1.624	8.822	2.482	5,606
Mozambique	2,132	506	1.610	1,223	4.133	1,667	37	200	44	**80**
Namibia	274	**23**	39	37	336	10	12	1	232	93
Rwanda	29,347	22,468	68.217	249,934	161,281	59	30	115	85	263
Sudan	28,848	20,382	82.320	72,624	61,760	83	2.531	3	115	124
Swaziland	2,437	268	**138**	58	23	8,173	14.377	356	145	958
Tanzania	54.126	80,985	270.477	454,776	631.021	11,286	14,448	24,440	54,536	31,100
Uganda	107,250	122,844	325,976	544,267	766,703	2,651	7,765	15,985	9,292	8,032
Zaire	16,251	13.086	28,760	68,799	79.279	3.177	1.189	3,328	3,989	4.378
Zambia	4,023	5,763	8,516	8,905	9,173	11,034	15,647	17,642	7,117	8,957
Zimbabwe	6.796	14,086	11,150	12,561	6,555	19,545	25,671	41,610	64,403	11,300
TOTAL COMESA * *	296,396	331,477	954,858	1,591.440	1,948,524	60,969	84,819	117,514	145,206	74,389
Other African Countries										
Djibouti	4,899	5,914	9,797	15,722	3,687	183	10	9	89	261
Somalia	17,554	49,124	117,543	125,941	94,398	69	226	48	267	869
Seycelles	1,251	**1,388**	6,397	6,212	6,625	11	1	61	53	2,877
Egypt	**46,151**	66,901	156,548	126,525	149,030	8,549	169	**880**	4,258	13,191
Algeria & Libya	367	32	122	192	315	63	-	9	27	23
Ghana & Nigeria	**3,563**	6,485	7,593	5.071	9,053	537	1,016	1.224	2,183	3,421
Reunion	**5,521**	5.445	5.676	6,147	15,881		1	-	-	96
South Africa		-		21,412	135,302		-	•	621,564	601,354
All Other African Countries	**4,584**	2,726	15,926	10,400	13,953	8,632	7,823	1,884	17,273	4,975
TOTAL	83,890	138,015	319,602	317,622	428.244	18,044	9,246	4,115	645,714	627,067
TOTAL AFRICA	**380,286**	469,492	1,274,460	1,909,062	2,376,768	79,013	94,065	121,629	790,920	701,456
Percentage **of all** Exports**/Imports**	**24.5**	26.9	34.6	44 6	48 8	3.0	3 2	2.4	13.7	9.0

* Provisional

* * The Common Market for Eastern and Southern Africa. COMESA was established in December 1994 to replace the former Eastern and Southern Africa Preferential Trade Area (PTA) which became operational on 1st July 1984.

KENYA BALANCE OF PAYMENTS. 1993-1995

Table 7.14

K£million

	1993			1994			1995 *		
	Debits/ Assets	Credits/ liabilities	Net	Debits/ Assets	Credits/ liabilities	Net	Debits/ Assets	Credits/ liabilities	Net
A. -CURRENT ACCOUNT									
1. Merchandise (f.o.b.)	4,329.16	3,438.32	Dr 890.84	4,936.21	4,150.89	Dr 785.32	6,787.22	4,822.42	Dr 1,964.80
2. Shipment	693.07	188.72	Dr 504.35	790.25	152.49	Dr 637.76	1,086.59	295.73	Dr 790.86
3. Other Transportation	339.13	800.52	461.39	279.59	670.62	391.03	296.38	635.10	338.72
4. Foreign Travel	138.91	1,222.40	1,083.49	319.03	1,404.80	1,085.77	372.43	1,249.64	877.21
5. International Investment Income	1,137.51	9.70	Dr 1,127.81	1,075.01	58.60	Dr 1,016.41	890.44	65.95	Dr 824.49
6. Other goods, services and income : Government	203.38	877.97	674.59	241.33	848.12	606.79	298.94	415.66	116.72
7. Other goods, services & income Private	325.73	217.98	Dr 107.75	294.36	184.32	Dr 110.04	266.51	211.27	Dr 55.24
8. Unrequited transfers-Government	7.65	280.10	272.45	7.03	351.52	344.49	5.81	238.92	233.11
9. Unrequited transfers-Private	176.25	602.90	426.65	171.12	583.63	412.51	112.29	1,162.00	1,049.71
TOTAL CURRENT ACCOUNT	7,350.79	7,638.61	287.82	8,113.93	8,404.99	291.06	**10,116.61**	9,096.69	Dr 1,019.92
of which: Visible Balance	4.329.16	3,438.32	Dr 890.84	4,936.21	4,150.89	Dr 785.32	6,787.22	4,822.42	Dr 1,964.80
Invisible Balance	3,021.63	4,200.29	1,178.66	3,177.72	4,254.10	1,076.38	3,329.39	4,274.27	944.88
B. -CAPITAL ACCOUNT									
10.Government Long-term		442.69	442.69		Dr 317.49	Dr 317.49	904.66	889.90	Dr 14.76
11.Private Long-term	0.10	Dr 25.54	Dr 25.64	0.17	Dr 120.47	Dr 120.64	149.64	129.22	Dr 20.42
12.Parastatals Long-term		Dr 286.50	Dr 286.50		Dr 285.85	Dr 285.85	298.51	151.40	Dr 147.11
13.Short-term		856.83	856.83		688.70	688.70	0.00	819.70	819.70
TOTAL CAPITAL ACCOUNT	0.10	987.48	987.38	0.17	Dr 35.11	Dr 35.28	1,352.81	1,740.22	637.41
C. -ERRORS AND OMISSIONS			8.90			9.05			13.60
D. -OVERALL BALANCE			1,284.10			264.83			Dr 368.91
E. -MONETARY MOVEMENTS									
14.Change in reserves**	2.312.46	674.95	Dr 2,312.46	448.67		Dr 448.67	Cr 420.53		420.53
15.Transactions with I.M.F		593.12	593.12		46.64	46.64		Dr 93.72	Dr 93.72
16.Change in other liabilities		435.24	435.24		137.20	137.20		42.10	42.10
TOTAL MONETARY MOVEMENTS	2.312.46	1,028.36	Dr 1,284.10	448.67	183.84	Dr 264.83	Cr 420.53	Dr 51.62	368.91

* *Provisional.*

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

\+ *Revised.*

Balance of Payments

7.23. The overall balance of payments position deteriorated to a deficit of K£ 369 million in 1995 from a surplus of £265 million in 1994. The decline in the overall balance is attributed to the less than satisfactory performance of the current account which recorded a deficit of K£ 1,020 million in 1995 compared with a surplus of K£ 291 million in 1994. The large current account deficit was largely due to substantial growth in imports of goods during the year, a reflection of the liberalised trade and exchange system. These details are presented in Table 7.14.

7.24. The capital account on the other hand, improved to a surplus of K£ 637 million in 1995 from a deficit of K£ 35 million in 1994. The improvement in the capital account during the year, was a result of increased Government inflows which amounted to K£ 890 million compared to inflows of K£ 585 million in 1994. Government capital outflows during the year, however remained unchanged.

7.25. The merchandise account balance on f.o.b. basis was a deficit of K£ 1,965 in 1995 compared with a deficit of K£ 785 million in 1994. Exports of goods increased by 16.2 per cent but this was not sufficient to offset the 37.5 per cent increase in imports. This in turn resulted into a substantial decline in the current account which recorded a deficit of K£ 1,020 million from K£ 291 million surplus in 1994.

7.26. Table 7.15 summarises changes in Kenya's Balance of Payments magnitudes for the last three years. Adjusted exports and imports increased by K£ 672 million and K£ 1,851 million, respectively. Net service earnings however, decreased by K£ 657 million mainly due to decline in earnings from travel and other goods and services Transfers recorded a substantial increase of K£ 526 million in 1995 compared with an increase of K£ 58 million in 1994.

CHANGES IN KENYA BALANCE OF PAYMENTS MAGNITUDES', 1993 - 1995

Table 7.15

K£million

		1993	1994	1995
1.	Exports(f.o.b.)**.	+ 1,821.01	+ 712.57	+ 671.53
2.	Imports(f.o.b.) * *	+ 1,760.65	+ 607.05	+ 1,851.01
3.	Services(net)	+ 140.73	-160.18	-657.32
4.	Transfers (net)	+ 244.01	+ 57.90	+ 525.82
5.	Change on current account	+ 445.10	+ 3.24	-1,310.98
6.	Private long term capital (net)	**-1.01**	-95.00	+ 100.22
7.	Public long term capital (net)	+ 392.69	-759.53	+ 441.47
8.	Change on basic balance (net balance on lines 5-7)	+ 836.78	+ 851.29	-769.29
9.	Short term capital, errors and omissions (net)	+ 886.34	+ 167.98	+ 135.55
10.	Net change on all above items (Monetary movements)	-1,717.12	-1,019.27	+ 633.74

* 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 Private Capital inflow which only decreased by K£ 95 million in 1994. recorded a increase of K£ 100 million in 1995. Net Official Capital inflow improved compared to 1994 and recorded an increase of K£ 441 million in 1995 ,compared with K£ 760 million in 1994.

International Liquidity

7.28. Foreign exchange reserves of the Central Monetary Authorities are summarised in Table 7.16. The net foreign reserves of the Central Bank of Kenya which recorded a decline of 15.9 per cent in 1994, remained at the 1994 level between January and June 1995 Thereafter the net foreign reserves declined steadily to stand at K£ 1,232 by the end of 1995 The decrease in net Central Bank reserves is attributed mainly to Government external debt servicing requirements and partly to increase in Government imports during the year

7.29. Foreign liabilities, other than those to the International Monetary Fund (IMF), remained at their 1994 level of K£ 12.75 million from January through to April, and finally declined to record K£ 1 million by the end of 1995. The Fund's holding of Kenya currency increased from K£ 609 million to K£ 778 million, while net use of fund credit was K£ 51 million thereby maintaining a positive position for the second consecutive year. Central Bank SDR holdings stood at K£ 3.55 million, the same level as in 1994. Table 7.16 shows the movements of the foreign exchange position of the Monetary Authorities.

7.30. Table 7 17 presents end of year exchange rate of the Kenya Shilling against other selected currencies. The shilling remained relatively stronger upto April 1995. In May 1995, the Shilling depreciated against all the selected currencies, and thereafter remained stable for the rest of 1995. These developments are reflected in the trade weighted exchange rate Index which increased from 419 8 in 1994 to 551.6 in 1995 or 31.3 per cent increase. On average, the Kenya Shilling depreciated against all the selected currencies by 23.9 per cent

7.31. Although the Shilling in general depreciated against all the selected currencies, the level of depreciation depended on each currency. The Shilling depreciated by about 19.8 per cent against the US Dollar; 19.2 per cent against the Sterling pound; 17.3 per cent against the Japanese Yen; 25.8 per cent against the German Mark and 26.6 per cent against the French Franc. As a result of these exchange rate developments during the year, the Shilling depreciated against the SDR by 21 7 per cent, to exchange at KShs 83 to the SDR in December 1995 from Kshs 65 to the SDR in December 1994

CENTRAL MONETARY AUTHORITIES FOREIGN EXCHANGE RESERVES, 1991 - 1995

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
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	10.32	1,641.43	7.25	1,644.50	22.49	1,666.99	938.51	880.98	57.53	174.10
1994	3.65	1,356.70	12.05	1,348.30	15.97	1,364.27	649.12	609.11	40.01	**120.12**
1995										
January ..	12.10	1,294.45	12.75	1,293.80	16.21	1,310.01	653.54	613.26	40.28	121.24
February ..	1.05	1,311.55	11.65	1,300.95	16.08	1,317.03	656.13	615.69	40.44	**122.82**
March	**1.60**	1,407.80	**12.20**	1,397.20		1,397.20	677.59	635.83	41.76	125.70
April	**2.00**	1,284.20	12.45	1,273.55		1,273.55	725.12	680.43	44.69	134.51
May	-0.20	1,356.45	2.30	1,353.95		1,353.95	848.88	796.56	52.32	157.47
June	0.50	1,346.15	0.65	1,346.00		1,346.00	850.27	797.86	52.41	157.73
July	14.65	1,210.95	1.05	1,224.55		1,224.55	865.51	**812.16**	53.35	160.56
August ..	0.65	1,326.60	2.90	1,324.35		1,324.35	818.32	767.89	50.43	151.91
September ..	0.65	1,301.20	2.25	1,299.60	2.37	1,301.97	831.21	779.90	51.31	154.19
October ..	2.40	1,219.75	1.50	1,220.65	2.37	1,223.02	828.52	777.38	51.14	153.70
November ..	0.75	1,150.90	1.45	1,150.20	2.13	1,152.33	823.52	772.68	50.84	152.77
December ..	3.55	1,229.90	1.35	1,232.10	**2.00**	1,234.10	829.03	777.86	51.17	153.79

Source: Central Bank of Kenya.

* Excludes subscription to I.M.F.

* * Figures with minus indicate use of fund credit.

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

FOREIGN EXCHANGE RATES OF KENYA SHILLING FOR SELECTED CURRENCIES, 1990 - 1995

Table 7.17

CURRENCY	MEAN RATES IN KENYA SHILLINGS					
	31st Dec. 1990	31st Dec. 1991	31st Dec. 1992	31st Dec. 1993	31st Dec. 1994	31st Dec. 1995
1 US Dollar	24.084	28,074	36.216	68.163	44,839	55.939
1 Pound Sterling ..	46 470	52.428	54.705	100.916	69.949	86.559
1 Deutsche Mark	•16.131	18.486	22.381	39.298	28.889	38.930
1 French Franc	4.743	5.410	6,568	11,567	8.373	11,407
1 Swiss Franc	18.904	20,711	24 721	46.056	34,135	48.504
1 Dutch Guilder	14.298	16.401	19.924	35.127	25.778	34.765
1 Swedish Kroner .. .	4.288	5.060	5.124	8.193	6.030	8.391
1 Norwegian Kroner	4.115	4 697	5.235	9.071	6.601	8.816
1 Zambian Kwacha**	0.509	0.314	0.102	0.103	0.065	
1 Austrian Schilling ..	2.287	2.627	3.191	5,594	4.115	5.543
1 Belgian Franc	0.781	0.897	1.090	1.899	1.408	1.895
1 Danish Kronor	4.175	4.752	5.793	10.077	7.366	10.071
1 Canadian Dollar ..	20.764	24.246	28.553	51.308	31,931	41,090
1 Finish Marka	0.673	6.788	6 923	11,780	9.447	12.813
1 Australian Dollar	18.598	21,331	24.971	46.174	34.542	
100 Japanese Yen	17.860	22.352	29 066	60.914	44.953	54.380
100 Italian Lira	2.134	2.441	2 455	3,988	2.766	3.548
1 Indian Rupee	1.326	1.085	1.399	2.173	1.434	1.609
1 Pakistan Rupee ..			1.397		1.442	
100 Burundi Francs ** ..	14.663	14.691	15.371	25.850	18,170	
100 Rwanda Francs ** ..	19.885	23.436	24 760	46.740	32.320	
Overall Weighted Index*						
1982 = 100	243.600	282.100	314 600	600.000	419.830	551,560

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

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

CHAPTER 8 - AGRICULTURE

Overview

The agricultural sector recorded a growth of 4.8 per cent in 1995, thereby maintaining the growth tempo which began in 1994. This was largely due to the continuing stability of the Kenya shilling, adequate rainfall during the long rains in most parts of the country, and the high production volumes of coffee, tea, sugar cane, wheat, horticulture and milk. Short rains were however unevenly distributed resulting in lower production of such crops as maize and beans. Farmers in the same period benefited from decreasing prices of agricultural inputs. The effects of the on-going liberalisation policies were felt in most sub-sectors of the agricultural sector. The dairy sector recorded an improvement in 1995 over 1994 in both quantity of milk produced and prices paid to farmers, despite marketing problems associated with the Kenya Co-operative Creameries (KCC). Prices for principal cash crops such as coffee, pyrethrum and sisal increased during the year under review, while the price for tea declined in 1995 compared to 1994.

8.2. Agricultural output and value added at current prices as indicated in Table 8.1, rose by 23.0 per cent and 25.2 per cent, respectively. Output and value added at constant prices, registered an increase of 4.9 per cent and 4.8 per cent, respectively.

AGRICULTURAL OUTPUT AND INPUT, 1991 -1995

Table 8.1 K£million

	1991	1992	1993	1994	1995 *
AT CURRENT PRICES-					
Total Output	2,646.46	2,998.72	3,958.31	4,770.37	5,865.37
Less Inputs	308.77	316 78	375.20	432.68	436.58
Value Added	2,337.69	2,681.94	3,583.11	4,337.69	5,428.79
AT CONSTANT (1982) PRICES-					
Total Output	1,321.81	1,269.57	1,220.78	1,254.50	1,316.10
Less inputs	142.88	134.70	132.29	135.21	142.74
Value Added	1,178.93	1,134.83	1,088 49	1,119.29	1,173.36

*Provisional

Marketed Production

8.3. The overall value of recorded centrally marketed production rose from K£ 2,611.3 million in 1994 to K£ 2,969.4 million in 1995 as shown in Table 8.2. This was partially attributed to increased production coupled with better prices offered for agricultural commodities such as coffee, pyrethrum, sisal and dairy products. A decrease in demand for tea in the world market resulted in 9.3 per cent fall in tea revenue in 1995. Livestock and livestock products value increased from K£ 482.3 million in 1994 to K£ 634.8 million in 1995 as a result of complete deregulation of the sub-sector leading to alternative markets with higher returns. The value of cereals marketed increased by 10.5 per cent in 1995 compared to 1994. The full liberalisation of the cereals sector has resulted in an increased number of market participants.

8.4. The quantum index for total gross marketed production rose from 113.5 in 1994 to 131.0 in 1995 in response to increased volumes of commodities purchased as shown in Table 8.3. Price indices for cereals, and permanent industrial crops registered a downward trend compared to 1994, as a result of a fall in maize and tea prices. However, livestock and livestock products experienced improved prices in 1995 as reflected by the livestock price index which rose by 11.7 per cent points compared to 1994.

RECORDED MARKETED PRODUCTION AT CURRENT PRICES. 1991 - 1995

Table 8.2 K£million

	1991	1992	1993	1994	1995*
CEREALS-					
Maize	46.4	76.9	98.0	134.2	160.4
Wheat	49.9	35.3	20.6	63.1	81.6
Others	35.1	40.8	41.7	75.8	59.8
Total	131.4	153.0	160.2	273.1	301.8
TEMPORARY INDUSTRIAL CROPS-					
Sugar-cane	107.4	1 15.2	158.6	256.8	341.2
Pyrethrum	16.5	19.0	19.9	27.9	22.1
Others	15.7	20.8	19.7	29.1	30.4
Total	139.6	155.1	198.1	313.8	393.7
OTHER TEMPORARY CROPS	13.2	8.0	8.0	10.1	10.1
PERMANENT CROPS-					
Coffee	202.7	218.3	384.8	587.9	764.5
Tea	390.0	446.7	993.4	915.0	829.8
Sisal	18.8	16.7	16.9	18.8	26.7
Others	3.3	4.1	9.5	10.3	8.0
Total .	614.9	685.8	1,404.6	1,532.0	1,629.0
TOTAL CROPS	899.1	1,001.8	1,771.0	2,129.0	2,334.6
LIVESTOCK AND PRODUCTS-					
Cattle and Calves	193.8	207.1	235.2	252.7	302.6
Dairy Produce	78.9	63.8	97.2	161.5	253.8
Other	48.3	49.3	57.8	68.1	78.4
Total .	321.0	320.2	390.2	482.3	634.8
GRAND TOTAL	1,220.1	1,322.0	2,161.1	2,611.3	2,969.4

*Provisional.

8.5. The average gross commodity prices paid to farmers are shown in Table 8.4. Prices of coffee, wheat, sisal, pyrethrum (extract equivalent) continued to rise mainly because of increased demand for the respective commodities in the local and world market. Tea prices on the other hand recorded a decline due to depressed world demand. In 1995, monthly auction prices for tea stood at around Kshs 64 per kilogram at the beginning of the year and only rose marginally to Kshs 72 per kilogram at the end of the year but still lower than the one of 1995. Importation of sugar and milk products caused a glut in the market which created marketing problems for locally manufactured sugar and KCC processed products resulting in high build-up of stocks.

VOLUME AND PRICE INDICES OF SALES TO MARKETING BOARDS. 1991 - 1995

Table 8.3 1982 = 100

	1991	1992	1993	1994	1995 *
QUANTUM INDICES-					
Cereals	72.3	59.9	41.4	56.3	65.1
Temporary Industrial Crops	95.7	91.4	93.1	81.5	93.3
Permanent Crops	143.2	137.3	142.3	142.1	165.0
TOTAL CROPS	124.0	117.4	116.3	121.5	137.2
Livestock and Products	98.9	79.5	82 0	88.1	105.5
TOTAL GROSS MARKETED PRODUCTION	119.1	109.3	107 4	113.5	131.0
PRICE INDICES-					
Cereals	294.2	396 9	567.0	814.5	764.5
Temporary Industrial Crops	253 4	290.4	364.1	649.8	665.2
Permanent Crops	181.1	205.9	396 0	474.5	472.1
TOTAL CROPS	211.2	250.9	423.3	521.0	503.9
Livestock and Products	211.6	276 7	321 5	409.6	457 7
TOTAL GROSS MARKETED PRODUCTION	215 8	256.0	399.8	495.3	527 5

Provisional.

Data on livestock is from slaughter houses

AVERAGE GROSS COMMODITY PRICES * TO FARMERS, 1991 - 1995

Table 8.4 KSh. per stated unit

	UNIT	1991	1992	1993	1994	1995**
Coffee	100kg	4,654.00	4,936.60	9,886.00	14,427.80	15,966.00
Tea	"	3,848.00	4,750.00	9,241.45	8,738.40	6,786.80
Sisal	"	944.00	980.00	989.00	1,100.00	1,915.00
Sugar-cane	tonne	521.06	630.00	826.00	1,553.00	1,553.00
Pyrethrum(extract equivalent)	Kg	1,800.00	1,800.00	1,800.00	2,175.00	3,600.00
Seed Cotton	100Kg	998.00	990.00	1,323.00	1,913.50	1,720.00
Maize		305.56	474.70	810.40	950.00	800.00
Wheat		500.00	560.26	565.00	1,200.00	1,300.00
Beef(third grade)		2,500.00	2,600.00	2,710.00	3,000.00	3,300.00
Bacon Pigs		2,911.25	3,916.84	5,465.60	5,964.00	6,500.00
Milk	100 litres	440.00	580.00	780.00	1,250.00	1,450.00

* 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.

8.6. The sale of agricultural produce from large and small farms is given in Table 8.5. The value of output from large and small farms was estimated at K£ 954.98 million and K£ 2,067.12 million respectively in 1995. This represented an increase of 8.0 per cent and 19.7 per cent, respectively over 1994. The increased share of small farms contribution is in line with the continued sub-division of previously large farms into small size holdings.

8.7. Quantum and price indices of agricultural inputs are as indicated in Table 8.6. It is noteworthy that there was a general increase in consumption of all farm inputs in response to stable and declining prices of inputs such as fertilisers, manufactured animal feeds, seeds and gunny bags. The overall quantum index for the inputs increased from 124.0 in 1994 to 127.8 in 1995. The price index for total material inputs declined from 460.4 in 1994 to 435.5 in 1995 as a result of decrease in input prices especially fertilisers and chemicals/drugs.

SALE TO MARKETING BOARDS FROM LARGE AND SMALL FARMS, 1991 -1995

Table **14.9**

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
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
1994	883.93	14.12	1,727.37	24.58	2,611.30	20.83	66.15
1995*	954.98	8.04	2,067.12	19.67	3,022.10	15.73	68.40

* Provisional.

AGRICULTURAL INPUT INDICES', 1991 - 1995

Table 8.6 1982 = 100

	1991	1992	1993	1994	1995**
QUANTUM INDICES-					
Fertilizers	144.7	93.9	88.4	94.4	128.0
Fuel and Power	114.9	109.9	112.9	116.8	121.8
Bags	96.2	99.7	101.7	101.3	104.5
Manufactured Feeds	269.4	265.2	266.9	271.7	342.0
Purchased Seeds	98.8	115.7	110.2	120.4	131.3
Other Material Inputs	93.5	96.9	96.3	99.9	101.6
Total Material Input	134.0	124.5	123.9	125.3	128.4
Service Inputs	106.7	1 10.6	108.9	112.1	113.2
TOTAL INPUTS	130.8	122.8	122.1	124.0	127.8
PRICE INDICES-					
Fertilizers	212.4	233.6	310.1	227.2	218.6
Fuel and Power	252.7	303.6	459.2	576.4	641.7
Bags	171.0	197.9	241.8	294.9	283.6
Manufactured Feeds	226.6	254.5	328.3	578.3	540.6
Purchased Seeds	279.1	336.6	576.9	848.5	830.6
Other Material Inputs	173.7	201.1	257.4	313.9	350.0
TOTAL MATERIAL INPUT	222.1	244.5	349.8	460.4	435.5
SERVICE INPUTS	160.3	164.9	185.0	207.7	220.1
TOTAL INPUTS	216.1	235.1	328.4	427.5	413.0

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

* * Provisional.

8.8. As can be observed in Table 8.7, the reduction in the cost of some farm inputs encouraged an expansion in their use and hence an increase in the total value of the agricultural inputs used. Total value of inputs consumed increased from K£ 331.52 million in 1994 to K£ 367.57 million in 1995.

PURCHASED AGRICULTURAL INPUTS*, 1991 - 1995

Table 8.7 **K£million**

	1991	1992	1993	1994	1995"*
MATERIAL INPUTS-					
Fertilizers	51.40	38.48	49.57	52.16	53.25
Other Agricultural Chemicals	12.90	12.39	14.04	14.01	14.58
Livestock Drugs and Medicines..	20.44	18.73	22.24	23.00	23.90
Fuel and Power	36.21	45.04	92.69	112.79	136.03
Bags	12.64	13.87	14.64	15.81	16.81
Manufactured Feeds	32.07	33.78	36.67	39.05	41.35
Purchased Seeds	29.25	34.76	39.46	45.14	50.25
Other Material Inputs	9.07	9.36	10.24	10.55	11.14
Total	203.98	206.41	279.55	312.51	347.31
SERVICE INPUTS	15.75	16.26	18.24	19.01	20.26
TOTAL INPUTS	219.73	222.67	297.79	331.52	367.57

*Except labour.

* * Provisional.

8.9. The agricultural terms of trade improved slightly by 1.0 per cent in 1995. This is attributed to the low prices paid for agricultural inputs resulting in a decline of the index for purchased input by 3.4 per cent in the year under review. The general agricultural output prices registered a 16.3 per cent increase from 380.7 in 1994 to 442.7 in 1995. The prices paid for consumer goods in rural areas went up marginally by 1.2 per cent

PRICE AND TERMS OF TRADE INDICES FOR AGRICULTURE, 1991 - 1995

Table 8.8 1982 = 100

	1991	1992	1993	1994	1995*
General Index of Agricultural Output Prices**	200.2	236.2	324.2	380.7	442.7
PRICE PAID-					
Purchased Inputs	216.1	235.1	328.4	427.5	413.0
Index of Purchased Consumer Goods-Rural Areas	228.6	284.8	430.3	565.5	572.2
INDICES OF PRICES PAID	214.4	263.9	372.2	438.6	505.3
Agricultural Sector terms of Trade	93.4	89.5	87.1	86.8	87.6

* Provisional.

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

8.10. The country received adequate rainfall during the long rain season (March to August 1995) where the Agromet stations recorded reasonable spatial and temporal distribution However, distribution was poor during the short rains (October to December 1995) when the Agromet stations recorded 15.4 per cent decline in 1995 compared with 1994. Overall, there was a decline of 8.6 per cent in the accumulated rainfall for 1995.

ESTIMATED PRODUCTION OF SELECTED AGRICULTURAL COMMODITIES IN AGRICULTURAL YEARS, 1991/92 - 1995/96

(Based on Crop Forecast Surveys)

Table 8.9 million bags

CROP	1991/92	1992/93	1993/94	1994/95	1995/96*
Maize	25.03	24.50	18.87	29.12	26.33
Beans	2.10	2.39	1.25	2.82	2.42
Potatoes	1.95	2.26	1.99	2.51	2.90
Sorghum	0.82	0.95	0.86	1.05	0.84
Millet	0.35	0.45	0.39	0.47	0.44

* Provisional.

8.11. The agricultural production of selected crops based on Crop Forecast Survey is shown in Table 8.9. In the year under review, there was a notable decline of 9.6 per cent in production of maize from 29 million bags in 1994/95 to 26 million bags in 1995/96, mainly attributed to short fall in the rain volume Production of beans, sorghum and millet registered marginal declines while potatoes production registered 15.5 per cent increase.

8.12. In general, most prices for maize, beans, sorghum and millet were lower in 1995 than in 1994 as reflected in Table 8.10. They also stabilised through out the year 1995 registering slight drops from March to September. This could be attributed to price deregulation of grain trade as a result of liberalisation, however, the distribution network seems not to be responsive to regional prices. This is particularly significant in coastal market where average prices were Kshs 23.40 per kilogram in September 1995, while they were only Kshs 6.70 per kilogram in Western province, indicating existence of distribution inefficiencies in the marketing of maize.

Production by Crop

8.13. For the second year running, the agriculture sector recorded good performance in 1995. Favourable weather, reduced inflation, stabilisation of the Kenya Shilling and benefits derived from Structural Adjustment Programs accounted to this considerable growth Low tea prices in the world market however, worked unfavourably to this growth The high coffee prices in the previous two years acted as an incentive to farmers resulting in increased production.

8.14. ***Maize:-*** Maize production was estimated at 26.33 million bags (of 90 kgs) in the year under review. The National Cereals and Produce Board (NCPB) bought maize from farmers at Kshs 950 in the first half of 1995 down to Kshs 665 per 90 kg bag in the second half of 1995. In the period under review, the NCPB finalised export contract for 403,000 metric tonnes to pay outstanding debt owed to the farmers. Farm gate prices for maize went as low as Kshs 400 per 90 kg bag during the peak harvest period in the last quarter of 1995 as fanners attempted to offload the bulk of their produce onto the markets.

RURAL MARKET PRICES FOR SELECTED FOOD CROPS
BY PROVINCE. 1992- 1995

Table 8.10 KSh. per Kg.

CROP	Province	1992		1993		1994		1995	
		March	Sep-tember	March	Sep-tember	March	Sep-tember	March	Sep-tember
Maize	Coast	**8.25**	9.50	10.20	13.50	19.50	18.32	18.18	23.40
	Eastern	4.50	11.05	8.18	12.33	11.08	12.58	7.35	6.91
	Central	5.70	11.63	7.78	12.16	17.41	13.08	8.84	8.37
	Rift Valley	7.50	11.35	9.00	11.50	14.50	**10.12**	8.19	7.64
	Nyanza	5.20	7.50	6.90	10.36	14.73	8 92	8.39	6.83
	Western	5.42	7.80	8.18	10.41	13.54	8.55	7.88	6.74
Beans	Coast	14.50	18.40	30.30	28.88	28.13	40.00	25.00	33.93
	Eastern	7.40	12.00	12.58	22.75	23.04	24.02	17.74	**10.00**
	Central	10.70	12.70	15.44	27.03	33.31	27.04	24.36	25.06
	Rift Valley	15.50	15.90	20.29	23.95	34 98	26.23	28 48	22.92
	Nyanza	9.60	11.45	13.65	21.70	38.77	**26.02**	31.25	27.89
	Western	10.15	12.98	16.10	22.70	29.16	30.94	28.41	21.97
Potatoes	Coast	13.90	18.20	15.20	**18.00**	22 40	20.00	24.29	25.02
	Eastern	3.90	5.00	6 75	8.10	12.04	8 78	**12.11**	11.03
	Central	4.68	5.60	6.00	7.20	12.23	7.34	9.72	12.55
	Rift Valley	8.98	8.30	4.75	8 25	11.03	7.21	10.99	8.53
	Nyanza	8.75	9.65	5.55	10.20	14.86	6.74	11.85	11.41
	Western	6.20	6.50	9.30	9 85	16.74	9 28	20 00	12.60
Sorghum	Eastern	9.70	**10.20**	9.38	11.55	19 68	11.56	**9.37**	8.62
	Nyanza	5.52	* 7.17	6.25	**11.15**	18.50	10.64	8.14	7.09
	Western	6.78	5.80	7.66	10.75	15.10	10.06	**8.10**	8.08
Millet	Eastern	**10.20**	14.75	11.35	14.55	20.89	19.56	**11.71**	12.42
	Rift Valley	14.70	**12.20**	11.65	13.25	21.74	17 66	16.43	16.65
	Nyanza	8.40	**10.80**	9.65	17.05	19.56	19.55	20.23	17.03
	Western	8.25	8.70	10.85	12.25	17.00	20.31	13.85	13.96

SALE OF SOME MAJOR CROPS TO MARKETING BOARDS. 1991 - 1995

Table **8.11**

CROP	UNIT	1991	1992	1993	1994	1995*
Maize	**'000 tonnes**	**303.5**	**324.1**	**241.8**	**316.0**	**401.0**
Wheat	-	**199.0**	**125.9**	**73.1**	**105.2**	**125.5**
Rice Paddy	-	**12.9**	**14.2**	**11.4**	**13.5**	**14.6**
Cotton	-	**8.4**	**2.8**	**2.5**	**1.8**	**0.2**
Coffee		**87.1**	**88.4**	**77.8**	**81.5**	**95.8**
Tea		**203.6**	**188.1**	211.1	**209.4**	**244.5**
Sisal		**38.8**	**34.1**	**35.1**	**33.9**	**27.9**
Sugar-cane	**mn. tonnes**	**4.0**	**3.7**	**3.8**	**3.3**	**4.4**
Pyrethrum **(Extract Equivalent)**	**tonnes**	**183.8**	211.6	**220.5**	**172.2**	122.8

* Provisional.

8.15. ***Wheat:***- Production of wheat as shown in Table 8.12 increased by 19.3 per cent from 107.8 thousand tonnes to 128.6 thousand tonnes. This production was however still below domestic requirement hence necessitating importation of 364.1 thousand tonnes in 1995. The crop also suffered an attack by Russian Wheat Aphids which resulted in crop loss.

PRODUCTION AND IMPORTS OF WHEAT, 1991 -1995

Table 8.12 **'000 Tonnes**

YEAR	PRODUCTION*	IMPORTS	TOTAL
1991	195.0	450.0	645.0
1992	125.9	100.8	226.7
1993.	76.9	314.4	391.3
1994**	107.8	353.1	480.9
1995**	128.6	364.1	492.7

* Includes rentention for seed.

** Provisional.

8.16. Coffee:- In 1995, coffee delivery to the coffee Board of Kenya stood at 95.8 thousand tonnes. This was an increase of 17.6 percent compared to a 4.8 per cent rise in 1994. The average price per tonne was recorded as K£ 7,983 in 1995 compared to K£ 7,214 in 1994. This sharp increase may be attributed to the high coffee prices during the previous two years and timely purchase of adequate farm inputs by farmers due to prompt payments by the Coffee Board of Kenya, improvements in crop husbandry and good weather. Average yield per hectare increased by 33.9 per cent for smallholder producers indicating increased attention to coffee husbandry by farmers, while the area in hectares for estates under coffee increased by 4.7 per cent in 1995.

COFFEE PRODUCTION BY AREA AND AVERAGE YIELD PER GROWER, 1990/91 - 1994/95

Table 8.13

	1990/91	1991/92	1992/93	1993/94	1994/95*
AREA (Ha) '000-					
Co-operatives	117.4	116.7	120.2	120.5	120.0
Estates	38.0	37.1	38.0	38 2	40.0
TOTAL	155.4	153 8	158.2	158.7	160.0
Production (tonnes) '000-					
Co-operatives	51.3	51.0	42.4	41.3	55.1
Estates	35.1	34.3	32.7	38.6	40.2
TOTAL	86.4	85.3	75.1	79.9	90.3
Average yield (kg./Ha.)-					
Co-operatives	569.3	440.0	352 7	342.7	459.0
Estates	930.0	925.1	860.5	1.012.6	1.005.0

Provisional

8.17. Tea:- In the year under review tea production was 244.5 thousand tonnes which constituted 16.8 per cent increase from 209.4 thousand tonnes in 1994. This could be attributed to an increase of 6.9 per cent in smallholders area in hectares. As shown in Table 8.14, the average yield for both small holders and Estates increased by 12.4 per cent and 13.0 per cent, respectively. The price of tea in the world market registered a decline from K£ 4,369.2 in 1994 to K£ 3,393.4 per tonne in 1995. The industry has of late suffered from constraints related to processing capacity, infrastructure and problems at the Kenya Tea Development Authority (KTDA) which need attention if production trend is to rise.

Table 8.14 TEA PRODUCTION BY AREA. PRODUCTION AND AVERAGE YIELD. 1991 - 1995

	1991	1992	1993	1994	1995*
AREA (HA) '000					
Smallholder	68.80	**72.16**	**73.11**	**73.84**	**78.96**
	31.00	**31.34**	**31.75**	**32.07**	**32.36**
	99.80	**103.50**	**104.86**	**105.91**	**111.32**
PRODUCTION (Tonnes)'000					
Smallholder	**112.70**	**99.81**	**112.53**	**119.08**	**138.95**
Estates	**90.90**	**88.26**	**98.63**	**90.34**	**105.58**
Total	**203.60**	**188.07**	211.16	**209.42**	**244.53**
AVERAGE YIELD (KG/HA)					
Smallholder	**1,981.70**	**1,729.80**	**1,942.42**	**1,776 29**	**1,996.12**
Estates	**3,184 40**	**3,033.40**	**3,339.10**	**3,013.39**	**3,403.61**

* Provisionsal

8.18. ***Cotton:-*** The marketing of cotton experienced the complete exit of the Cotton Lint and Seed Marketing Board in the year 1995. Cotton intake by the ginneries was estimated at 160.0 thousand tonnes in 1995 down from 181.0 thousand tonnes in 1994. This may have been attributed to low application of inputs, late planting, poor crop varieties and poor marketing arrangements. The price per 100kg bale of cotton was Kshs 1,720 in 1995 down from Ksh 1,913.50 in 1994. The country's cotton production continues to experience problems as a result of competition from cheap imported textiles including second hand clothes.

SUGAR CANE PRODUCTION BY TYPE OF GROWER. 1991-1995

Table 8.15 **'000 tonnes**

TYPE OF GROWER	1991	1992	1993	1994	1995 *
Factory Estates	561.6	638.0	608.4	387.9	509.6
Large Farms	227.1	147.1	195.4	258.1	309.1
Small-Holders	3,016.8	2,613.8	2.784.1	2,336.5	2,874.2
Co-operative Societies	65.3	115.2	90.5	206.9	361.5
Settlement Schemes	177.1	142.5	161.0	118.7	339.8
TOTAL	4,047.9	3.656.6	3,839.4	3,308.1	4,394.2

* Provisional.

8.19. ***Sugar-Cane:-*** The total sugar cane production increased from 3,308.1 thousand tonnes in 1994 to 4,394.2 thousand tonnes in 1995, respectively, as shown in Table 8.15. This remarkable increase in production will not be sustained for long if policies are not enforced to make locally processed sugar compete evenly with imports under the present liberalised environment. Business competition between locally produced and imported sugar resulted in the milling companies taking very long to clear their stock of sugar. The estimated sugar stocks was 68.6 thousand tonnes most of which was from locally produced sugar. In 1995, a total of 244.4 thousand tonnes of sugar was imported compared to 256.1 thousand tonnes in 1994. As a result of liberalisation, it has become increasingly difficult to determine domestic requirements given that a number of firms are directly involved in importation, stocking and marketing of the commodity.

PRODUCTION, IMPORTS AND CONSUMPTION OF SUGAR 1991 - 1995'

Table 8.16 000 tonnes

Year	PRODUCTION	IMPORTS	CONSUMPTION	STOCKS
1991	434.28	59.67	493.95	-
1992	371.79	153.17	524.96	•
1993	385.21	184.79	570.00	-
1994	303.87	256.13	560.00	-
1995*	384.20	244.40	560.00	68.60

*Provisional

**Source: Kenya Sugar Authority

EXPORTS OF FRESH HORTICULTURAL PRODUCE, 1991 - 1995

Table 8.17

YEAR	VOLUME '000 Tonnes	VALUE K£million
1991	50.6	84.6
1992	62.3	125.8
1993	62.4	233.6
1994	65.2	246.8
1995**	71.1	320.0

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

* * Provisional.

8.20. ***Horticulture:-*** Volume and value of the exported fresh horticultural produce increased by 9.0 per cent and 29.7 per cent, respectively in 1995, as indicated in Table 8.17. The improved performance of the sector was attributed to the efforts made by the private sector and measures taken by the government on incentives. Extensive export development programmes were initiated in 1995 by the Export Promotion Council (EPC) in conjunction with other agencies through trade fairs, seminars and workshops. However, there are still constraints to be addressed in areas of infrastructure, streamlining the Export Promotion Programmes Office for effectiveness, refunds of VAT which at the moment are reducing the ability of the exporters to finance cash purchases of produce.

8.21. **Pyrethrum**:- The production of pyrethrum (extract equivalent) decreased from 154.3 tonnes in 1994 to 121.9 tonnes in 1995 a decrease of 21.0 per cent This was attributed to poor crop husbandry and the continuous use of the same rootstock for long periods. The pyrethrum (extract equivalent) total value increase by 56.3 per cent from K£ 16 8 million in 1994 to K£ 21.9 million in 1995. This was attributed to higher demand of pyrethrin in the world market

8.22. **Sisal** :- Sisal production has been declining for the last three years recording a decline of 17.7 per cent in 1995 as compared to 1994 from 33.9 tonnes in 1994 to 27.9 tonnes in 1995. This is as a result of the introduction of synthetic packaging materials into the market.

Table 8.Σ8

	1990/91	1991/92	1992/93	1993/94	1994/95*
MWEA					
Area cropped - Hectares	5,802	5,815	5,846	5,882	5,878
Plot-holders-Number	3,240	3,240	3,240	3,242	3,242
Gross value of output-KÃ'000	5,668	8,083	7,388	11,845	13,842
Payments to plot-holders-KÃ'000	3,099	4,066	4,585	6,684	7,134
ALL (7) SCHEME AREAS-					
Area cropped-Hectares	9,365	9,867	8,635	8,910	8,957
Plot-holders-Number	7,688	7,676	7,099	7,109	7,269
Gross value of output-KÃ'000	8,256	10,103	10,385	15,986	16,988
Payments to plot-holders-KÃ'000	4,413	5,079	6,302	8,127	8,143
CROPS PRODUCED - Tonnes					
Mwea-Paddy	25,504	29,274	23,448	24,205	24,892
Ahero-Paddy	2,986	2,800	1,990	2,712	1,993
W.Kano-Paddy	3,890	2,546	2,303	2,997	1,726
Bunyala-Paddy	403	1,000	1,045	1,073	917
Total Paddy	32,783	35,620	28,786	30,987	29,528
W. Kano - Sugar-cane	-	-			
Tana-Cotton	-	-	-	-	
Bura-Cotton	1,678	926	-	-	
Pekera-Onions	1,630	1,152	1,914	997	1,298
-Chillies	368	157	226	160	122
-Cotton			117	75	120
Water Melon			524	264	344
Paw-paw			220	265	343

Provisional.

8.23. Irrigation: - The Irrigation Schemes in Kenya registered a marginal increase in area cropped in hectares by 0.6 per cent in 1995 over the previous year. The gross earnings from sales of the produce increased by 6.3 per cent. The net payment to plot-holders increased marginally by 0.2 per cent.

8.24. As shown in Table 8.18 above, the total paddy production declined in the year under review by 4.7 per cent The Western Kenya Irrigation Schemes recorded significant decreases. The West Kano Irrigation Scheme recorded the highest drop of 42.4 per cent. Ahero and the Bunyala Irrigation Schemes declined significantly by 26.5 per cent and 14.5 per cent respectively. The decline was attributed to the produced paddy finding its way to the market bypassing the National Irrigation Board (NIB) and thus not being reflected in Table 8.18. On the other hand, the Mwea Irrigation Scheme recorded a marginal increase in paddy production of 2.8 per cent. The Perkerra Irrigation Scheme recorded a significant increase in the production of onions, cotton and water melon by 30.2 per cent , 60.0 per cent and 30.5 per cent respectively. Production of chillies decreased by 23.8 per cent.

Livestock and Livestock Products

8.25. Data on milk intake, processing and sale of Livestock is provided in Table 8.19. The amount of milk handled by Kenya Co-operative Creameries (K.C.C) and private firms (processors) registered by the Kenya Dairy Board (K.D.B.) increased from 258 million litres in 1994 to 350 million litres in 1995, significantly rising by 35.7 per cent. This was due to more firms participating in milk processing, good weather and better producer prices.

Processed wholemilk and cream decreased from 204 million litres to 175 million litres while Butter and Ghee increased from 2,409 tonnes to 3,131 tonnes. Production of cheese increased by 11.9 per cent while that of dried skimmed milk powder and dried wholemilk powder increased by 46.3 per cent and 10.9 per cent, respectively. There was a recorded decrease in the production of other products by 4.6 per cent.

INTAKE AND SALE OF LIVESTOCK AND DAIRY PRODUCTS. 1991 - 1995

Table 8.19

	UNIT	1991	1992	1993	1994	1995 *
KENYA CO-OPERATIVE CREAMERIES						
Recorded Milk Intake * *	Mn. Litres	359	220	249	258	350
Milk Processed:						
Wholemilk and cream	Mn. Litres	321	207	234	204	175
Butter and ghee	Tonnes	3,479	3.143	2,394	2.409	3,131
Cheese	-	250	172	220	126	141
Dried wholemilk powder		975	656	784	2,237	2.480
Dried skim-milk powder	-	3,035	3,015	1.961	2,120	3,101
Other products		387	1,056	20	218	208
Livestock slaughtered	-					
Cattle and Calves	000 Head	969	921	980	991	1.067
Sheep and Goats	-	1.345	1,278	1.280	1,310	1,327
Pigs	-	83	81	88	91	91
KENYA MEAT COMMISSION						
Intake of:						
Cattle and Calves	000 Head	59	25	-	-	-
Sheep and Goats	-	6				

* Provisional.

* * Including sale licensed by the Kenya Dairy Board.

8.26. Cattle and Calves slaughtered in the country during the year 1995 depicted an increase of 7.7 per cent. Sheep and goats and pigs slaughtered increased by 7.4 per cent 2.2 per cent, respectively. Animal slaughtering at the Kenya Meat Commission is yet to be revived.

Agricultural Training

8.27. Enrollment into agricultural training institutions shows a significant decline in all the institutions: A total intake of 890 students in 1995 in all the institutions was recorded compared to 1,197 in 1994 a decline of 25.6 per cent. Bukura agricultural institute offering diploma courses recorded a decline of 17.5 per cent, while Embu and Kilifi in the certificate level recorded declines of 35 per cent and 16.5 per cent, respectively.

ENROLMENT IN AGRICULTURAL TRAINING INSTITUTIONS * , 1991 - 1995

Table 8.20 Number

	1991	1992	1993	1994	1995
DIPLOMA LEVEL					
Bukura Institute of Agriculture	-	105	102	114	94
CERTIFICATE LEVEL-					
Bukura Institute of Agriculture	400	400	-	-	
Embu Institute of Agriculture	200	200	201	200	130
Kilifi Institute of Agiculture	200	200	200	200	167
Animal Health & Industry Training Institutes-					
Kabete	186	322	157	181	110
Nyahururu	137	116	111	109	70
Ndomba	328	322	272	269	200
SHORT-TERM VOCATIONAL COURSES-					
Naivasha Dairy Training School	143	156	119	71	69
Athi River M.T. School	112	64	71	53	50

* Institutions under the Ministries of Agriculture and Livestock Development.

* * Provisional.

Enrollment into the animal health and industry training institutes also declined significantly with Kabete registering 39 per cent, Nyahururu 35.8 per cent and Ndomba 25.7 per cent. Naivasha Dairy training school and Athi river meat training school which offers short-term vocational courses recorded 2.8 per cent and 5.7 per cent decline in enrollment, respectively. The general decline observed in agricultural training institutions is attributed to the fact that a good number of the graduates from these institutions are not guaranteed formal employment by the Government.

Co-operatives

8.28. The co-operative movement plays an important role in agricultural production. The number of societies and unions as shown in the Table 8.21 has been increasing steadily. The total number of societies increase by 9.4 per cent from 6,276 in 1994 to 6,867 in 1995. The agricultural societies increased by 14.8 per cent, while the non-agricultural societies increased by 5.4 per cent. Unions recorded an increase of 5.2 per cent from 77 unions to 81 unions in 1995.

NUMBER OF SOCIETIES AND UNIONS BY TYPE, 1991 - 1995

Table 8.21 Number

TYPE OF SOCIETY	1991	1992	1993	1994	1995
Coffee	208	211	213	213	215
Sugar-cane	91	91	91	91	90
Pyrethrum	56	56	56	56	57
Cotton	81	82	82	82	78
Dairy	194	197	207	210	267
Multi-produce	971	1,038	1,111	1,123	1,131
Farm Purchase	212	212	221	221	429
Fisheries	64	66	67	68	69
Other Agricultural Societies	539	556	599	619	744
TOTAL	2,416	2,509	2,647	2,683	3,080
Savings and Credit	2,339	2,470	2,616	2,668	2,810
Other Non-Agricultural Societies	763	778	818	848	896
TOTAL	3,102	3,248	3,434	3,516	3,706
Unions	76	76	76	77	81
TOTAL	5,594	5,833	6,157	6,276	6,867

8.29. Table 8.22 shows the selected agricultural produce by co-operatives and their contribution to the gross farm revenue. The sale of coffee by societies recorded an increase of 3.4 per cent over the previous year, however, the percentage share to the gross farm revenue went down from 65.6 per cent in 1994 to 54 per cent in 1995. The sale proceeds from sugar-cane more than doubled from K£9.50 million in 1994 to K£21.90 million in 1995, representing a rise of 127.3 per cent over the previous year. The percentage share of sale of pyrethrum showed an upward trend while the dairy products showed a decline.

SALE OF SELECTED AGRICULTURAL PRODUCE BY CO-OPERATIVE AND THEIR CONTRIBUTION TO GROSS FARM REVENUE *. 1991-1995

Table 8.22

YEAR	COFFEE	SUGAR-CANE	PYRETHRUM	COTTON	DAIRY PRODUCTS	TOTAL
	Sale K£million					
1991	112.65	11.30	7.00	2.75	21.75	155.45
1992	119.50	7.50	9 45	1.25	46.70	184.40
1993	266.60	**15.00**	13.80	2.75	40.35	338.50
1994	399.20	9.50	18 63	1.22	35.40	464.45
1995 * *	412.90	21.90	19.70	**0.60**	36.90	491.00
	Percentage Share					
1991 .. .	61.50	10.52	66.00	88.00	33.00	59.00
1992	54.75	6.51	49.63	89.29	73.25	13.95
1993	69.28	9.46	59.52	85.00	41.53	15.66
1994	65.57	3.64	66.82	75.00	21.93	21.41
1995 * *	54.00	5.50	89.95		14.27	

* Marketed Production in Table 8.2.

** Provisional.

CHAPTER 9 - ENVIRONMENT AND NATURAL RESOURCES

Overview

In pursuit of human welfare, Kenya has realised the increasing need to ensure that development programmes and projects adopt strategies that use nature's resources sustainably. The country's continued commitment to environmental management has been illustrated by the inclusion of environmental considerations in the various policy papers and sectoral activities. This has called for increased participation of the Government, NGOs, private sector and donor agencies in environmental management activities. The integration of environmental issues into development programmes and in the country's planning process was underscored in the Seventh National Development Plan: 1994-1996, and will be issue of importance in the forthcoming National Development Plan in view of its importance as Kenya continues towards increased levels of industrialisation.

Water Supplies

9.1. The Government, through the Ministry of Land Reclamation, Regional and Water development, has continued to pursue the goal that all Kenyans have access to clean and safe drinking water within reasonable distance by the year 2010. Towards that end, the Ministry in 1995 continued to pursue development programmes with a focus on delivery, management and conservation. Integrated water management continued to be a major theme in the sector's development activities. Within the same period, initiatives towards development of both a Regional Authorities development policy and Irrigation Policy Paper were started.

9.2. Within the same time horizon, populations targeted to be served by organised water points will rise in the planned urban areas, from the current 95 per cent to 98 per cent, urban slum areas from 60.5 per cent to 70.3 per cent and the rural areas from 48.5 per cent to 54 per cent. The real level of use -and the quality of service for the various water supply infrastructure has not been determined.

9.3. Current performance assessment of the water sub-sector indicates that substantial progress has been made in the implementation of the Third National Water Supply Project, second Mombasa and Coastal Water Supplies, the Kirandich dam and the Kiambere-Kitui Water Supply, among others. The Third National Water Supply Project and the Kirandich dam, for example, are at their final stages of implementation while the Kiambere-Kitui water supply is expected to be completed by the end of 1997.

9.4. The Coastal water supply project has already sunk 10 bore-holes to augment the current supply, while over 400 water supply projects and more than 500 water schemes have either been rehabilitated or are at their final stages of rehabilitation.

QUANTITY AND VALUE OF FISH LANDED. 1991 - 1995

Table 9.2

	1991	1992	1993	1994	1995*
Quantities - Tonnes:					
Freshwater fish-					
Lake Victoria	186,366	151,216	174,829	193,652	190,009
Lake Turkana	1,078	1,543	871	1,125	974
Lake-Naivasha	299	238	109	75	204
Lake Baringo	130	255	37	7	68
Lake Jipe	107	112	101	117	112
Fish Farming	1,009	1,017	1,014	1,119	1,064
Other areas	2,109	1,676	1,895	1,866	2,028
TOTAL	191,098	156,057	178,856	197,961	194,459
Marine fish	6,434	6,276	3,823	4,138	5,286
Crustaceans	766	573	373	554	657
Other marine products ..	264	345	141	312	288
GRAND TOTAL	198,562	163,251	183,193	202,965	200,690
Value - K£ '000:					
Freshwater fish	83,306	162,277	180,446	185,927	164,416
Marine fish	3,765	5,914	4,807	9,088	9,713
Crustaceans	3,019	3,108	2,829	3,370	3,662
Other marine products	536	850	202	211	221
TOTAL	90,626	172,149	188,284	198,596	178,012

* Provisional.

Source : Fisheries Department

9.12. Other fish sources showed varying levels of decline ranging from negative 4.3 per cent (Lake Jipe) to negative 13.4 per cent (Lake Turkana). Lake Turkana largely depends on water from Ethiopia for recharge and has had pronounced variations in water levels due to the variability in climatic conditions. This had adverse implications in breeding grounds as the falling water levels tended to increase salinity and turgidity, hence affecting the Lake's tilapia abundance.

9.13. The value of fresh water fish dropped by 11.6 per cent from 185.9 thousand pounds in 1994 to 164.4 thousand pounds in 1995, while the value accrued from the sale of marine products increased by an average of 7.8 per cent over the same period. The effect of the increase on the total marine fish value was, however, insignificant due to its small contribution to overall fish production.

9.14. The continued poor performance of the fishing sub-sector can be mainly attributed to high cost of credit, inadequate marketing outlets and inefficient technologies. To revitalise the sub-sector therefore, the Fisheries Department should undertake to study the fisheries sector with a view to streamline its activities. Similarly, the performance of fishermen co-operative societies continued to record dismal performances, further calling for rejuvenation of their activities.

Forestry

9.15. The contribution of the forest sector towards the overall economic development is well recognised as evidenced by the launching of the Kenya Forestry Policy and the Forestry Master Plan. Forest management, control and regular re-stocking are some of the measures that the Government has taken in its efforts to abate environmental degradation. Despite undertaking these collective measures, the performance of the sector remained dismally low, mainly due to pressure on forest land for agriculture, human settlements, industries and development of infrastructures. These competing uses also have adverse effects on long term sustainability of forest resources and general loss of biodiversity.

9.16. The declining trend in acreage under forest plantation was slightly reversed in 1995 where the overall growth increased from 155.0 thousand hectares in 1994 to 155.1 thousand hectares in 1995. This was, however, still much lower than the 164.9 thousand hectares mark recorded in 1991. In spite of the stable performance of the sub-sector during 1994/95, not much has been achieved in increasing forest plantation area. Plantation areas under indigenous soft and hardwood were the most vulnerable to changes, recording negative growths of 37.8 and 38.5 per cent, respectively, in 1995 compared to negative 21.1 and 1.3 per cent the previous two years.

FOREST PLANTATION AREA, 1991 1995

Table **9.3** **'000 Hectares**

Type of Forest	1991	1992	1993	1994	1995*
Indigenous softwood	11.8	8.6	5.7	4.5	2.8
Indigenous hardwood	6.4	8.1	7.7	7.8	4.8
Exotic softwoods-					
Cypress	78.4	74.5	74.3	71.8	70.9
Pines	54.2	54.2	53.3	53.6	53.9
Exotic hardwoods-					
Timber	4.6	5.1	6.8	6.9	9.2
Fuel	9.5	9.0	11.8	10.4	13.5
TOTAL AREA	164.9	159.5	159.6	155.0	155.1

*Provisional.

Source : Ministry of Environment and National Resources

9.17. In 1995, the overall level of forest plantations area stabilised at the 1994 level mainly due to the steady growth in exotic hard woods (timber) plantations and the recovery of fuel wood plantation area from a negative growth of 11.9 per cent in 1994 to a substantial growth of 29.8 per cent recorded in 1995. This is attributed to reduced felling of these trees and marked planting programmes in the year.

Although plantation areas for timber and fuel-wood species substantially increased in 1995, the industrial plantation species were not equally restocked due to the lack of production-oriented management and over-utilization by paper and milling industries. This may also imply that sizeable forest excision occurred for settlements and agriculture.

CHANGES IN PLANTATION AREA, 1991 - 1995

Table 9.4 '000 Hectares

	1991	1992	1993	1994	1995*
Previous Plantation Are	169.0	164.9	159.5	159.6	155.0
Area Planted	3.6	3.6	4.2	3.6	4.2
Total	172.6	168.5	163.7	163.2	159.2
Area Clear felled	7.7	9.0	4.1	8.2	4.1
Total Area	164.9	159.5	159.6	155.0	155.1

* Provisional

Source : Ministry of Environment and Natural Resources.

9.19. Presented in Table 9.5 are the quantities of forest products sold during the period 1991-1995. The sale of most forest products maintained an upward trend through 1995. The sale of hardwood and veneer logs registered the highest growth rates of 26 and 26.6 per cent, respectively, which calls for increased monitoring to avoid over-exploitation. The continued negative growth recorded in the sales of pulpwood and fuel/charcoal on the other hand, could be attributed to their growing prices coupled with the ban imposed on their sale. Sale of power and telegraph poles grew steadily over the period rising from 36,830 poles in 1994 to 37,934 poles in 1995.

RECORDED SALE OF FOREST PRODUCTS, 1991 - 1995

Table 9.5

Forest Product	1991	1992	1993	1994	1995*
Timber - '000 true cu. metres-					
Soft wood	430.0	545.0	569.9	625.1	685.7
Hardwood	2.0	4.0	5.0	5.0	6.3
TOTAL	432.0	549.0	574.9	630.1	692.0
'000 stacked cu. metres-					
Peels/Veener logs/Plywoods	80.0	82.0	103.8	110.0	139.3
Pulpwood/Paper production	355.0	321.0	263.0	228.0	197.7
Fuelwood /Charcoal	215.0	37.0	35.0	34.3	33.6
Power &Telegraph Poles Numbers	33,800	34,765	35,808	36,831	37,935

* Provisional.

Source : Ministry of Environment and Natural Resources.

9.20. Aware of the above mentioned problems the Government is considering strategies to implement the Kenya Forestry Master Plan, the Kenya Forest Policy and recommendations carried in the National Environment Action Plan (NEAP). Community education, awareness and Species Production have continued to be key considerations in the sector.

Mining

9.21. The Department of Mines and Geology in 1995 continued to pursue the goal of ensuring that the country derives maximum benefits from its mineral resources through rational exploitation of the resources while occasioning minimum environmental degradation. Mineral resources play a significant role in the country's economy and

are used as basic raw materials in the industrial sector involving, chemical, building and construction, agriculture, ceramics, metals and engineering, gemstones and jewellery. Those of economic importance include soda ash from lake Magadi, flourspar from Kerio Valley, and limestone from Mombasa and Athi River.

9.22. Table 9.6 presents the quantity and value of selected minerals for the period 1991 to 1995. Total mineral production increased by a smaller margin of 1.3 per cent in 1995 as compared to 4.4 per cent during the previous period, while the corresponding value declined substantially by 16.8 per cent. This deteriorating trend in both mineral production and value is reflected across all minerals except for the category classified as "Others"

QUANTITY AND VALUE OF MINERAL PRODUCTION, 1991 - 1995

Table 9.6

Mineral	1991	1992	1993	1994	1995*
Quantities - Tonnes:					
Minerals-					
Soda Ash	219,500	181,330	216,890	224,200	218,450
Fluorspar	77,402	80,360	78,725	89,155	74,230
Salt	72,449	72,494	74,669	75,757	73,484
Limestone Products**	32,017	30,656	30,349	30,469	29,574
Other	39,963	40,150	40,553	40,934	70,883
TOTAL	441,331	404,990	441,186	460,515	466,621
Value - K£ '000					
Soda Ash***	42,453	48,425	69,514	88,299	69,652
Fluorspar***	7,849	8,117	14,000	13,422	13,076
Salt	4,057	4,426	5,400	5,644	5,475
Limestone Products	1,394	1,449	1,536	1,483	1,439
Other	1,979	5,029	2,090	2,129	2,658
TOTAL	57,732	64,446	92,540	1 10,977	92,300

Source : Department of Mines and Geology

*Provisional.

**Excluding limestone used as input into cement product.

***Including Export Value.

9.23. For the first time since 1992, production of soda ash dropped by 2.6 per cent after registering impressive performances of 19.6 per cent and 3.4 per cent in 1993 and 1994 respectively. This could partly be as a result of reduced demand reflected in the declining export prices shown in Table 9.7. , however, it still accounted for more than 46.8 per cent of the total mineral production and 75.5 per cent of overall earnings.

AVERAGE EXPORT PRICES OF SODA ASH AND FLUORSPAR, 1991-1995

Table 9.7 K£ per tonne

Mineral	1991	1992	1993	1994	1995*
Soda Ash	191.70	235.29	375.95	421.17	333.00
Fluorspar	111.50	108.46	181.73	191.91	176.00

*Provisional

9.24. Fluorspar mining performed equally badly as its production and value dropped by 16.7 per cent and 2.6 per cent respectively. The marked decline, particularly of the fluorspar production, was as a result of the restructuring of the company's operations which began in 1993 and the general world recession for fluorspar products.

9.25. Table 9.7 shows average export prices of soda ash and fluorspar for the period 1991-1995. During 1995, export prices of the two products fell by an average of 14.6 per cent after maintaining an upward trend since 1992. This trend could imply falling prices in the world market and increased competition from close substitutes world-wide.

9.26. In addition and taking note of the environmental effects of minerals at both exploration and exploitation stages, the Government, through the Mines and Geology Department of the Ministry of Environment and Natural Resources reviewed the mining Act in 1995. Similarly, the Regional Survey and Research Station of the Department continued with the mapping and up-dating mineral exploration.

Wildlife Conservation

9.27. Wildlife management protection and conservation are some of the key development challenges in the country today. The country's tourism industry accounts for about 36.0 per cent of Kenya's foreign exchange earnings and is largely dependent on wildlife. It is for this reason that the Government and donor organisations have continuously channelled enormous resources towards the operations of Kenya Wildlife Services (KWS) with the objective of increasing the efficiency in wildlife management and its conservation.

9.28. Kenya Wildlife Services has an overall mandate for wildlife conservation and management. The Department of Resource Surveys and Remote Sensing (DRSRS), in liaison with KWS, continued to play an increasing role in wildlife surveys and the development of a comprehensive data base. Through donor support, both KWS and DRSRS, have continued to build their capacity in the wildlife sector and monitoring of land degradation.

9.29. In 1994, DRSRS on behalf of KWS, carried a major study on wildlife populations, which had been triggered by the increased wildlife-human conflict. The study culminated in the 1995 KWS four main studies on land use policies, wildlife utilisation, tourism strategies and pricing, and the legal study. The four studies, concluded in 1995, underlined the need to introduce increased user rights to land owners in wildlife areas as well as the need to review the legislative framework towards

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increased community based wildlife management conservation. This was prompted by the acknowledgement that protected areas alone are inadequate for effective wildlife management and conservation.

9.30. In addition to maintaining a dynamic database relating to wildlife and national land degradation status, the Department of Resource Surveys and Remote Sensing generates statistics on vegetation types and cover, erosion status, settlement patterns and agricultural activities, among others. Recent data from the Department reveals a grave situation where agricultural land in high potential areas and productivity per unit area is declining. Similarly in Arid and semi-arid areas agricultural land is increasing but production per unit area is declining mainly due to their aridity. This also has implications of wildlife areas being lost to other land uses.

9.31. Table 9.8 summarises the status of wildlife population within the Kenya rangelands between 1991 and 1995. The overall wildlife population increased from 979.9 thousand in 1994 to 1,047.1 thousand in 1995. This was, however, lower than the 1993 and 1992 levels.

WILDLIFE POPULATION IN THE KENYA RANGELANDS, 1991 - 1995

Table 9 8 '000 Number

SPECIES	1991	1992	1993	1994	1995*
Elephant	17.0	19.2	20.0	21.1	21.2
Buffalo	48.2	51.1	33.2	35.4	35.8
Giraffe	60.5	59.3	58.7	55.1	52.2
B. Zebra	215.1	197.0	212.7	198.2	208.2
G. Zebra	7.0	7.2	6.0	6.3	5.1
Top	112.3	107.7	103.5	98.7	90.0
Kongoni	24.7	26.0	23.5	24.6	25.0
Wildebeest	114.2	120.1	186.4	115.5	173.0
Oryx	43.5	35.6	34.2	34.6	34.2
Eland	38.4	32.5	16.7	20.7	19.0
H. Hartbeest	2.9	2.6	2.2	1.8	0.9
Waterbuck	5.5	6.7	6.1	6.0	6.1
Kudus	15.9	14.1	13.2	11.3	11.8
Gerenuk	22.5	24.4	24.3	22.1	22.3
Impala	102.3	1 10.8	85.7	90.4	102.0
G. Gazelle	208.6	188.0	113.3	121.9	122.1
T. Gazelle	96.0	89.2	53.5	64.1	65.1
Warthog	27.1	21.9	21.8	18.0	19.1
	43.8	36.7	36.2	34.1	34.0

Source : DRSRS

* Provisional

9.32. The positive growth in Elephant, Buffalo, Kongoni, Impala, and Thompson's Gazelle populations which started in 1993 continued over the two years running. The notable increase of Wildebeest population in particular could be attributed to the "great migration" from the Serengeti National Park and other adjoining habitats due mainly to draught conditions. The other animal species, notably; G. Zebra, Giraffe, Topi, Oryx and Eland depicted marked declines which could be mainly attributed to increasing human activities, habitation loss and/or over-exploitation.

9.33. Other key organisations that played a leading role in the management and conservation of wildlife in Kenya included the International Union of Conservation of Nature (IUCN), African Wildlife Foundation (AWF), World Wide Fund (WWF), World Conservation International (WCI). In 1995, United Nation Environment Programme (UNEP) under the UNEP/UNDP joint project on East African Sub-region Project initiated studies that include the review of development and harmonisation of wild life laws in the East African countries among other activities.

9.34. Wildlife viewing alone accounts for about 70 per cent of Kenya's tourism market and slightly more than 35 per cent of the country's foreign exchange earnings. Due to the sectors importance, KWS in 1995 continued to strengthen its wildlife management and conservation programmes by adopting an integrated approach to their development under Community Wildlife Service Unit. The results of these programmes and those from other partner organisations are further expected to influence future wildlife policies, management and conservation strategies.

9.35. The East African Wildlife Society (EAWS) has since its inception in 1956 continued with its goal of promoting wildlife conservation and the environment in general. The Society has continued to implement various advocacy, educational, and field projects. In 1995 the Society undertook and supported the Tana Delta Environmental Awareness Programme, the Taita Hills Biodiversity Conservation Project, the Environmental Conservation Alliance while plans are under-way to initiate research on other topical environmental issues. A case in point is the Species Monitoring of the Hunters Hartebeest whose relic national population is barely 300 and faces the threat of extinction. By the end of 1995, the Society's overall development expenditure on environmental issues was slightly over US$101,511 and covering a total of 34 projects.

Refuse Management

9.36. The management of both liquid and solid wastes is considered an important determinant of human welfare as it plays a central role in reducing the incidence of life- and health-threatening refuse-related diseases. It is for this reason that the Government, through the local authorities, has constantly been monitoring the rate and composition of garbage generation with a view to assessing the population at risk from refuse-related diseases.

9.37. In most urban centres and particularly Nairobi, Mombasa, Nakuru, Kisumu, Eldoret and Nyeri, industrial and domestic waste management has remained a very serious environmental problem. This situation has to be corrected as the country continues with its industrialisation process and if sustainable development is to be achieved. This deplorable paradox is a consequence of a number of factors, notably; inadequate, financial resources, insufficient refuse storage facilities, inadequate distribution of disposal vehicles, tipping sites and low participation by both individuals and private companies in solid waste management.

9.38. The daily refuse collection by Nairobi City Council and private collectors in Nairobi for example is merely 500 metric tons, representing about 55 per cent of the total solid waste generated. About 10 per cent of the total solid waste generated is disposed off by private collectors who are licensed and regulated by the council. This leaves more than 400 metric tons of uncollected garbage out of which 75 per cent is biodegradable and generated within the residential areas. This therefore calls for increased and active private sector participation in waste management.

9.39. Of striking concern moreover, is the amount of accumulated garbage particularly in residential areas and the limited number of refuse management facilities. In 1995, for instance, Nairobi City Council, had over 180 thousand domestic dustbins, 447 standard container bins, 79 bulk bins, 100 built refuse cubicles, 18 refuse vehicles, 13 side loaders, 2 bulk bin vehicles, 3 high ratio compactors and 1 tractor shovel to service a population of between 2 and 2.5 million people. Whereas these facilities are barely sufficient to curb the ever increasing rate of refuse accumulation, the low share of public health budget allocated to refuse removal and the rising operational and maintenance costs are some of the causal factors for this paradox.

9.40. Table 9.9 summarises approved expenditure on refuse management by the Nairobi City Council over the financial years 1991/92 to 1995/96, After registering impressive growth rates of 32.7 per cent and 13.8 per cent over the financial years 1993/94 and 1994/95 respectively, and in spite of the increasing rate of solid waste accumulation, total expenditure on garbage removal declined from K£ 1,117.2 thousand in 1994/95 to K£ 1,022.2 thousand in 1995/96.

EXPENDITURE ON PUBLIC HEALTH BY THE NAIROBI CITY COUNCIL, 1991/92 - 1995/96

Table 9.9 K£ 000

	1991/92	1992/93	1993/94	1994/95	1995/96 *
Cleaning and Administration	3,252.7	4,455.8	5,074.9	1,330.8	1,492.8
Cleaning - General	581.4	796.5	906.8	6,349.8	6,111.9
Refusal Removal	539.8	739.5	841.9	1,117.2	1,022.2
Conservancy	2.4	3.3	3.8	74.6	14.3
Total	4,376.3	5,995.1	6,827.4	8,872.4	8,641.2

Source : Nairobi City Council

Provisional

9.41. The fall in funding does not, however, imply that other corrective measures were not undertaken by the Council as it has, for example, continued to play a regulatory role. Recycling and re-use of waste material is currently being undertaken by private companies under licence by the Council. This is in addition to the establishment of a Resource Recovery Section under the on-going re-structuring programme of the Nairobi City Council. Along side this, the Council is planning to strengthen its common fund through instituting a waste management differential Sewage Service Charges. This fund will enhance the financing of solid waste management activities.

Resource Assessment and Monitoring Activities

9.42. The private sector contribution to the environment and natural resources sector in the country continued to be recognised in 1995. The International Council for Research in Agroforestry (ICRAF) for example continued to play an increasing role in research geared towards alleviating desertification. A number of workshops on agroforestry development were organised by the centre.

9.43. In recognition of the importance of integrating environmental concerns in the development process and in the spirit of the Rio Summit and the current National Development Plan, the Government through MENR in 1995 initiated the preparation process of the Sessional Paper on Environment and Development. Similarly, the ministry embarked on the development of strategies to implement the National Environment Action Plan (NEAP), the Kenya Forestry Master Plan and the Kenya Forest Policy. In addition, the decentralisation of National Environment Secretariat (NES) activities to the district level continued. This is being closely followed by the establishment of the District Environment Committees. Other major activities undertaken by NES in 1995 and in close liaison with the Environment and Natural Resources Division of the Office of the Vice President and Ministry of Planning and National Development, include training of officers in environmental economics and accounting, resource management and the launching of Global Environment Fund (GEF) institutional support project for the protection of biodiversity in East Africa. NES's activities were also spread to environmental issues facing the Lake Victoria ecosystem, its catchment fringing wetlands, and the fisheries in the riparian communities.

9.44. In an attempt to combat the Ozone Depleting Substance (ODS) under the Montreal protocol, NES, in 1995, carried out a number of related activities including, setting out an ozone office in the MENR under the Institutional Strengthening project. In addition to successfully formulating action-plans and strategies preceding the phase-out action, the ozone office has also been involved in creating public awareness and sensitising people on ozone layer and the dangers of global warming. During the same period, the Department was designated as the national focal point for the implementation of the provision of the convention to Combat Desertification and Drought (CCD).

9.45. Following the launching of the National Environmental Action Plan (NEAP) in 1995, MENR has continued to seek to integrate environmental considerations into the national social and economic development initiatives. Through the NEAP office in the Ministry, activities were initiated in the preparation of EIA guidelines, environmental standards and institutional arrangements for environmental management.

9.46. United National Education Scientific and Cultural Organisation's (UNESCO) Programme continued to support environmental conservation and management activities in the country. This is exemplified by launching of various ecological studies and related life sciences. In 1995, UNESCO also supported a number of Kenyan scientists to participate in various remote sensing, marine biodiversity and strategy workshops.

9.47. During 1995, UNESCO initiated a network of research and development on biodiversity conservation on indigenous medicinal plants and food production activities. It also created a link between the Synergy effects of the biodiversity reserves conservation in Anglophone Africa (BRAFF) and the Amboseli Reserves in Kenya, Manyara Reserves in Tanzania, Queen Elizabeth Reserves in Uganda, Omo Reserves in Nigeria and Bia Reserves in Ghana.

9.48. Alongside these activities, the Organisation made major advances on the potential of the avocado fruit for cottage industry and on the relevance of insect study to Africa's agricultural potential. Over the same period, the non-timber plants of the arid and semi-arid lands of Eastern and Southern Africa was extensively studied, and a bibliography of over 300 titles on the subject has been produced. Further work on sustainable resource use is also being assessed in these ecosystems.

9.49. In Marine Sciences, UNESCO supported workshops on applied remote sensing on marine and coastal studies, Inter-Government Oceanographic Commission (IOC) and Marine Biodiversity Programme. The latter programme was directed to the National Museums of Kenya and cost the organisation US$7,200.

9.50. The Regional Development Authories main activities have been in the promotion of catchment conservation and rehabilitation of the regions under their jurisdiction. These activities have been implemented through a multi-disciplinary approach involving technical officers from respective Government departments, local leaders, NGOs and local communities; and encompass several rehabilitation interventions, including; agronomic measures, agroforestry/afforestation environmental awareness and flood control.

9.51. In their rehabilitation and conservation process, the Authorities initiate cross sectoral projects/programmes including water resource development programmes. Such projects deals basically with underground water resources and provision of clean and safe drinking water through sinking of bore-holes, wells and protecting springs.

9.52. The Lake Basin Development Authority in particular, carried out an integrated feasibility study on river Nyando basin. Pertinent issues mainly addressed by the Authority include large amounts of semi-treated industrial and domestic discharges on river Nyando, high soil-erosion suspended and BOD_5 levels, and the ever increasing phytoplanton population leading to sediments and algal blooms.

9.53. Emerging issues from a survey conducted on industrial waste treatment plants revealed wide variations in BOD_s levels ranging from 120 mg/1 for Mumias Sugar Company to 3,600 (mg/1) for Miwani Sugar Company. It was also found that most of the municipalities did not have waste treatment works resulting to having very high BOD_5 levels of 400 (Kakamega) and 420 (Eldoret). Poor management and insufficient maintenance of the waste treatment plants are some of the reasons given for the municipality's environmental deterioration.

9.54. In 1995 the Government through MENR continued to participate in international conferences on environment. These include the 18th Sessions of UNEP Governing Council, Africa Ministerial Conference on the Environment (AMCEN) and the conservation of Biological Diversity Conference.

CHAPTER 10 - ENERGY

Overview

The Organisation of Petroleum Exporting Countries (OPEC) held several meetings in 1995 and maintained the production ceiling of 24.52 million barrels per day and similar quotas allocated to each member country. At the same time, OPEC which possesses 75 per cent of world oil reserves and produces 40 per cent of world crude oil persuaded the non-OPEC members to share the burden of stabilising the oil market. Non-OPEC members aware of the production capacity of OPEC and fearing the repeat of 1986 crude oil price crash are showing positive signs of co-operation. During the year under review, crude oil prices averaged between $15.40 and $19.75 per barrel.

10.2. After the liberalisation of petroleum sub-sector in October, 1994, the responsibility of planning and supplying of petroleum products was shifted to oil marketing companies. However, the oil marketers found it cheaper to import refined petroleum products rather than crude petroleum. Consequently, this resulted in shortage of liquified petroleum gas. Despite the low prices of oil in the world market, the companies increased prices frequently due to Government taxes, changes of crude oil prices and stabilisation of profit margins by the companies after recovering their costs during the year under review.

10.3. The installation of a power generator at Moi International Airport increased the national installed capacity marginally. Electricity generation from hydro, thermal and geothermal power stations recorded a modest increase of 6.0 per cent in 1995.

Petroleum

10.4. The country depends on imported petroleum for domestic use and re-exports. The government went further and liberalised the sub-sector in October, 1994 to give way to market forces to determine fuel prices.

10.5. Table 10.1, presents the quantity and value of imports and exports of petroleum products. The quantity of crude petroleum imported into the country declined from 2,173.2 thousand tonnes in 1994 to 1,680.3 thousand tonnes in 1995; a decline of 22.7 per cent. Imports of refined petroleum fuels went up by 129 per cent, while those of lubricating oils rose by 50.8 per cent and lubricating grease increased from 0.85 thousand tonnes in 1994 to 4.54 thousand tonnes in 1995. The decline in the quantity of imported crude petroleum and the rise in the quantity of imported refined petroleum products is attributed to the liberalisation of the petroleum sector and the high cost of refining crude oil locally. Overall, the quantity of petroleum (crude and refined) imported in the country declined from 2,504.73 thousand tonnes in 1994 to 2,429.41 thousand tonnes in 1995. However, the import bill of petroleum products went up by 7.0 per cent in 1995 as a result of depreciation of the Kenya Shilling against the world trading currencies.

QUANTITY AND VALUE OF IMPORTS AND EXPORTS OF PETROLEUM PRODUCTS, 1991 - 1995*

Table 10.1

	Quantity (000 Tonnes)					Value(K£ Mn)				
	1991	1992	1993	1994	1995**	1991	1992	1993	1994	1995**
IMPORTS:										
Crude Petroleum	2,059.38	2,235.26	2,274.24	2,173.16	1,680.33	441.71	549.39	946.53	720.38	579.63
Petroleum Fuels	35.14	92.97	311.07	314.27	719.73	18.32	34.68	230.80	143.11	334.70
Lubricating Oils	19.63	34.43	41.58	16.45	24.81	17.32	24.31	45.19	25.20	31.88
Lubricating Greases	0.24	0.08	0.47	0. 85	4.54	0.87	0.33	2.14	2.17	6.50
TOTAL	2,114.39	2,362.74	2,627.36	2,504.73	2,429.41	478.22	608.71	1,224.66	890.86	952.71
EXPORTS:										
Petroleum Fuels	635.17	642.84	600.73	447.34	367.10	255.41	209.86	336.34	254.00	218.27
Lubricating Oils	7.11	6.40	6.55	6.31	8.71	9.35	9.34	15.90	15.93	20.49
Lubricating Greases	0.32	0.19	0.24	0.20	0.28	0.58	0.37	0.63	0.98	0.11
TOTAL	642.60	649.43	607.52	453.85	376.09	265.34	219.57	352.87	270.91	238.87
NET BALANCE	1,471.79	1,713.31	2,019.84	2,050.88	2,053.32	212.88	389.14	871.79	619.95	713.84

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

* * Provisional

10.6. Exports of petroleum products which is normally to the neighbouring countries went down by 17.1 per cent. This is because of low demand of products from Kenya by the neighbouring countries due to discoveries of other sources. Subsequently, export earnings from petroleum products declined to K£238.8 million in 1995 from K£ 270.9 million in 1994, a decline of 11.8 per cent.

10.7. Crude oil intake at the refinery by type is shown in Table 10.2. As the country completed the first year after liberalisation, crude oil intake at the refinery went down by 11 per cent. This is attributed to the effects of liberalisation and high cost of refining crude oil at the refinery. As a result, oil marketing firms tend to import more refined oil products than crude as witnessed by temporary closure of the refinery in mid- March due to shortage of crude oil. Although Murban from United Arab Emirates continued to dominate total refinery intake, its quantity declined by 51.4 per cent in 1995. The intake of Iranian Heavy into the refinery fell by 81.7 per cent. However, Reconstituted Crude and Zakum increased by three times and about eight times, respectively. On the other hand, Arabian Heavy and Kuwait brands of crude were imported after several years of absence from the refinery.

10.8. The refinery output of finished petroleum products which started falling in 1993 declined further from 2,057.9 thousand tonnes in 1994 to 1832.1 thousand tonnes in 1995. This drop of 11.0 per cent as shown in Table 10.3 is attributed to low crude oil intake by the refinery and cost of refined crude oil locally. Notable declines in refinery output were registered in the output of motor premium gasoline (7.3 per cent), regular motor gasoline(6.8 per cent), jet fuel (11.1 per cent), light diesel oil (13.4 per cent) and fuel oil (21.1 per cent). Output of marine diesel oil and bitumen registered significant increase of 27.2 and 33.7 per cent, respectively in 1995. Although there was a severe shortage of liquified petroleum gas (LPG) especially in the first half of 1995, output from the refinery went up by 9.2 per cent during the year under review. The shortage of LPG was partly due to, the lack of crude oil at the refinery, delays in transportation from Mombasa to up country stations and increased demand of cooking gas due to urbanisation.

CRUDE OIL INTAKE AT THE REFINERY BY TYPE, 1991 - 1995

Table 10.2 '000 Tonnes

Crude intake	A.P.I. Gravity	1991	1992	1993	1994	1995 *
Arabian Light	33.4			111.8		-
Arabian Medium	31.0	-	-	50.0		-
Arabian Heavy	27.9	76.5		-		29.3
Arabian Light Berri	-			-		
Iranian Light	33.9	50.5		50.1		
Iranian Medium	-	139.7		-		-
Iranian Heavy	-	-	267.2	127.9	176.9	23.4
Qatar Marine	36.7	-		-		
Qatar Durkhan	41.2	-		-		-
Kuwait	32.0			-		59.7
Zakum	40.1	249.0	230.4	325.3	81.0	638.7
Murban	39.6	1,561.9	1,732.7	1,304.3	1,719.5	835.0
Dubai	32.4				-	-
Reconstituted crude**				122.8	80.5	244.0
Oman	-					-
Marib Light						-
Slop			0.3			2.0
TOTAL		2,077.6	2,230.6	2,092 2	2,057.9	1,832.1

* Provisional.

* * Reconstituted crude was imported for the first time 1993.

FINISHED PETROLEUM PRODUCTS * * 1991 - 1995

Table 10.3 '000 Tonnes

	1991	1992	1993	1994	1995 *
OUTPUT-					
Liquefied petroleum gas	26.4	28.3	27.4	29.5	32.2
Motor gasoline premium	145.8	161.0	153.0	164.4	152.1
Motor gasoline regular	182.3	186.9	176.4	164.1	153.0
Illuminating kerosene and					
Jet turbo fuel	420.5	454.7	425.9	421.1	374.4
Light diesel oil	512.1	553.8	500.3	516.2	446.8
Heavy diesel oil and					
Marine diesel oil	29.9	26.4	29.2	22.4	28.5
Fuel oil	391.7	437.3	499.6	491.4	387.7
Export residues	256.7	233.4	164.1	138.2	139.1
Bitumen	24.0	26.5	9.4	19.6	26.2
Intermediates	-3.8	3.0	5.6	-5.7	-0.6
Refinery usage	91.9	119.4	101.3	96.7	92.7
THROUGHPUT=TOTAL OUTPUT	2,077.5	2,230.7	2,092.2	2,057.9	1,832.1

* Provisional.

** Excludes lubricants.

10.9. Petroleum supply and demand balance of petroleum products is depicted in Table 10.4. Overall, the total domestic demand for petroleum products rose by 2.6 per cent, from 2,105.5 thousand tonnes to 2,159.2 thousand tonnes in 1995. Demand for motor fuels went up by 7.5 per cent as a result of large number of second hand vehicles imported in the country and increased fleet of Passenger Service Vehicles during the year under review. The demand for illuminating kerosene went up from 173.1 thousand tonnes to 243.1 thousand tonnes in 1995. This can be attributed to the increasing household demand and the rehabilitation of one of the Kipevu thermal generation engines which uses kerosene. Demand for liquefied petroleum gas went up by 9.9 per cent while that of aviation spirit

and jet fuel declined by 20.8 per cent and 8.6 per cent, respectively. This was attributed to decline in relief flights missions to Rwanda and Somalia. Similarly, demand for heavy diesel oil and fuel oil both used by manufacturing firms declined, in 1995.

PETROLEUM SUPPLY AND DEMAND BALANCE, 1991 - 1995

Table 10.4 '000 Tonnes

	1991	1992	1993	1994	1995 *
DEMAND-					
Liquefied petroleum gas	25.0	27.4	25.1	28.4	31.2
Motor spirit (premium and regular)	339.3	346.8	352.0	352.2	378.7
Aviation spirit	6.8	7.7	8.5	7.2	5.7
Jet/turbo fuel	253.5	312.5	342.8	474.4	433.7
Illuminating kerosene	174.5	175.1	164.8	173.1	243.1
Light diesel oil	559.9	571.1	554.2	539.8	603.1
Heavy diesel oil .	30.5	27.9	23.0	24.3	23.5
Fuel oil	365.6	370.9	355.9	409.4	347.5
TOTAL	1,755.1	1,339.4	1,826.3	2,008.8	2,066.5
Refinery usage	91.9	119.4	101.9	96.7	92.7
TOTAL DOMESTIC DEMAND	1,847.0	1,958.8	1,928.2	2,105.5	2,159.2
Exports of petroleum fuels	635.2	642.8	600.7	447.3	367.1
TOTAL DEMAND * *	2,482.2	2,601.6	2,528.9	2,552.8	2,526.3
SUPPLY-					
Imports:					
Crude oil	2,059.4	2,235.3	2,274.2	2,173.2	1,680.3
Petroleum fuels	35.1	93.0	311.1	314.3	719.7
TOTAL	2,094.5	2,328.3	2,585.3	2,487.5	2,400.0
Adjustment***	387.7	273.4	56.6	65.3	126.3
TOTAL SUPPLY*	2,482.2	2,601.7	2,641.9	2,552.8	2,526.3

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

10.10. Table 10.5 shows the net domestic sale of petroleum fuels by consumer category. Overall, the consumption of petroleum fuels went up by 2.9 per cent, from 2,008.9 thousand tonnes in 1994 to 2,066.5 thousand tonnes in 1995. The transport sector (Rail, Road, Marine and Aviation) was the largest consumer of petroleum fuels (74.2 per cent). Road transport recorded consumption increase of 16.7 per cent in 1995 compared to 1.2 per cent in 1994. The major factor which can be attributed to the increase in consumption by transport sector is the large number of second hand vehicles imported in the country and increased fleet of Passenger Service Vehicles during the year under review. Sales to rail transport went down from 18.2 thousand tonnes in 1994 to 15.7 thousand tonnes, due to competition from the road transport. Sales to agricultural, industrial and commercial sectors registered small declines in consumption of petroleum products due to liberalisation of the economy and subsequently, importation of cheap agricultural and manufactured products into the economy. Other decreases, in consumption were recorded in Tourism and Marine sectors. Sales to power generation went up by 62.5 per cent. This is due to rehabilitation of some of the power diesel engines at Kipevu power station and the new generator installed at Moi International Airport. Similarly, sales of Petroleum fuels to public sector went up marginally.

NET DOMESTIC SALE OF PETROLEUM FUELS BY CONSUMER CATEGORY, 1991 - 1995

Table 10.5 000 Tonnes

User	1991	1992	1993	1994	1995 *
Agriculture	55.7	64.9	70.7	83.9	81.9
Retail pump outlets & road transport	857.1	977.4	870.0	880.1	1,027.1
Rail transport .	38.8	30.6	32.5	18.2	15.7
Tourism * *	11.7	12.5	12.3	12.7	8.4
Marine (excl. Naval Forces)	128.1	139.7	165.9	137.2	55.1
Aviation (excl. Government)	253.7	314.2	355.0	475.8	434.8
Power Generation	35.0	38.2	41.5	58.4	94.9
Industrial, Commercial and Other	454.4	453.5	407.9	442.8	408.9
Government	44.1	45.3	36.3	36.9	37.2
Balancing Item	-123.5	-236.8	-165.9	-137.1	-97.5
TOTAL	1,755.1	1,839.5	1,826.2	2,008.9	2,066.5

* Provisional

* * Comprises sales to tour operator

10.11. The 1995 wholesale prices of petroleum products at Mombasa is shown in Table 10.6. The wholesale prices of Liquefied Petroleum Gas, premium, regular, and kerosene fuel went up in 1995 over those of 1994. However, those of light diesel oil and industrial diesel oil, and fuel oil went down during the year under review. These fuel prices when compared to those of 1973, wholesale prices of premium, regular, kerosene and light diesel oil have gone up by more than twentyfold. Those of industrial diesel and fuel oils increased forty times while that of liquefied petroleum gas rose by more than ten times. The prices changes observed suggest that sensitivity of domestic oil prices to changes in the international oil market, and consequently a big contributor to inflationary pressures in Kenya.

WHOLESALE PRICES* OF PETROLEUM PRODUCTS AT MOMBASA, 1973 - 1995

Table 10.6 KSh. per tonne

	30.9.73	26.3.93	10.6.93	17.06.94	21.12.95	Ratio 1995/73 (per cent)
Liquefied petroleum gas	2,060	21,455	23,855	24,454	25,200	1,271.8
Premium motor gasoline	1,551	29,870	34,186	35,386	37,906	2,444.0
Regular motor gasoline	1,468	30,125	34,255	35,488	37,632	2,563.5
Illuminating kerosene	736	16,853	17,963	16,534	17,247	2,343.3
Light diesel oil	892	20,288	23,554	24,004	23,813	2,669.6
Industrial diesel oil	471	17,632	19,808	21,915	18,896	4,011.9
Fuel oil	334	13,563	15,476	15,476	13,970	4,182.6

* Including duties and VAT.

10.12. After liberalisation of the petroleum sector in October 1994, the burden of planning, distribution and pricing of petroleum products was placed on the oil marketers. As a result oil companies have been setting their own retail prices which differ from one company to the other and from one petrol station of the same company to the other. Due to this, the country experienced frequent retail prices upwards adjustments, during the year. The Central Bureau of Statistics has been collecting retail prices from selected petrol stations and averages of petroleum products calculated on weekly basis. A record of six price changes

were recorded during the year under review as shown in Table 10.7. At the end of the 1995, retail prices of premium, regular and gas oil went up by 6.4 per cent, 7.7 per cent and 8.3 per cent, respectively compared to those recorded at the end of 1994.

NAIROBI RETAIL PRICES, 1991 - 1995

Table 10.7 KSh. per litre

Date	MOTORSPIRIT		Gas Oil
	Premium/ Gasohol*	Regular	
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
17.06.94	29.14	28.82	23.81
21.10.94	28.34	27.28	21.00
13.02.95**	28.64	28.02	21.10
19.05.95**	29.02	28.37	21.57
26.05.95**	29.59	28.86	28.05
23.06.95*	30.07	29 45	22.61
04.09.95*	29.87	29.05	22.38
23.10.95*	30.16	29.39	22.75

* Gasohol was introduced from 1983

* * Average of prices changed by various oil companies

Electricity

10.13. The bulk of electricity in the country for retail to consumers is generated by hydro, thermal and geothermal power stations. However, minimal electricity generation is done from wind, solar etc mainly for household consumption. The government is inviting private investors to enter into power generation. Advertisements inviting interested private sector investors to tender for the second 75 MW diesel plant project in Kipevu and Olkaria III Geothermal plant has been done. In this connection, the World Bank is willing to provide funds to the Government to on-lend to private sector investors interested in putting up electricity generating plants. This is meant to meet the current shortfall in supply.

10.14. As shown in Table 10.8, the installed capacity of thermal electricity went up by 0.6 per cent in 1995, while that of hydro and geothermal remained the same. Consequently, the national installed capacity went up marginally. The rise in installed capacity in thermal is due to the new generator which was installed at Moi International Airport.

10.15. Electricity generation from hydro, thermal and geothermal power stations recorded a modest increase. Total electricity generation increased by 6.0 per cent from 3,538.3 GWH in 1994 to 3,747.3 GWH in 1995. Hydro-basal electricity generation went up by 1.8 per cent, due to increased water levels in most of the hydro-electric dams. Power rationing in Nairobi is expected to ease after rehabilitation of Gitaru power station. Thermal electricity generation went up significantly by 59.7 per cent, due to repair works carried out at Kipevu thermal station and the newly installed generator at Moi International Airport. This is also reflected by increased sales of petroleum fuels to power generation

shown in Table 10.5. Similarly, connection of make-up wells at Olkaria Geothermal power station increased the electricity from the station by 11 per cent from 261 GWH in 1994 to 290 GWH during the year under review.

INSTALLED CAPACITY AND GENERATION OF ELECTRICITY, 1991 - 1995

Table 10.8

	INSTALLED CAPACITY * MW**				GENERATION * GWH**			
	Hydro	Ther-mal Oil	Geo-ther-mal	Total	Hydro	Ther-mal Oil	Geo-thermal	Total
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
1994	603.5	159.3	45.0	807.8	3,068.0	209.3	261.0	3,538.3
1995+	603.5	160.2	45.0	808.7	3,123.0	334.3	290.0	3,747.3

* Includes estimates for industrial establishment with generation capacity.

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

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

\+ Provisional

10.16. Table 10.9 depicts the supply and demand balance of electrical energy. During the year under review, electricity demand increased marginally by 4 per cent* from 3,205 KWH in 1994 to 3,333 KWH in 1995. Due to lack of new commercial and industrial establishment, competition from imported industrial products and rationing of electricity, demand of electricity by commercial and industrial consumers went up by a marginal 2.3 per cent in 1995 to 1,999 million KWH. Demand for electricity by domestic and small commercial consumers rose by 9.1 per cent. This is attributed to the increase in the number of small enterprises (Jua Kali) and construction of residential buildings. Similarly, while street lighting consumption went up, off peak and rural electrification demand declined. On the other hand, transmission losses went up by 6.4 per cent, while imports of electricity from Uganda declined from 264 million KWH in 1994 to 172 million KWH in 1995 due to improved domestic supply.

ELECTRICITY ENERGY SUPPLY AND DEMAND BALANCE, 1991 - 1995

Table 10.9 Million KWH

	1991	1992	1993	1994	1995 *
DEMAND-					
Domestic and Small Commercial	823	877	927	977	1,066
Large Commercial and Industrial	1,832	1,835	1,915	1,955	1,999
Off-peak	109	104	115	125	124
Street Lighting	14	14	13	10	19
Rural Electrification	76	85	104	138	125
TOTAL	2,854	2,915	3,074	3,205	3.333
Transmission losses and unallocated demand	507	540	595	598	636
TOTAL DEMAND = TOTAL SUPPLY	3,361	3,455	3,669	3,803	3,967
of which imports from Uganda	134	240	**273**	264	172
Net generation	3,227	3,215	3,396	3,539	3,795

* Provisional.

Total Energy Supply and Demand Balance.

10.17. Total energy supply and demand is presented in Table 10.10. Total local energy production increased marginally by 2.6 per cent in 1995. The declining trend of imports of hydro power from Uganda continued in 1995 and during the year, a decline of 29 per cent was registered. This is as a result of Government commitment to self sufficiency in energy supply. Consumption of coal and coke mainly used in cement production went up by 27.4 per cent as a result of high demand of cement in the country.

PRODUCTION, TRADE AND CONSUMPTION OF ENERGY * * EXPRESSED IN TERMS OF PRIMARY SOURCES, 1991 - 1995

Table 10.10 '000 Tonnes Oil Equivalent

	1991	1992	1993	1994	1995 *
COAL AND COKE CONSUMPTION	93.7	98.6	87.8	76.0	96.8
Imports of crude oil	2,059.4	2,235.3	2,274.2	2,173.2	1,680.3
Net exports of petroleum	-692.0	-669.4	-504.5	-228.7	259.9
Stock changes and balancing item	387.7	273.4	56.6	65.3	126.3
TOTAL CONSUMPTION OF LIQUID FUELS	1,755.1	1,839.3	1,826.3	2,009.8	2,066.5
HYDRO AND GEOTHERMAL ENERGY:-					
Local production of hydro power	667.2	671.0	718.3	736.3	749.5
Local production of geothermal power	71.5	65.3	65.3	82.6	69.6
Imports of hydro power .	32.2	57.6	65.5	53.4	44.9
TOTAL CONSUMPTION OF HYDRO AND GEOTHERMAL ENERGY	770.9	793.9	849.1	872.3	864.0
TOTAL LOCAL ENERGY PRODUCTION	738.7	736.3	783.6	788.3	819.1
TOTAL NET IMPORTS	1,493.3	1,722.1	2,106.1	2,082.9	1,562.1
TOTAL ENERGY CONSUMPTION	2,619.7	2,731.8	2,763.1	2,947.1	3,027.3
LOCAL PRODUCTION AS PERCENTAGE OF TOTAL	28.1	27.0	28.4	27.1	27.1
PER CAPITA CONSUMPTION IN TERMS OF KILOGRAMS OF OIL EQUIVALENT	103.0	104.1	110.5	110.1	103.5

* Provisional.

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

Rural Electrification Programme

10.18. The Kenya Power and Lighting Company continued to implement rural electrification programme using the limited locally available resources. Electricity supply to Bomet district headquarters was completed during the year under review while 135 schemes which were in progress at various stages of implementation were completed. The contract for the National Electrification Master Plan Study was awarded to a consultancy firm from Belgium and full resumption of aid for this sub-sector from the donor agencies is expected when the study is complete.

Energy Conservation

10.19. During the year under review, the Kenya Power and Lighting Company created an efficiency improvement section within the corporate planning division with the primary objective of promoting energy efficiency and conservation. The section will engage in system loss reduction work initiated under the Energy Sector Management Assistance Programme (ESMP) of the World Bank and the United Nations Development Programme (UNDP)

CHAPTER 11 - MANUFACTURING

Overview

Output in the manufacturing sector recorded real growth of 3.9 per cent in 1995 compared to a growth of 1.9 per cent in 1994. Increased agricultural output ensured adequate supply of raw materials for the agro based manufacturing industries, similarly the removal of bureaucratic bottlenecks, availability of foreign exchange and the various export oriented incentives such as preferential treatment for Kenyan exports, helped boost the manufacturing sector. However, various loopholes in the importation of some manufactured goods threatened the good performance of the sector. In response to the complaints by manufacturers the Government introduced an anti-dumping tax to provide protection against unfair imports.

The economic sectors seriously affected by the importation were the sugar industry, clothing and textile sector and match sticks, which resulted to closure of some firms. However, the Government placed stringent measures to ensure fair competition between imports and similar manufactured products by the local industries. The value of imported manufactured goods in 1995 amounted to K£ 5,810 million compared to K£ 3,543 million in 1994, an increase of 64.0 per cent. This increase was due to the liberalisation of the economy which removed the bottlenecks that hampered importation. Exports of manufactured goods stood at K£ 1,509 million in 1995, which is K£ 127 million above 1994.

Employment

11.2. Employment in the manufacturing sector in 1995 increased by 3.7 per cent compared to 2.1 per cent in 1994, this maintained the upward employment trend in the sector. The number of persons employed in 1995 were 204,800 compared to 197,500 and 193,537 persons in 1994 and 1993, respectively. The food processing industry accounted for 44.0 per cent of the increase while the textile industry accounted for only 4.0 per cent which reflects the poor performance of the sector as a result of stiff competition from imports.

Manufacturing Sales and Stocks

11.3. In 1995, provisional sales data of manufactured goods improved to record K£ 20,651 million from K£ 15,207 million recorded in 1994, an increase of 35.8 per cent. Substantial increases were recorded in the sales of the food processing industries.

Industrial Output

11.4. Table 11.1 gives estimated value of output, intermediate consumption, value added and wages paid in the manufacturing sector for the period 1991 to 1995. The value of output, at current prices rose by 18.8 per cent in 1995 compared to 22.1 per cent in 1994 while intermediate consumption and value added recorded an increase of 18.7 per cent and 19.4 per cent, respectively. Total wages increased by almost 31.2 per cent in 1995 compared to 20.0 per cent in 1994.

MANUFACTURING SECTOR - OUTPUT , WAGE AND PRODUCT, AT CURRENT PRICES, 1991 - 1995

Table 11.1 K£million

YEAR	Value of Output	Intermediate Consumption	Value Added	Total Wages Paid
1991	10,817.57	9,583.31	1,234.26	376.71
1992	11,877.06	10,568.15	1,308.91	421.20
1993	15,907.51	14,394.66	1,512.85	486.00
1994	19,428.37	17,620.51	1,807.86	583.30
1995 *	23,074.29	20,915.05	2,159.24	765.30

* Provisional.

Quantum Indices

11.5. The quantum index of manufacturing production is presented in Table 11.2. The performance of the manufacturing sector was much better in 1995 resulting in a 3.9 per cent growth in real terms of output. This was a commendable growth when compared to both 1993 and 1994 despite the high competition from imported products. The food processing sector recovered in 1995 to record a growth of 15.9 per cent. Good performances were recorded in the meat and dairy products, grain milling and sugar and confectionery sub-sectors.

11.6. Sub-sectoral analysis shows that the meat and dairy sector which had in 1994 declined after recovery in 1993 performed well to record a growth of 29.1 per cent in 1995. Output in the meat processing sector continued to grow; production of beef went up by 7.6 per cent and processed chicken by 27.0 per cent. The export promotion drives undertaken by some manufacturers, and incentives offered to the farmers, had a positive impact in the sector.

11.7. Liberalisation of the dairy sector coupled with prompt payment by the private sector milk processors led to increased output of milk and milk related products. Kenya Co-operative Creameries (KCC) which experienced financial problems during the year was bailed out by the Government to pay for milk deliveries. The improved performance in the dairy sector took place despite the controversy surrounding imported contaminated milk early in the year which resulted in exports declining and some importers banning Kenyan milk. The contaminated milk was however shipped back. Production of liquid milk increased by 26.5 per cent from 170 thousand litres in 1994 to 215 thousand litres in 1995. Cheese, butter and baby foods (with milk base) all recorded increases. Output of baby food production which decreased by 38.4 per cent in 1994, recorded an increase of 36.5 per cent in 1995.

11.8. The bakery products sub-sector after a massive increase of 53.7 per cent in 1994, recorded an output growth of 9.0 per cent in 1995. The output of bread increased from 156 thousand tonnes in 1994 to 164 thousand tonnes in 1995 reflecting an increase of 5.1 per cent. The output of scones, cakes and biscuits also rose substantially during the period under review.

QUANTUM INDEX OF MANUFACTURING PRODUCTION, 1991 - 1995

Table 11.2

INDUSTRY	1991	1992	1993	1994	1995 *	Percentage Change 1995/1994
Meat and Dairy Products	125.1	94.0	95.8	87.0	112.3	29.08
Canned Vegetables, Fish, Oils and Fats	363.4	338.9	384.4	275.0	291.5	6.00
Grain Mills Products	178.1	170.5	154.8	204.8	242.8	18.55
Bakery Products	166.1	172.9	178.5	274.5	299.3	9.03
Sugar and Confectionery	210.6	195.7	198.3	156.8	196.6	25.38
Miscellaneous Foods	227.4	236.7	220.0	226.9	231.7	2.12
Food Manufacturing	174.7	168.3	168.2	167.7	194.3	15.86
Beverages	210.8	245.0	243.4	225.2	235.8	4.71
Tobacco	173.5	192.8	194.8	196.0	212.5	8.42
Beverages and Tobacco	203.9	235.7	234.6	219.3	230.8	5.24
Textiles	218.5	218.5	252.0	186.9	136.5	-26.97
Clothing	323.6	320.6	292.4	183.9	153.0	-16.80
Leather and Footwear	101.5	97.1	87.9	96.8	65.7	-32.13
Wood and Cork Products	73.1	74.0	73.7	76.0	73.4	-3.42
Furniture and Fixtures	70.8	46.8	49.6	50.6	52.5	3.75
Paper and Paper Products	214.6	257.7	180.5	155.6	153.0	-1.67
Printing and Publishing	405.8	411.2	411.2	424.8	451.6	6.31
Basic Industrial Chemicals	233.8	234.0	244.6	213.0	209.0	-1.88
Petroleum and Other Chemicals	510.7	481.8	469.2	453.6	492.0	8.47
Rubber Products	322.4	630.3	622.4	613.7	621.0	1.19
Plastic Products	374.3	323.7	312.1	309.0	327.8	6.08
Clay and Glass Products	259.3	575.2	1,199.0	1,770.6	2,099.9	18.60
Non-Metallic Mineral Products	174.4	205.7	201.5	211.7	209.6	-0.99
Metallic Products	203.1	183.8	184.2	205.0	206.8	0.88
Non-Electrical Machinery	101.0	95.3	94.6	100.3	78.1	-22.13
Electrical Equipment	259.7	251.5	224.5	226.2	253.7	12.16
Transport Equipment	662.0	603.7	541.2	571.4	529.0	-7.42
Miscellaneous Manufactures	441.0	442.9	442.9	442.9	472.3	6.64
TOTAL MANUFACTURING	242.3	245.4	249.9	254.6	264.5	3.90

* Provisional

11.9. The output of canned vegetables, fruits, fish, oils and fats grew by 6.0 per cent compared to a drop of 28.5 per cent in 1994. The improved performance of the sector was due to conducive weather and availability of raw materials for this industry. Canned fruits and vegetables recorded increases of 17.0 and 26.0 per cent, respectively. Jams and marmalades declined from 13 million kilogrammes to 11 million kilogrammes, fruits and vegetable juices also recorded decreases due to imports of similar products. Production of fats and oils recorded increases of 4.5 and 12.3 per cent, respectively. Cotton seed oil decreased marginally while coconut oil remained almost at the 1994 level. Output of prepared and preserved fish increased from 181 thousand kilogrammes in 1994 to 223 thousand kilogrammes in 1995 or an increase of 23.2 per cent. This increase may be attributed to the direct cash purchasing of fish by the processors on delivery.

PRODUCTION OF GRAIN MILLING PRODUCTS, 1991 - 1995

Table 11.3 '000 tonnes

YEAR	COMMODITY			
	Sifted Maizemeal	Wheat Flour	Whole Rice	Broken Rice
1991	227.3	185.5	15.2	2.2
1992	1 19.6	222.4	18.1	2.4
1993*	168.1	143.1	13.6	2.0
1994	233.2	191.4	11.0	2.3
1995 *	313.7	211.7	15.0	3.6

• Provisional

11.10. Table 11.3 shows changes in output of the grain milling industry. The upward trend in the sector which began in 1994 continued into 1995. Production of sifted maize meal and wheat flour increased by 34.5 per cent and 10.6 per cent in 1995 compared to 1994, respectively. Production of maize meal increased from 233 thousand tonnes in 1994 to 314 thousand tonnes in 1995 whereas wheat flour increased from 191 thousand tonnes to 212 thousand tonnes over the same period. Direct importation of maize and wheat by the millers and good harvests catered for any grain shortage that normally leads to closure by the millers. It is expected that with the privatisation of Milling Corporation of Kenya, maize milling is expected to increase significantly in future years. Production of rice went up, notably broken rice whose output increased by 56.5 per cent; while whole rice increased by 36.4 per cent in 1995 as a result of increased production by the various rice schemes under irrigation. The domestic rice industry was brought to bear competition from imported rice from Thailand and Pakistan among others.

11.11. Despite poor roads in sugar growing areas, poor management, high production costs and heavy debts by the sugar firms, production of sugar, which is one of the most important food processing industries in the country went up by 80 thousand tonnes from 304 thousand tonnes in 1994 to 384 thousand tonnes in 1995, a growth of 27 per cent. The high production was due to increased cane deliveries to the factories and high local demand. The domestic production of sugar meets about 70 per cent of the estimated domestic consumption which is about 560 thousand tonnes annually. Imports of sugar consequently decreased from 256 thousand tonnes in 1994 to 244 thousand tonnes in 1995. This was attributed to increased domestic production and import tax of sugar to bring its price level with the locally produced sugar. However, due to liberalisation, it has become difficult to monitor importation of sugar due to direct imports by traders. Sugar production will be boosted by expansion and rehabilitation of the various sugar firms and development of roads in the sugar cane growing zones.

11.12. Except for black tea, all other beverages recorded decreases in the miscellaneous foods sector. Tea production increased from 209 thousand tonnes in 1994 to 244 thousand tonnes in 1995, an increase of 16.8 per cent. Output of salt declined by 62 thousand tonnes, from 106 thousand tonnes produced in 1994. This was attributed to imports of the same, which resulted in temporarily closure of some firms. Ground spices and curry powder recorded marginal increases. The animals feeds industry also performed better in 1995 compared to 1994 by recording increases in output of cattle, pig and poultry feeds of

35.0, 21.7 and 69.8 per cent, respectively. However, a decline was recorded in the output of dog and cat feeds.

11.13. Table 11.4 shows output of beverages and tobacco. Production of spirits increased from 1,674 thousand litres in 1994 to 2,262 thousand litres in 1995 an increase of 35.1 per cent. After the stiff competition from imported beer in 1994. which led to production decline, beer production rose from 303 million litres in 1994 to 347 million litres in 1995 an increase of about 14.8 per cent. This growth was accounted for by improved export demand. There was a temporary lapse in output of beer after one of the brewery's boilers blew up interrupting production.

PRODUCTION OF BEVERAGES AND TOBACCO, 1991 - 1995

Table 11.4

	COMMODITY			
YEAR	Spirits '000 Litres	Beer Million litres	Mineral Waters Million litres	Cigarettes Million sticks
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
1994	1,674.0	302.7	131.3	7,319
1995 *	2,261.5	347.4	122.3	7,931

• Provisional

The decline in the production of mineral waters which started in 1991 continued through 1995. Output of mineral water in 1995 was 122 million litres compared to 145 million litres in 1991. This continuous production decline was attributed to importation of mineral waters. Cigarette production increased to 7,931 million sticks in 1995, from 7,319 million sticks in 1994, due to favourable export markets. Overall, the sector recorded a growth of 5.2 per cent.

11.14. The 10.0 per cent levy on imported second hand cloths commonly known as 'Mitumba' did little to reverse a downward trend in clothing and textile production. The continued export restriction of Kenyan textiles in United States of America (USA) markets further dampened the industry; as a result, the textile and clothing sub-sectors recorded drops of 27.0 and 16.8 per cent, respectively. In the textile sub sector significant declines were recorded in the production of cotton woven fabrics from 28 million in 1994 to 22 million square metres in 1995; polyester viscose fell from 12 million to 9 million square metres while towelling materials decreased by 81.0 per cent during the same period. In the made up textiles sub-sector growths of 24.0 and 31.0 per cent were recorded in the output of blankets and bed sheets, respectively in 1995. Underwears and men suits also recorded production increases in 1995 compared to a drop in 1994.

11.15. With the two-year export quota ban having expired at the end of 1995, widening of regional markets and better management of privatised ginnery plants, the performance of the sub-sector is expected to improve.

11.16. The production of finished and unfinished leather recorded increases of 12.0 and 18.8 per cent, respectively, in 1995 compared to 1994. The exports of raw hides and skins which was banned was expected to reverse the overall decline in the performance of the sector. The leather and footwear sub-sector recorded a decline of 32.1 per cent in 1995

when compared to a growth of 10.1 per cent in 1994. The output of leather shoes decreased from 1.7 million pairs in 1994 to 1.1 million pairs in 1995, due to import competition. Production of sporting balls more or less maintained the same level as in 1994.

11.17. In 1995 there was a drop of 3.4 per cent in the wood and coal products industry as compared to the increase of 3.1 per cent in 1994. The output of sawn timber, the main product of the sector fell by 3.4 per cent from 87,733 cubic metres in 1994 to 84,740 cubic metres in 1995. The Government control of random tree felling could be attributed to this decline.

11.18 The mixed performance in the paper and paper products sector resulted in the marginal overall decline of the sector in 1995. There was a substantial increase in the manufacture of exercise books from 3.4 million books in 1994 to 3.7 million books in 1995, an increase of 8.8 per cent. Declines were however recorded in output of wrapping paper due to availability of wrapping paper substitutes. Paper bags and sacks production increased from 9 thousand tonnes in 1994 to 10 thousand tonnes in 1995 an increase of 11 per cent, due to the increased demand from shopping outlets. Other products recording output increases were craft paper, corrugated containers and teleprinter rolls which grew by 17.2 per cent, 10.0 per cent and 40.0 per cent, respectively, in 1995. The significant increase in teleprinter rolls is attributed to the growth in modern telecommunication especially through fax equipments.

11.19. The increase in the printing and publishing industry of 6.3 per cent in 1995 compared to 3.3 per cent in 1994, was due to increased publication of various magazines, and the mushrooming of printing presses. Employment, which is a major indicator of the sector increased from 6,284 persons engaged in 1994 to 6,575 persons in 1995, an increase of 4.6 per cent.

11.20. In the basic industrial chemicals sector, substantial decrease was recorded in the output of oxygen and electrodes in 1995, while output of acetylene increased by 8.6 per cent. Wattle extracts recorded marginal decline. Fertiliser (liquids and solids) recorded output increase of 58.9 and 37.9 per cent, respectively. Cattle dips maintained almost the same level despite the privatisation process of dips management. Vaccine production also maintained the 13 million doses production level of 1994.

11.21. Despite the deregulation and hence frequent price increases of petroleum products. Output of petroleum products and other chemical industry went up by 8.5 per cent in 1995, compared to a decline in 1994. There was a mixed performance in the output of the various products. Liquified petroleum gas registered a growth of 10.0 per cent to alleviate the occasional shortages. Fuel oil also registered a growth. However, marginal decline were recorded in the output of motor spirits, kerosene and bitumen.

11.22. In the other chemical industry, paints, vanishes, lacquers and thinners recorded good increases of 6.7, 19.0, and 7.7 per cent, respectively. With the exception of detergent (powder), cream lotions and liquid paraffin and castor oil, all other products in the category of perfumes and toiletries recorded growths. The decline in production of detergents, cream, lotions, liquid paraffin and castor oil could be attributed to consumer preference of

imported products. Output of matches and shoe polish declined by 16.7 and 5.1 per cent respectively. The decline in output of matches, was attributed to imports which led to closure of some manufacturing concerns.

11.23. The plastic industry in 1995 performed better than 1994. The sub-sector's production increased by 6.1 per cent while employment increased by 4.0 per cent. The output of plastic shoes declined by 29.5 per cent from 747 thousand pairs in 1994 to 527 thousand pairs in 1995 mainly due to massive imports of the same. PVC pipes, a major indicator in the sector, a substitute of metallic pipes in the construction industry increased by 2.0 per cent in production output. Improved performance was recorded in plastic crates as a result of increased use in the dairy sector, and plastic bottles and plates. PVC floor tiles increased by 8.1 per cent.

11.24. Output of glass bottles increased from 33,572 tonnes in 1994 to 40,547 tonnes in 1995, registering 20.8 per cent growth. The production of windscreen increased marginally. The entire clay and other products generally performed well but below the 1994 level.

11.25. The output of non-metallic mineral products declined in 1995 by 1.0 per cent against a growth of 5.1 per cent recorded in 1994. An appreciable growth in the output of roofing tiles and limestone was offset by a decline in the output of clinker, and steelwool. Decreases were also recorded for concrete pipes and blocks.

11.26. Cement being the most important product in the non-metallic mineral sector is depicted in Table 11.5. Production of cement which declined in 1994 increased by 114 thousand tonnes to reach 1,566 thousand tonnes in 1995, an increase of 7.8 per cent. Consumption and stocks which had been on the decline since 1992, went up by 24.1 per cent reflecting increased activity in the building and construction sector. Exports recorded declines from 596 thousand tonnes in 1994 to 501 thousand tonnes in 1995. Exports to Uganda and Tanzania accounted for 32 per cent of total exports in 1995 compared to 30.7 per cent in 1994.

11.27. The metallic industry registered a marginal growth of 0.9 per cent against an impressive growth of 11.3 per cent in 1994. There were notable growths in production of galvanised iron sheets, iron rods and padlocks. Declines were however observed in production of metal cans and tins, metal beds, steel drums, jembes and pangas. Tabular furniture production went up while production of bolts and nuts declined.

CEMENT PRODUCTION AND UTILIZATION. 1991 - 1995

Table 11.5 000 tonnes

YEAR	PRODUCTION	IMPORTS	CONSUMPTION AND STOCKS	EXPORT TO	
				Uganda and Tanzania	All Other Countries
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
1994	1,452.3	1.9	858.5	182.8	412.9
1995*	1,565.6	0.4	1,065.0	160.7	340.3

* Provisional.

11.28. The performance of the transport equipment sub-sector declined in 1995 by 7.4 per cent compared to the growth of 5.6 per cent recorded in 1994. This fall was due to importation of the same, notably from Dubai, Japan and South Africa. The output of assembled vehicles declined from 7,904 units in 1994 to 6,564 units in 1995, out of which small units accounted for 75.0 per cent compared to 90.0 per cent in 1994. Output of coaches and buses increased by over 19 per cent due to the rising demand for commuter services, especially in the major towns. The other area that also recorded a growth was in the production of lorry bodies, which increased from 428 units recorded in 1994 to 1168 in 1995. Import bill of transport equipments in 1995 increased by 83.0 per cent, from K£ 664 million in 1994 to K£ 1,212 million in 1995. This massive imports explain why there was a decline in assembly of motor vehicles.

11.29. The output of miscellaneous manufactures registered a growth of 6.6 per cent. Though this sub-sector has been facing stiff competition from imports, production of ball point pens, carbon papers, illuminated signs, and sunglasses registered marginal growths, with household brushes rising by 10.0 per cent. The other areas that registered good performance include lenses and spectacles and the production of mattresses. However, industrial and paint brushes declined drastically by 35.2 per cent. This could have been attributed to the importation of the same products which are sold cheaply, relative to the locally manufactured brushes.

Industrial Credit

11.30. Table 11.6 depicts industrial financing by development finance institutions to hasten industrial development. In 1995, a total of 75 projects worth K£ 31.2 million were approved and financed compared to 219 projects worth K£ 33.2 million in 1994. The Kenya Industrial Estates (K.I.E.) approved 78.7 per cent of the total projects but only accounted for 3.8 per cent of total financing, while Development Finance Company of Kenya (DFCK) approved 6.7 per cent of total projects, but accounted for 56.1 per cent of the total financing by the institutions.

INDUSTRIAL PROJECTS APPROVED BY SELECTED GOVERNMENT OR QUASI-GOVERNMENT INSTITUTIONS. 1991 - 1995

Table 11.6

INSTITUTION	NUMBER OF PROJECTS					APPROVED EXPENDITURE K£ MILLION				
	1991	1992	1993	1994	1995*	1991	1992	1993	1994	1995*
Industrial Development Bank Limited (I.D.B.)	7	4	7	5	7	9.6	7.1	15.0	10.7	7.1
Development Finance Company of Kenya (D.F.C.K.)	9	21	11	9	5	8.9	22.5	11.5	17.8	17.5
Kenya Industrial Estates Limited (K.I.E.)	169	105	94	204	59	3.7	2.9	2.0	3.9	1.2
Industrial and Commercial Development Corporation (I.C.D.C.)	20	10	9	1	4	20.6	8.7	11.9	0.8	5.4
TOTAL	205	140	121	219	75	42.8	41.2	40.4	33.2	31.2

* Provisional.

11.31. The Development Finance Company of Kenya in 1995 approved 5 projects' worth K£ 17.5 million compared to 1994 when 9 projects worth K£ 17.8 million were approved. Business prospects continued to be sluggish in 1995 as prospective investors were reluctant to take on new investments due to stiff competition from imports. The most severely affected were the textile industries and those involved in the production of consumer durables. It is expected that about 1200 new jobs will be created by these projects.

11.32. The Kenya Industrial Estates financed 59 projects worth K£ 1.2 million compared to 204 projects worth K£ 3.9 million in 1994, the lowest undertaking by KIE since 1991. Once these projects are completed, they are expected to generate employment for 462 people. Most of the projects were either in flour milling or tailoring and were all rural based. Few other activities were also financed as in 1994.

11.33. Industrial Development Bank approved 7 projects in 1995 worth K£ 7.1 million compared to 5 projects worth K£ 10.7 million in 1994. Out of the 7 projects approved 3 were for long term loans worth K£ 6.4 million while the rest were loaned out as short term loans. The highest loan given out was K£ 2.7 million while the lowest was K£ 125 thousand. The projects financed included those in the dairy sector, plastic sector e.t.c., creating about 300 employment opportunities

11.34. The Industrial and Commercial Development Corporation (I.C.D.C) approved 4 projects worth K£ 5.4 million in 1995 compared to 1 project worth K£ 800 thousand in 1994. The projects were mainly in the leather and tea industry and were located in Eastern and Rift Valley provinces, respectively. Despite the improved performance by the institution, financial constraints and lack of complete information by loan applicants hindered the institution from performing better.

Manufacturing Labour Cost and Productivity

11.35. Selected indices on manufacturing productivity, cost of wages and employment are shown on Table 11.7 for the period 1991-1995. The proportion of wage cost to the output increased to 3.3 per cent in 1995 as compared to 3.0 per cent in the previous year.

Numbers employed increased by 3.7 per cent reflecting a recovery from the downward trend in the early years of liberalisation. The proportion of wage cost to value added remained above the 30.0 per cent mark.

INDICATORS OF LABOUR COST PRODUCTIVITY IN MANUFACTURING, 1991 - 1995

Table 11.7

INDICATOR	1991	1992	1993	1994	1995*
1. Change in the quantum index of manufacturing ..	+ 4.1	+ 1.2	+ 1.8	+ 1.9	+ 3.9
2. Change in numbers employed in manufacturing ..	+ 0.6	+ 0.4	+ 1.7	+ 1.0	+ 3.7
3. Implicit change in labour productivity	+ 3.5	+ 0.8	+ 0.1	+ 0.6	+ 0.2
4. Wage cost as percentage of gross output ..	+ 4.1	+ 3.5	+ 3.1	+ 3.0	+ 3.3
5. Wage cost as percentage of value added ..	35.7	32.2	32.1	32.3	35.4

* Provisional.

Export Processing Zones Authority

11.36. The EPZA was established in 1990 to encourage manufacturing for exports. As at 1995, thirteen zones had been gazetted with 19 firms already established in 6 of the zones, 15 of the firms are currently operating with a total capital investment of Ksh 3.9 billion. 5 more companies are scheduled to start operating in 1996, adding a further capital investment of Ksh 50 million while 4 firms closed down in 1995. Investments by fully owned Kenyan companies which were still in operation were worth Ksh 885 million.

11.37. Total export turnover for 1995 was Ksh 1.3 billion with fully owned Kenyan companies accounting for nearly 2 per cent of total exports. Total import value was Ksh 940 million of which 90 per cent was raw material expenditure and the rest were machineries. Most exports were destined for other East and Central African countries, U.S.A, Western Europe and Korea among others. The Export Processing Zones Authority has a total employment level of about 2,800, out of which approximately 3 per cent are foreigners. This employment level is lower than in 1994 due to some plants having closed down.

11.38. Activities undertaken include textiles and garment manufacturing, food processing, computer assembly e.t.c. With strengthening of various regional co-operations, the zones are expected to boost Kenyan export further.

CHAPTER 12 - BUILDING AND CONSTRUCTION

Overview

Building and construction sector recorded modest growth in 1995 relative to 1994 as shown by the sector's key economic indicators. The improved performance was attributable to a number of factors, among them, the general economic recovery, increased commercial banks loans to building and construction of private enterprises, the significant drop in interest rates during the first half of 1995, the stability of the Kenya Shilling against the major world trading currencies and increased Government expenditure on road construction activities. However, lack of sufficient funds for public sector building projects, due to inadequate budgetary provision and increases in fuel prices observed during the year, constrained the growth of the sector. During the year, the sector's key indicators namely; cement consumption, value of building plans approved, and Government expenditure on roads recorded significant growths of 24 per cent, 56 per cent and 38 per cent, respectively. Employment in modern and informal sectors expanded by 5 and 22 per cent, respectively. Total value of reported private buildings completed improved marginally. Loans and advances to the sector's private enterprises improved by 44 per cent, from K£ 210.9 million as at December 1994 to K£ 304.6 million in 1995 (Table 5.9).

12.2. Real trends of the sector's major indicators over the last five years, presented in Table 12.1 show that the indicators recorded gains in 1995, reflecting improved performance of the sector. Cement consumption, rebounded in 1995 to reach 1,065.0 thousand tonnes, up from 858.5 thousand tonnes in 1994, a growth of 24 per cent compared to the 4 per cent drop recorded the previous year. The up-turn recorded in cement consumption was partly attributed to the increase in private building construction activities. Employment in the modern sector expanded by 5 per cent, while the deflated index on Government expenditure on roads showed significant improvement from 46.7 in 1993 to 80.1 and 110.7 in 1994 and 1995, respectively. This upward trend was due to improved budgetary provision for road development and maintenance activities. The index on public buildings completed continued to show a downward trend from 5.5 in 1993 to 3.8 in 1994 attributable to inadequate funds for public building projects.

REAL TRENDS IN BUILDING AND CONSTRUCTION *, 1991-1995

Table 12.1 — 1982 = 100

	1991	1992	1993	1994	1995**
"Index" of reported private building work completed in main towns***	81.7	66.2	44.5	34.9	
"Index" of reported public building work completed in main towns***	9.6	7.8	5.5	3.8	
"Index" of government expenditure on roads	73.0	52.1	46.7	80.1	110.7
Cement consumption ('000 tonnes)	1,119.2	1,1 18.2	894.2	858.5	1,065.0
"Index"	193.2	193.0	154.3	148.1	183.7
Employment ('000)	72.4	73.4	72.7	73.1	76.4
"Index"	119.9	121.5	120.4	120.9	126.3

* 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. Data on employment indicates that the modern sector recorded a modest growth in wage employment. The sector engaged a total of 76.4 thousand people, up from 73.1 thousand in the previous year, a rise of 5 per cent. The private sector continued to provide the bulk of employment opportunities with Special trade, building and civil works contractors engaging a total of 6,874, 25,414 and 14,820 people, respectively. The public sector engaged a total of 29,000 people. The informal (jua kali) sector, reflecting its expansion in the recent past, engaged 31.600 people in building and construction activities, a rise of 22 per cent from 26,000 thousand people in 1994. The sector continued to create more additional jobs than the modem sector (details in chapter 4).

12.4. Table 12.2 presents data series on building and construction cost indices for the last three years. The overall building and construction index which recorded modest growth in 1994, rose by 19.4 per cent in 1995. The rise in construction costs was attributable to the continued rise in labour and material costs. Material costs rose by 15.8 per cent in 1995 higher than the 3.4 per cent rise recorded the previous year, but remained lower than the 61.4 per cent and 20.5 per cent rises recorded in 1993 and 1992. The prices of materials including fuels, aggregates, and sand were adjusted upwards by the suppliers during the year, contributing to the increase in material costs.

ANNUAL PERCENTAGE INCREASE IN BUILDING AND CONSTRUCTION COST INDICES *, 1993 - 1995

Table 12.2

	MATERIALS			LABOUR			TOTAL COST		
	1993	1994	1995"	1993	1994	1995"	1993	1994	1995**
Residential Buildings ..	58.5	3.8	14.3	22.3	15.3	32.2	52.8	5.2	16.7
Non-Residential Buildings	72.0	3.9	6.4	22.3	15.3	32.2	61.9	5.6	10.8
All Buildings	64.7	3.9	10.4	22.3	15.3	32.2	57.0	5.5	13.8
"Other" Construction ..	52.7	2.0	31.4	22.3	15.3	32.2	40.9	6.5	31.7
TOTAL COST INDEX	61.4	3.4	15.8	22.3	15.3	32.2	51.6	5.8	19.4

* From December to December.

* * Provisional.

12.5. Labour costs recorded a rise of 32.2 per cent in 1995, higher than the 15.3 per cent and 22.3 per cent recorded in 1994 and 1993, respectively. This rise was mainly due to the new Collective Bargaining Agreement signed in 1995 between the Kenya Association of Building and Civil Engineering Contractors and the Kenya Building, Construction, Timber, Furniture and Allied Industries Employees Union. The revision affected unskilled, semi-skilled and skilled categories of workers.

12.6. Data on the value of building plans approved by towns presented in Table 12.3 indicate that the sector continued to perform well in terms of value of plans approved. The town councils approved plans comprising of 1,217 residential and 547 non-residential units at total value of K£ 302.4 million and K£ 343.0 million, respectively in 1995. This represents an increase over 1,030 residential and 505 non-residential units, at a combined total of K£ 413.5 million approved the previous year. Residential units continued to form the bulk of plans approved by the councils mainly due to the increasing demand of decent housing in urban areas. Both Nairobi and other towns recorded growths in value of building plans approved. Nairobi City Council (NCC) approved plans worth K£ 478 million, a rise of 67 per cent from the previous year. Nairobi continued to contribute the lion's share (74 per cent) of the total value of plans approved in the Country. Other towns, similarly, recorded significant growth in value of plans approved from K£ 127 million in

1994 to K£ 168 million in 1995. Improvements were recorded in most of the major towns including Mombasa, Kisumu, Nakuru and Malindi. Major building plans approved by NCC included the proposed eye hospital and service centre for Lions Club International residential units along Outering road, and a hospital along Jogoo road both in Nairobi.

VALUE OF BUILDING PLANS APPROVED BY NAIROBI AND OTHER TOWNS, 1991 - 1995

Table 12.3 K£million

YEAR	NAIROBI	OTHER TOWNS	TOTAL
1991	193.45	105.64	299.09
1992	156.40	110.84	267.24
1993	192.07	141.03	333.10
1994	286.01	127.44	413.45
1995*	477.82	167.54	645.36

* Provisional.

12.7. Table 12.4 presents a comparison of value of private plans approved and buildings completed in main urban areas during the last five years. In 1995, only 10 per cent of the plans approved were completed the same year, representing a continued decline from 15 and 14 per cent in 1993 and 1994, respectively.

COMPARISON OF VALUE OF PRIVATE PLANS APPROVED AND BUILDINGS COMPLETED IN MAIN URBAN AREAS, 1991 - 1995

Table 12.4 K£million

YEAR	PLANS APPROVED	BUILDING WORK COMPLETED
1991	299.09	63.52
1992	267.24	62.78
1993	333.10	50.50
1994	413.45	56.97
1995*	637.75	66.21

• Provisional.

12.8. Table 12.5 summarises the value of reported private buildings completed in main towns. All the four towns recorded increases in the value of completed buildings including extensions. The total value rose to K£ 68.9 million in 1995 from K£ 59.3 million in the previous year. Nairobi and Mombasa completed over 80 per cent of the total value of the

VALUE OF REPORTED PRIVATE BUILDING * WORKS COMPLETED IN MAIN TOWNS, 1991 - 1995

Table 12.5 K£million

Year	Nairobi	Mombasa	Kisumu	Nakuru	Malindi	Total
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	1.88	53.58
1994	35.55	15.10		3.66	4.98	59.29
1995**	39.80	18.82		4.09	6.21	68.91

* Including the value of extension.

* * Provisional.

buildings due to increasing demand for offices, industrial buildings and housing in these towns. Malindi town continued to show an upward trend from K£ 1.9 million in 1993 to K£ 4.98 million and K£ 6.21 million in 1994 and 1995, respectively, due to its growth as a

tourist centre. During the year, major building projects in progress included; the NACICO plaza, Central Bank building, the General Post Office(GPO) building, the rehabilitation of Kenyatta National Hospital, and expansion of Eldoret Hospital.

12.9. A breakdown of reported completion of new private buildings in main towns by residential and non-residential shown in Table 12.6 indicates that more residential units were completed in main towns in 1995 than either of the last two years. The total number of residential units rose by 227 units in 1995 compared to 1994. The value of both residential and non-residential units similarly showed an upward trend. The value of residential units rose from K£ 38.41 million in 1994 to K£ 46.03 million while the value for non-residential rose from K£ 18.56 million to K£ 20.18 million.

REPORTED COMPLETIONS OF NEW PRIVATE BUILDINGS * IN MAIN TOWNS, 1991 - 1995

Table 12.6

YEAR	NUMBER		ESTIMATED COST K£million		
	Residential	Non-Residential	Residential	Non-Residential	Total
1991	1,264	71	40.90	22.62	63.52
1992	1,559	52	43.65	19.13	62.78
1993	1,305	54	35.92	14.58	50.50
1994	1,062	71	38.41	18.56	56.97
1995*	1,289	54	46.03	20.18	66.21

* Excluding the value of extensions.

* * Provisional.

12.10. An analysis of reported completion of the public buildings in main towns during the last five years is presented in Table 12.7. Over the last five years, a total of 841 public building units were completed in main towns at a total cost of K£ 17.5 million to ease the increasing demand of offices and residential units. The Public sector continued to support the private sector role in the provision of non-residential and residential buildings in the economy. In 1995, a total of 142 units at a cost of K£ 3.01 million were reported complete compared to 156 units at a cost of K£ 3.32 reported the previous year.

REPORTED COMPLETIONS OF NEW PUBLIC BUILDINGS * IN MAIN TOWNS, 1991 - 1995

Table 12.7

YEAR	NUMBER		ESTIMATED COST K£million		
	Residential	Non-Residential	Residential	Non-Residential	Total*
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
1994	141	15	2.40	0.92	3.32
1995*	129	13	2.19	0.82	3.01

* Including the value of extensions.

* * Provisional.

12.11. The Government, through the Ministry of Public Works and Housing, continued to fund a number of housing programmes to alleviate the acute shortage of descent housing in urban areas. Table 12.8 shows Central Government budget estimate and actual expenditure on housing between 1991/92 and 1995/96 fiscal years. Both approved and actual

expenditures show mixed performance during the period. During 1994/95 fiscal year, actual expenditure on housing dropped marginally to K£ 8.23 million from K£ 8.96 million during the previous fiscal year. This was partly explained by a significant drop in expenditure on urban pool housing, planning and research. Loans and grants to the National Housing Corporation (NHC) increased from K£ 4.1 million during 1993/94 fiscal year to K£ 4.3 million in 1994/95. The budget estimate for housing during 1995/96 fiscal year is the lowest since 1993/94. Approved expenditure on housing, as percentage of development expenditures, continued to show a downward trend evident since 1993/94, to reach its lowest level during the current fiscal year.

APPROVED AND ACTUAL CENTRAL GOVERNMENT EXPENDITURE ON HOUSING, 1991/92 - 1995/96

Table 12.8

YEAR	K£ Million		Approved Expenditures as Percentage of Development Expenditure
	Approved	Actual	
1991/92	6.03	9.50	0.55
1992/93	4.16	4.76	0.35
1993/94	28.68	8.96	2.22
1994/95	21.21	8.23	1.24
1995/96 *	9.46		0.48

* Provisional.

12.12. The Urban Pool Housing Programme, aimed at alleviating civil servant housing problem recorded a drop in expenditure from K£ 2.6 million in 1993/94 to K£ 1.5 million in 1994/95. The drop in expenditure contributed to delays in completing pool housing projects including Nairobi West, Kericho and Kapsabet comprising 378 units, 102 units and 116 units, respectively.

12.13. Table 12.9 presents data on housing units completed by the NHC between 1991 and 1995. In 1995, the corporation recorded a significant drop in both number of housing units completed and their total value. During the year, only 42 units were completed at a total cost of K£ 2.2 million compared to 1,078 units at total cost of K£ 18.5 million the previous year. The drop in NHC housing activities was partly due to lack of adequate finance to undertake new projects. Schemes completed in 1995 included; infill houses at Uhuru Garden and Otiende, maisonettes at Langata Dam both in Nairobi and Kiboko mortgage phase II, in Thika. At the end of 1995, 47 schemes comprising of 4,604 units were under various planning stages in various towns.

12.14. The number of beneficiaries and amount advanced to individuals for construction of houses in rural areas under the "Rural Housing Loan Scheme", improved slightly during 1994/95 fiscal year. The total amount advanced rose from K£ 10 thousand in 1993/94 to K£ 33 thousand in 1994/95, but remained much lower than K£ 974 thousand advanced in 1992/93. Since it's inception in 1967, the scheme has benefited 8,009 people with the amount advanced to them totalling K£ 13.9 million. Lack of adequate funds continued to affect the performance of the scheme, as only a small proportion of applicants benefit from the scheme every year.

HOUSING UNITS COMPLETED BY THE NATIONAL HOUSING CORPORATION, 1991 - 1995

Table 12.9

	1991	1992	1993	1994	1995*
Units completed					
PROVINCE-					
Nairobi	2			952	42
Coast	68	. .	23	66	
North-Eastern	..			. .	
Eastern	128				
Central		40			
Rift valley		40			
Nyanza					
Western	90	102			
TOTAL NUMBER	288	182	23	1,078	42
Value of units completed K£'000					
Nairobi	140	. .		17,478	2,175
Coast	551		487	768	
North-Eastern					
Eastern	389				
Central		154			
Rift valley		639			
Nyanza		..			
Western	319	307		258	
TOTAL VALUE	1,399	1,100	487	18,504	2,175

*Provisional

* * Include upgrading of squatter settlement in Nyeri Town.

Roads

12.15. Roads deliver major benefits to the country's economic and social growth. Good and well maintained roads not only raise productivity in various sectors but also encourage investment in the economy and hence foster economic growth. In recent years, road construction activities have been depressed by lack of adequate funds, coupled by general high construction costs. These factors have contributed to delays in completion of some of the road projects. In 1995, the road sub-sector performed slightly better than the previous year partly attributable to substantial increase in total Government expenditure on roads during 1994/95 fiscal year.

12.16. Information on length of roads presented in Table 12.10 indicate that the classified road network covered a total of 63,700 kilometres in July 1995, representing a rise of 1,100 kilometres since 1991. Bitumen roads which, at independence covered about 1,800 kilometres improved significantly, to cover 8,300 kilometres and 8,800 kilometres in 1991 and 1995, respectively. By July 1995, 14 per cent of the total length of the classified roads had been up-graded to bitumen standard compared to 13 per cent in 1991.

KILOMETRES OF ROAD AS AT 1st JULY, 1991 AND 1st JULY, 1995 BY TYPE AND CLASSIFICATION

Table 12.10 '000Km

Type of Road	1991		1995	
	Bitumen	Earth/ Gravel	Bitumen	Earth/ Gravel
A- International Trunk	2.6	1.0	2.7	1.0
B- National Trunk	1.4	1.4	1.4	1.3
C- Primary	2.4	5.4	2.6	5.6
D- Secondary	1.1	10.0	1.2	10.1
E- Minor	0.6	25.8	0.7	26.0
F- Special Purpose *	0.2	10.7	0.2	10.9
TOTAL	8.3	54.3	8.8	54.9

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

12.17. Road construction largely depends on Government expenditure for road development, maintenance, and repair. The analysis of Government actual expenditure on roads by type over the last two fiscal years and the estimate for 1995/96 fiscal year is presented in Table 12.11. Total Government actual expenditure on roads almost doubled during 1994/95 fiscal year compared to the previous year, reflecting Government's commitment to improve the country's road net-work. The total expenditure on roads rose to K£ 251 million during 1994/95 fiscal year from K£ 137 million during the previous year, contributing to improved performance in road construction. Both development and recurrent (maintenance and repair) expenditure recorded steep rises. Recurrent expenditure doubling to peak at K£ 129 million while development expenditure improved to K£ 122 million in 1995 from K£ 75 million the previous year. The Government continued to channel more funds towards rehabilitation of existing bitumen roads, and maintenance and repair of all. roads already put in place. The increased funds for maintenance and repair was sourced from the recently established fuel levy fund, the transit toll fund and increased allocation by the Treasury in the recurrent expenditure vote.

TOTAL EXPENDITURE ON ROADS, 1993/94 - 1995/96

Table 12.11 K£million

	1993/94	1994/95	1995/96*
DEVELOPMENT:			
Trunk Roads	38.7	48.6	120.6
Primary Roads	24.7	37.2	55.8
Secondary Roads	8.7	18.3	8.3
Miscellaneous Roads.	2.8	17.6	40.5
TOTAL	74.9	121.7	225.2
RECURRENT (maintenance and repair)	62.2	128.8	168.3
TOTAL	137.1	250.5	393.5

*Provisional

12.18. Minor, rural access and special purpose roads are crucial for socio-economic development of the rural areas. These roads provide the key links between farming areas, rural markets and major trading centres. Similarly, transportation of farm produce to market and processing centres depends upon these roads. As at July 1995, these roads

covered a total of 37.8 thousand kilometres spread in all districts, compared to 37.3 thousand kilometres as at July 1991. Tea, wheat, sugar and settlement roads classified under special purpose roads covered a total of 2,773 kilometres while minor and rural access roads covered 26,700 kilometres and 7,860 kilometres, respectively. The Government spent K£ 17.6 million in 1994/95 to improve the condition of these roads, up from K£ 2.8 million during the previous fiscal year.

12.19. Major roads completed during 1994/95 fiscal year included; Molo-Olenguruene, Bomet-Litein, Rironi-Mai Mahiu, and Thika- Makutano. Rodi-Kopany -Karungu, Ziwa - Kitale, Ahero - Kisii, Mukuyu - Isebania, Kabartonjo-Kipsaraman, Narok-Mau Narok and Busia-Mumias roads were at various stages of construction.

12.20. Other construction works in progress during the year and which contributed to the sector's performance included; Nakuru sewage project, Eldoret airport and Moi International Airport improvement project (Mombasa)

CHAPTER 13-TOURISM

OVERVIEW

Indicators of tourism activity in 1995 point towards a difficult year when compared to 1994. Adverse publicity in the international media, ineffective tourism promotion, over reliance upon limited tourist attractions and stiff competition from similar markets, especially Southern Africa, Caribbean and South East Asia, all contributed, albeit in varying degrees to the disappointing performance of the industry in the review period. This was despite the stable Kenya shilling for most of the year. Total visitor arrivals and departures declined by 20 per cent and 24.2 per cent respectively. There was an increase of 1.4 per cent in hotel occupancy in 1995.

13.2. Tourism still maintained its position as the second highest foreign exchange earner after agriculture. During 1995 however, earnings from tourism dropped from K£ 1,405 million recorded in 1994 to K£ 1,250 million in 1995. Visitors to national parks and game reserves fell by 3 per cent from 1,429 thousand in 1994 to 1,384 thousand in 1995. The number of visitors to museums, snake parks and other historical sites rose by 3 per cent over the same period

Arrivals and Departures

13.3. International negative publicity on the local security situation and the falsely reported outbreaks of dangerous diseases such as Ebola made Kenya a less attractive destination for tourists, particularly from Europe. While Kenya's competitors, especially the Southern African countries of South Africa, Botswana and Zimbabwe and to a lesser extent Tanzania, have been experiencing a boom in tourist arrivals in the recent past, Kenya's performance was less than satisfactory. Visitor arrivals as well as departures fell by 20 per cent and 24.2 per cent from 863.4 thousand and 865.3 thousand in 1994 to 690.5 thousand and 656.0 thousand respectively during the period under review. This was the lowest number of visitor arrivals since 1988. While there was a decrease in the number of arriving visitors for all categories in 1995, the lowest number was recorded in the second quarter as shown in Table 13.1.

13.4. Visitors who came for holidays accounted for 77.9 per cent; those on business accounted for 13.9 per cent, while the rest were on transit and other purposes. There were 537.9 thousand visitors who came on holiday in 1995 compared to 679 2 thousand in 1994, a drop of 20.8 per cent. Those on business dropped by 21.6 per cent from 122.6 thousand in 1994 to 96.1 thousand, while those on transit and other purposes went down by 8 3 per cent from 61.6 thousand in 1994 to 56.5 thousand in 1995,

13.5. Visitor departures decreased from 865.3 thousand in 1994 to 656.0 thousand in 1995, a drop of 24.2 per cent. The number of departing visitors by purpose portrayed a similar pattern as the number of arriving visitors, with 76.6 per cent on holiday, 13.5 per cent on business, 8.8 per cent on transit and 1.2 per cent on other purposes. These details are presented in Table 13.2.

QUARTERLY VISITOR ARRIVALS BY PURPOSE OF VISIT, 1991 - 1995

Table 13.1 '000

Quarter/	Purpose	1991	1992	1993	1994	1995*
1st Qr.	Holiday	149.6	155.4	69.3	145.4	109.6
	Business	17.9	39.1	26.2	60.8	45.9
	Transit	7.5	19.2	12.0	27.8	13.4
	Other	1.0	5.5	1.1	2.6	1.9
	TOTAL	176.0	219.2	108.6	236.6	170.8
2nd Qr.	Holiday	149.4	136.2	211.8	192.4	138.3
	Business	16.6	27.3	23.7	21.5	15.4
	Transit	5.1	14.7	9.6	8.7	13.5
	Other	2.4	6.0	0.3	0.3	0.2
	TOTAL	173.5	184.2	245.4	222.9	167.4
3rd Qr.	Holiday	215.9	211.1	208.7	189.8	150.8
	Business	23.1	19.3	20.0	18.2	14.5
	Transit	13.2	8.6	12.7	11.6	13.5
	Other	4.1	1.5	0.4	0.4	0.3
	TOTAL	256.3	240.5	241.8	220.0	179.1
4th Qr.	Holiday	158.4	104.0	190.0	151.6	139.2
	Business	20.0	23.6	27.7	22.1	20.3
	Transit	12.5	8.3	12.5	IO.tf	13.5
	Other ..	7.9	1.7	0.2	0.2	0.2
	TOTAL	198.8	137.6	230.4	183.9	173.2
Year	Holiday	673.3	606.7	679.8	679.2	537.9
	Business	77.6	109.3	97.6	122.6	96.1
	Transit	38.3	50.8	46.8	58.1	53.9
	Other	15.4	14.7	2.0	3.5	2.6
	TOTAL	804.6	781.5	826.2	863.4	690.5

* Provisional.

13.6. The traditional European markets continued to dominate as the destination of departing tourists from Kenya during the review period These accounted for 54.4 per cent of all departing visitors with German and British visitors making up 15.1 per cent and 14.8 per cent of all departing visitors respectively. Africa was the second most important destination of departing visitors with 189.0 thousand visitors in 1995 equivalent to 29.1 per cent. Of all departing visitors to Africa, 68 per cent were destined to Tanzania and Uganda. Most departing visitors to Tanzania had come for holiday while most departing to Uganda had come for business. These are detailed in Table 13.3.

13.7. Table 13.4 shows the length of stay by purpose of visit The total number of days stayed by visitors other than "other visitors" dropped by 27.4 per cent from 11,644.9 thousand in 1994 to 8,458.1 thousand in 1995. The average number of days stayed by each category of visitors was 14.6 for those on holiday, 9.5 for those on business and 4.9 for those on transit. The average number of days stayed declined by 4.4 per cent from 13.6 in 1994 to 13.0 in 1995. The average visitor on business and on transit stayed for slightly more days in the country compared to the previous year, while visitors on holiday spent fewer days in Kenya in 1995.

QUARTERLY VISITOR DEPARTURES BY PURPOSE OF VISIT, 1991 - 1995

Table 13.2 '000

Quarter/	Purpose	1991	1992	1993	1994	1995*
1st Qr.	Holiday	149.3	186.0	163.4	205.9	130.0
	Business	16.4	20.7	18.2	22.9	14.5
	Transit	11.8	13.5	11.9	15.0	13.9
	Other	1.8	1.9	1.6	2.0	1.3
	TOTAL	179.3	222.1	195.1	245.8	159.7
2nd Qr.	Holiday	111.2	1 14.6	1 18.7	173.5	122.6
	Business	17.9	21.9	22.7	33.2	23.5
	Transit	11.1	10.9	11.3	16.5	13.9
	Other	1.2	1.5	1.5	2.2	1.8
	TOTAL	141.4	148.9	154.2	225.4	161.8
3rd Qr.	Holiday	156.2	152.4	140.1	173.3	136.9
	Business	17.8	22.8	21.0	26.0	20.5
	Transit	11.7	13.0	11.9	14.7	15.0
	Other	2.2	2.4	2.2	2.7	2.2
	TOTAL	187.9	190.6	175.2	216.7	174.6
4th Qr.	Holiday	142.8	61.8	113.6	123.4	113.0
	Business	16.4	16.3	30.0	32.6	29.9
	Transit	12.6	9.4	17.3	18.8	14.7
	Other	1.1	1.3	2.4	2.6	2.3
	TOTAL	172.9	88.8	163.3	177.4	159.9
Year	Holiday	559.5	514.8	535.8	676.1	502.5
	Business	68.'5	81.7	91.9	114.7	88.4
	Transit	47.2	46.8	52.4	65.0	57.5
	Other	6.3	7.1	7.7	9.5	7.6
	TOTAL	681.5	650.4	687.8	865.3	656.0

* Provisional

Hotel Occupancy

13.8. Bed occupancy rose marginally at a time when hotel capacity contracted by 2.9 per cent in 1995 when compared with the previous year as depicted in Tables 13.5 and 13.6. The declining trend in hotel bed-nights occupied that started in 1993 continued through 1995. Hotel bed-nights occupied dropped by 1.1 per cent to reach 5,054.8 thousand from 5,109.7 thousand recorded in 1994; hotel capacity declined from 11,908.7 thousand in 1994 to 11,562.2 thousand in 1995, due to closure of a number of hotels for renovation. The net effect was a 1.4 per cent rise in bed occupancy to stand at 43.7 per cent Permanent occupants went down by 8.6 per cent from 108.5 thousand in 1994 to 99.2 thousand bed-nights in 1995. With the exception of hotel occupancy by residents from UK and Italy which increased by 8.3 per cent and 3.2 per cent respectively, those from other European countries registered substantial declines. The overall decline in hotel bed-nights occupied may partly be attributed to stiff competition from similar tourist markets especially in Southern Africa, Caribbean and South East Asia. Kenyan residents spent almost an equal number of bed-nights in both years 1994 and 1995.

DEPARTING VISITORS BY COUNTRY OF RESIDENCE AND PURPOSE OF VISIT, 1994 - 1995

Table 13.3 '000

Country of Residence	Holiday		Business		Transit		Total**	
	1994	1995*	1994	.1995*	1994	1995*	1994	1995*
Germany	127.7	94.9	1.2	0.9	2.3	2.0	131.2	97.8
United Kingdom	118.9	88.4	5.0	3.9	4.5	4.0	128.4	96.3
Switzerland	28.7	21.3	0.6	0.5	0.6	0.5	29.9	22.3
Italy	51.4	38.2	0.9	0.7	2.2	1.9	54.5	40.8
France	46.0	34.2	1.1	0.8	1.9	1.7	49.0	36.7
Scandinavia	22.1	16.4	1.2	0.9	2.3	2.0	25.6	19.3
Other Europe	47.5	35.3	2.2	1.7	3.1	2.7	52.8	39.7
TOTAL EUROPE	442.3	328.7	12.2	9.4	16.9	14.8	471.4	352.9
U.S.A	51.9	38.6	3.2	2.5	4.1	3.6	59.2	44.7
Canada	10.2	7.6	0.8	0.6	1.3	1.2	12.3	9.4
TOTAL NORTH AMERICA	62.1	46.2	4.0	3.1	5.4	4.8	71.5	54.1
Uganda	5.2	3.9	56.6	43.6	4.8	4.2	66.6	51.7
Tanzania	77.4	57.5	15.4	11.9	8.4	7.4	101.2	76.8
Other Africa	35.6	26.5	20.5	15.8	20.6	18.2	76.7	60.5
TOTAL AFRICA	118.2	87.9	92.5	71.3	33.8	29.8	244.5	189.0
India	10.1	7.5	1.5	1.2	2.8	2.6	14.4	11.2
Japan	12.3	9.1	1.0	0.8	0.8	0.7	14.1	10.6
Israel	5.2	3.9	0.3	0.2	0.4	0.4	5.9	4.5
Other Asia	12.9	9.6	2.4	1.8	3.5	3.1	18.8	14.5
TOTAL ASIA	40.5	30.1	5.2	4.0	7.5	6.7	53.2	40.8
Australia and New Zealand	10.1	7.5	0.5	0.4	1.0	0.9	11.6	8.8
All Other Countries	2.9	2.2	0.4	0.3	0.4	0.4	3.7	2.9
TOTAL	676.1	502.6	1 14.8	88.5	65.0	57.4	855.9	648.5

* Provisional.

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

NUMBER OF DAYS STAYED * BY PURPOSE OF VISIT, 1991 -1995

Table 13.4 '000

Purpose	1991	1992	1993	1994	1995**
Holiday	8,366.2	8,004.8	8,299.8	10,473.1	7,336.5
Business	700.7	711.3	737.5	920.5	839.8
Transit	198.0	195.4	202.6	251.3	281.8
TOTAL	9,264.9	8,911.5	9,239.9	11,644.9	8,458.1
Average length of stay in days	13.7	13.4	13.9	13.6	13.0

* Excludes days stayed by "Other Visitors" Category.

* * Provisional.

HOTEL BED-NIGHTS OCCUPIED BY COUNTRY OF RESIDENCE, 1991 - 1995

Table 13.5 '000

	1991	1992	1993	1994	1995*
Permanent Occupants**	158.7	123.2	82.1	108.5	99.2
Germany	1,755.4	1,488.5	1,430.1	1,334.3	1,201.4
Switzerland	502.3	324.5	363.1	339.9	312.0
United Kingdom	1,222.0	1,073.7	813.8	909.2	984.6
Italy	273.8	366.2	468.2	296.2	305.7
France	359.4	339.2	517.4	324.4	310.1
Scandinavia	114.8	91.4	121.4	90.2	86.3
Other Europe	359.3	301.5	388.7	289.0	289.0
EUROPE	4,587.0	3,985.0	4,102.7	3,583.2	3,489.1
Kenya Residents	938.0	655.8	895.0	689.6	689.3
Uganda	37.1	33.0	47.5	31.8	30.8
Tanzania	49.5	35.9	52.2	37.7	40.6
East and Central Africa	63.4	36.9	74.8	46.7	41.9
West Africa	40.9	30.1	29.1	28.8	28.2
North Africa	14.4	12.4	17.1	12.0	12.0
South Africa			-	-	23.1
Other Africa	106.9	90.9	135.3	89.9	89.9
AFRICA	1,250.2	895.0	1,251.0	936.5	955.8
U.S.A	248.9	276.4	386.0	243.4	265.9
Canada	47.6	47.0	81.0	45.9	51.6
Other America	16.4	14.0	27.7	15.0	15.0
AMERICA	312.9	337.4	494.7	304.3	332.5
Japan	35.4	34.9	52.0	32.6	33.4
India	30.6	28.0	42.8	27.1	27.8
Middle East	27.8	32.0	40.0	27.0	29.6
Other Asia	28.9	23.8	45.1	25.5	25.5
ASIA	122.7	118.7	179.9	112.2	116.3
Australia and New Zealand	31.2	29.0	46.2	28.2	25.1
All Other Countries	55.8	37.5	32.2	36.8	36.8
TOTAL- OCCUPIED	6,518.5	5,525.8	6,188.8	5,109.7	5,054.8
TOTAL -AVAILABLE	11,036.7	11,464.5	11,908.9	11,908.9	11,562.2
Occupancy rate %	59.1	48.2	52.0	43.1	43.7

* Provisional.

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

13.9. Despite the falling number of bed-nights occupied, close to 70 per cent of clients who spent nights in hotels came from the traditional markets of Europe, with 3.5 million bed- nights occupied in 1995 compared to 3.6 million in 1994 Germany and UK have continued to be the most important source of tourists to the country. Clients from both Germany and UK accounted for 23.8 per cent and 19.5 per cent of the total bed-nights occupied with 1.2 million and 1 million bed-nights respectively in 1995. This was far below their peak of 1.8 million and 1.2 million bed-nights respectively attained in 1991. These were followed by the American clients (majority being military personnel). The dwindling number of tourists from Asia and Australia was mainly due to emergence of similar tourist destinations in South East Asia.

HOTEL BED-NIGHTS OCCUPIED BY ZONE, 1991-1995

Table 13.6 '000

Zone	1991	1992	1993	1994	1995*
Coastal-Beach	3,881.7	3,482.5	3,762.0	3,071.5	3,059.6
- Other	269.7	181.8	196.2	185.2	166.7
Coast Hinterland	184.9	142.7	146.2	133.2	120.3
Nairobi-High Class	544.0	569.1	649.9	550.7	613.7
-Other	733.1	385.6	499.0	454.7	413.8
Central	407.7	307.7	369.0	299.0	275.4
Masailand	273.2	272.4	372.7	247.8	245.3
Nyanza Basin	100.7	91.6	105.6	82.8	78.6
Western	85.3	85.0	79.9	69.9	65.5
Northern	38.3	7.4	8.3	15.2	15.9
TOTAL-OCCUPIED	6,518.6	5,525.8	6,188.8	5,110.0	5,054.8
TOTAL-AVAILABLE	11,036.7	11,464.5	11,908.9	11,908.9	11,562.2

* Provisional.

13.10. The Kenyan Coast with its hospitable weather, easy access to national parks with varied game has continued to attract the majority of tourists to the country as shown in Table 13.6. Tourists staying in Coast hotels accounted for over 60 per cent of all hotel bed-nights in the country, though their number dropped slightly in 1995 compared to 1994. Other hotels in Coast and Coast hinterland registered a decline of 10 per cent, while hotels in Nairobi recorded a 2.2 per cent increase in the same period from 1,005.4 thousand bed-nights in 1994 to 1,027.5 thousand in 1995, mainly because of conferences. Hotels in the Northern zone continued to show recovery in 1995 with 15.9 thousand bed nights though this was still less than half of the 1991 peak of 38.3 thousand bed nights.

13.11. Details on hotel bed-nights by country of residence are shown in Table 13.7. Residents from European countries spent 2,682.7 thousand bed-nights in hotels in the Coast in 1995. This represented more than three quarters of total bed-nights occupied by tourists from Europe in the country. This tended to reaffirm the popularity of the Kenyan Coast to European tourists. Kenyan holiday makers represented 332.8 thousand bed-nights occupied in the Coast hotels representing over 40 per cent of all bed-nights occupied by Kenyans during the review period This was due to the lower off-season rates offered by tourist hotels to Kenyan nationals. Permanent occupants and residents from Africa, America, Asia, Australia and New Zealand spent most of their bed-nights in Nairobi hotels as attributed to the business nature of their visits. The majority of hotel bed-nights occupied in game lodges were by residents from European countries with 289.9 thousand bed-nights, followed by Americans with 60.5 thousand bed-nights during the review period.

HOTEL BED-NIGHTS OCCUPIED BY COUNTRY OF RESIDENCE, 1995 *

Table 13.7 '000

Country of Residence	Nairobi	Coast	Lodges	Others	Total
Permanent Occupants* *	70.3	15.5	3.3	10.1	99.2
Germany	54.2	1,060.2	64.1	22.9	1,201.4
Switzerland	18.9	264.9	22.1	6.1	312.0
United Kingdom	143.6	706.2	92.6	42.2	984.6
Italy	25.7	255.1	19.4	5.5	305.7
France	45.3	191.6	45.9	27.3	310.1
Scandinavia	28.8	40.1	9.8	7.6	86.3
Other Europe	73.2	164.6	36.0	15.2	289.0
Kenya	161.6	332.8	33.5	161.4	689.3
Uganda	18.3	4.7	2.2	5.6	30.8
Tanzania	25.6	12.8	0.4	1.8	40.6
East and Central Africa	30.6	9.4	0.3	1.6	41.9
West Africa	16.7	9.1	0.7	1.7	28.2
North Africa	9.3	1.2	0.7	0.8	12.0
South Africa	18.7	2.7	1.4	0.3	23.1
Other Africa	56.9	26.0	2.5	4.5	89.9
U.S.A	106.4	75.9	53.0	30.6	265.9
Canada	32.5	8.1	6.3	4.7	51.6
Other America	3.8	8.9	1.2	1.1	15.0
Japan	18.5	4.1	7.5	3.3	33.4
India	18.0	5.1	2.7	2.0	27.8
Middle East	15.4	5.9	5.7	2.6	29.6
Other Asia	12.5	7.2	2.4	3.4	25.5
Australia and New Zealand	13.4	4.8	4.4	2.5	25.1
All Other Countries	9.3	9.4	9.1	9.0	36.8
TOTAL	1,027.5	3,226.3	427.2	373.8	5,054.8

* Provisional.

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

13.12. The number of bed-nights occupied in the national parks and game reserves by both foreign residents and East African residents went up by 22.9 thousand and 11.8 thousand bed-nights respectively in 1995 as shown in Table 13.8. Foreign residents accounted for over 90 per cent of total occupancy in game lodges, spending 218.6 thousand bed-nights and 172.5 thousand bed-nights in lodges located in game reserves and national parks respectively during the review period. The increase is probably due to the upsurge in the number of visitors to Tsavo East National Park which has the biggest concentration of game lodges in the country. 87.2 per cent of foreigners opted for full catering while 21.6 per cent of East African residents opted for self-service.

GAME LODGES * * OCCUPANCY, 1993 -1995

Table 13.8 **'000**

Lodge locality/Type	BEDNIGHTS OCCUPIED					
	Foreign Residents			E.A. Residents		
	1993	1994	1995*	1993	1994	1995*
Game Reserves	289.1	181.6	218.6	38.8	17.8	21.0
National Parks	228.1	136.7	172.5	28.2	14.5	15.1
TOTAL	517.2	318.3	391.1	67.0	32.3	36.1
Of which full catering -	451.2	285.9	341.2	52.5	24.7	28.3
Self Service	66.0	32.4	49.9	14.5	7.7	7.8

* Provisional.

* * Lodges in National Parks and Game Reserves only.

Other Tourist Attractions

NUMBER OF VISITORS TO NATIONAL PARKS AND GAME RESERVES, 1991 - 1995

Table 13.9 000

—	1991	1992	1993	1994	1995*
Nairobi	168.8	156.4	164.6	163.2	113.5
Animal Orphanage ..	217.6	173.2	155.3	182.0	212.1
Amboseli	189.2	168.3	121.1	159.5	114.8
Tsavo (West)	119.3	103.1	102.9	105.4	93.1
Tsavo (East)	135.9	125.5	135.8	132.4	228.8
Aberdare	56.3	63.6	60.8	60.2	70.1
Buffalo Springs.. ..					
Lake Nakuru	174.4	139.8	178.6	164.3	166.8
Masai Mara	143.3	138.1	133.1	138.2	133.2
Malindi Marine	33.0	44.2	41.1	39.4	38.8
Lake Bogoria	53.0	39.4	37.2	43.2	14.2
Meru	9.1	7.1	7.4	7.9	7.3
Shimba Hills	38.2	31.9	24.8	31.6	20.0
Mount Kenya	14.6	15.5	18.0	17.2	17.2
Samburu			21.5	9.2	9.1
Kisite/Mpunguti.. ..	33.1	28.0	27.5	34.8	32.4
Mombasa Marine	54.6	57.8	43.3	48.0	23.9
Watamu Marine	22.0	27.0	31.7	32.1	16.1
Hell's Gate	41.3	34.2	47.4	44.9	50.1
Impala Sanctuary (Kisumu)			59.1	5.5	3.5
Other * *	14.8	14.0	16.6	9.6	18.9
TOTAL	1,518.5	1,367.1	1,427.8	1,428.6	1,383.9

* 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. After showing signs of recovery for both 1993 and 1994, the total number of visitors to national parks and game reserves declined by 3.1 per cent from 1,428 6 thousand recorded in 1994 to 1,383.9 thousand recorded in 1995. These details are shown in Table 13.9. There was mixed activity in the 8 major national parks and game reserves. Visitors to Nairobi national park went down by 30.4 per cent from 163.2 thousand in 1994 to 113.5 thousand recorded in 1995; visitors to its sister orphanage went up by 16.5 per cent from 182.0 thousand

in 1994 to 212.1 thousand in 1995. Tsavo East was the most popular national park in 1995 with 228.8 thousand visitors in 1995 compared to 132.4 thousand in 1994, equivalent to 72.8 per cent growth, while visitors to the adjoining Tsavo West declined by 11.7 per cent visitors from 105.4 thousand in 1994 to 93.1 thousand in 1995. Visitors to Amboseli and Masai Mara declined by 28 per cent and 3.6 per cent between 1994 and 1995 respectively. Lake Nakuru national park registered a slight increase from 164.3 thousand visitors in 1994 to 166.8 thousand in 1995, while visitors to Aberdare national park went up by 16.4 per cent The three marine parks of Malindi, Watamu and Mombasa recorded a combined decrease of 34 per cent from 119.5 thousand visitors in 1994 to 78.8 thousand in 1995. The declining trend in the number of visitors to the Kisumu Impala Sanctuary worsened in 1995 with 3.5 thousand visitors in 1995 compared with 59.1 thousand and 5.5 thousand visitors in 1993 and 1994 respectively. The relative magnitude of visitors especially to the 8 major national parks is expected to change in future after the new pricing policy introduced by the Kenya Wildlife Service (KWS) early this year takes effect.

VISITORS TO MUSEUMS, SNAKE PARK AND SITES, 1991 - 1995

Table 13.10 '000

	1991	1992	1993	1994	1995*
National Museum: (Main Gate)	213.9	237.6	202.7	217.9	215.4
National Museum: (Snake Park)	176.3	209.6	175.2	187.0	181.6
Fort Jesus	187.0	187.4	289.9	221.4	245.3
Kisumu Museum	35.1	29.5	35.0	33.2	36.1
Kitale Museum	30.2	15.2	26.3	23.9	27.5
Gedi	41.5	58.5	37.2	45.7	43.7
Meru Museum	29.5	19.6	18.6	22.6	21.0
Lamu	13.3	10.3	7.7	10.4	10.7
Jumba la Mtwala	14.0	7.8	6.9	9.6	11.3
Olorgessaile					
Kariandusi	3.1	1.2	2.0	2.1	3.0
Hyrax Hills					
Karen Blixen	45.8	35.2	47.5	43.8	46.1
Kilifi Mwarani		1.1	0.9	0.7	0.8
TOTAL	789.7	813.0	849.9	818.3	842.5

* Provisional.

13.14. Details of the number of visitors to museums and other historical sites are shown in Table 13.10. During the review period, the number of visitors to national museums and other historical sites went up by 3.0 per cent from 818.3 thousand in 1994 to 842.5 thousand in 1995. This was despite a decrease of 1.1 per cent and 2.9 per cent registered for visitors to the National Museum and the Snake Park from 217.9 thousand and 187.0 thousand visitors in 1994 to 215.4 thousand and 181.6 thousand visitors recorded in 1995 respectively. The number of visitors to Gedi and Meru Museums also decreased by 4 4 per cent and 7.1 per cent respectively. The increases registered in the number of visitors to the other museums and historical sites, especially Fort Jesus, which registered a 10.8 per cent increase from 221.4 thousand visitors in 1994 to 245.3 thousand visitors in 1995, had a positive net effect on the overall number of visitors to national museums and other historical sites.

Conference Tourism

13.15. Kenya being host to major regional and world organisations including the United Nations Environment Programme (UNEP) and the United Nations Centre for Human Settlements (HABITAT) and the country's relatively well developed infrastructure makes it ideal for regional and international conferences. The recovery in the number of conferences held at Kenyatta International Conference Centre continued through 1995 with 18 conferences held as compared to 16 conferences held in the previous year. The delegates spent 126 conference days which was an increase of 5.9 per cent compared to 1994. However, the average number of days per conference went down slightly from 7.4 in 1994 to 7.0 in 1995. The number of delegate increased by 10.0 per cent to 12,720 in the review period. However, even with these increases, the rate of occupancy was still substantially lower than the one registered in 1991.

CONFERENCES HELD AT KENYATTA INTERNATIONAL CONFERENCE CENTRE, 1991-1995**

Table 13.11

	1991	1992	1993	1994	1995*
Number of conferences	14	8	13	16	18
Number of conferences days	149	23	18	119	126
Attendance (Number of Delegates)	9,750	11,250	8,070	11,560	12,720
Percentage of occupancy	40.8	6.3	4.9	32.6	34.4

* Provisional

International conferences delegates only.

Tourism Promotion

13.16. Tourism in Kenya continued being promoted through tourist offices located in the tourist generating countries. Through these offices, the country participates in tourism related international trade fairs and exhibitions. The Tourism sectoral Panel of the Export Promotion Council (EPC) also plays a crucial role in this respect through its tourism promotion services. The formation of the long awaited Kenya Tourism Board is expected to play a key role in the co-ordination of tourism promotion activities. The Ministry of Tourism and Wildlife also participated in the local Agricultural Society of Kenya (ASK) Shows with the sole purpose of promoting domestic tourism.

13.17. Two public institutions have responsibility for tourism development in the country. These are the Kenya Tourist Development Corporation (KTDC) and the Utalii College. The former assists in financing tourist oriented enterprises mainly through equity capital, while the latter is responsible for the training of middle and high level manpower for the tourism industry. The role of the KTDC is expected to diminish with the government's divestiture from the parastatal sector as part of the Structural Adjustment Programme (SAP). By the end of 1995, the Kenya Utalii College had trained 16,385 candidates at ordinary, advanced and in-service levels with 1,636 of them trained in 1995. This was 9.3 per cent higher than the 1994 candidates who numbered 1,497. In-service candidates numbered 1,218 while 800 candidates took professional courses.

CHAPTER 14 - TRANSPORT, STORAGE AND COMMUNICATIONS

Overview

During the year ended 31st December 1995, the transport, storage and communications sector registered a mixed economic performance. First, general improvement in world trade in 1995 had spill-over effects on Kenya bound shipping. Secondly, the continued exposure of the domestic economy to external competition and aggressive export promotion strategies boosted Kenya's external trade; with substantial linkage benefits to spatial services. Overall output growth in the sector at current prices was 18.9 per cent compared to 17.9 per cent in 1994.

14.2. The road transport industry registered significant growth, reflected in increases in road tariffs and passenger fares, despite increased fuel price and foreign exchange uncertainties. The depressed business in the tourism industry first observed in 1994, however, led to a significant fall in flight activity at major airports in the country. The number of newly registered motor vehicles in 1995 increased significantly by 24.0 per cent above the 1994 registration. The performance of the postal and telecommunications industry was strengthened in part by new market entry of private courier services, and by internal restructuring of the industry, which resulted in reduced operating expenses.

Throughput of refined petroleum products transported by the Kenya Pipeline Company (KPC), increased significantly by 11.2 per cent in 1995 when compared to 1994. This was attributed to the increased local demand and exports of petroleum products to neighbouring countries.

14.3. The overall economic performance of the transport, storage and communications sector is shown in Table 14.1. Consistent growths were registered in road and pipe-line transport on account of the pipeline extension, and movement of goods and passengers associated with economic liberalisation. Structural problems in the railway industry on the

TRANSPORT AND COMMUNICATIONS - VALUE OF OUTPUT, 1991 - 1995

Table 14.1 K£million

	1991	1992	1993	1994	1995 *
Road Transport	628.2	722.2	797.9	905.8	1,074.2
Railway Transport	114.2	116.7	153.2	185.5	198.6
Water Transport	154.6	175.0	182.7	250.7	271.7
Air Transport	341.0	365.6	388.6	408.8	451.7
Services Incidental to Transport	78.9	82.4	94.3	118.4	149.4
Communications	395.2	463.9	547.9	683.8	890.3
TOTAL	1,712.1	1,925.8	2,164.6	2,553.0	3,035.9

* Provisional.

other hand led to slower growth in the sub-sector. Brisk international trade activities contributed to a growth of 26.2 per cent in the services incidental to the transport sub-sector, that is storage and warehousing, clearing and forwarding. However, notable infrastructural constraints, led to a slow down in output growth of the services incidental to water transport sub-sector. The restructuring process initiated in 1994 in the domestic airlines industry towards full privatisation, led to a 10.5 per cent growth in the air transport

sub-sector. Similar restructuring strategies in the domestic telecommunications industry, led to a sub-sectoral growth of 30.2 per cent in 1995. Overall growth of the sector in 1995 was 20.1 per cent compared to 17.9 per cent realised in the previous year.

14.4. The road transport industry has continually dominated the transport business in comparison to the railway network in the generation of revenue. This can be explained by the greater access to the country's extensive road network compared to the limited capacity of the railway line. In the year 1995 the total amount of revenue earned from road transport was K£904.4 million, 17.5 per cent above the K£ 769.6 million generated in 1994. Table 14.2 shows that earnings from road freight traffic have consistently lagged behind those of road passenger traffic over the years, perhaps due to the bigger capital required for the former; this has tended to depress growth in the size of the freight haulage fleet, with adverse implications on their expected earnings. Earnings from passenger road transport services in 1995 accounted for 57.3 per cent of total road traffic earnings while those accruing from freight road traffic accounted for the rest, 42.7 per cent. The total revenue earned by the railways in the year under review was K£198.6 million, 7.1 per cent above the K£185.5 million in 1994. The railway freight earnings were higher than those accruing from passenger railway transport.

EARNINGS FROM ROAD AND RAIL TRAFFIC *, 1991 - 1995

Table 14.2 K£million

	1991	1992	1993	1994	1995**
Passenger Traffic:					
Road	358.8	421.5	438.8	458.7	500.8
Rail	11.7	12.4	14.4	13.0	14.5
Total	370.5	433.9	453.2	471.7	515.3
Freight Traffic:					
Road	239.1	262.5	280.8	310.9	373.6
Rail***.	102.5	104.1	145.0	172.5	184.1
Total	341.6	366.6	425.8	483.4	557.7
Total Road Traffic	597.9	684.0	719.6	769.6	874.4
Total Rail Traffic	114.2	116.5	159.4	185.5	198.6
Total	712.1	800.5	879.0	955.1	1,073.0

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

* * Provisional

* * * Includes other Revenue.

Road Transport

14.5. The complete liberalisation of trade and foreign exchange regime in 1995 continued its upward influence on the registered number of motor vehicles in the country. However, the growth rate in number of motor vehicles registered in 1995 was 24.0 per cent, well below the revised 44.3 per cent registered in 1994. In absolute numbers, 22,224 motor vehicles were registered in 1995 compared with a revised figure of 17,928 in 1994. The apparent slow growth in the figures for 1995 is likely to have been as a result of the drop in motor vehicle registration evident in the 1993 figures shown in Table 14.3. In 1993, the value of the Kenya shilling depreciated to an all time low, making importation of whole and completely knocked down motor vehicles relatively expensive. Conversely the steady

increases in the figures for the past two years are explained by availability of inexpensive and closer motor vehicle markets of Dubai and South Africa, besides the stabilisation of the domestic economy and in particular the foreign exchange market. Registration of saloon cars fell by a significant 7.3 per cent while that of panel vans and pickups useful to the farming and business community, nearly doubled. Similar upward trends were recorded in the registration of buses, coaches and minibuses, attributed to increased demand for passenger transport services.

NEW REGISTRATION OF ROAD VEHICLES. 1991 - 1995

Table 14.3 Number

Type of Vehicle	1991	1992	1993	1994	1995*
Saloon Cars	4,124	4,247	4,542	7,031	6,519
Station Wagons	2,558	2,081	1,828	2,699	3,260
Panel Vans, Pick-ups, etc.	3,943	3,728	2,510	3,380	5,778
Lorries/Trucks	1,272	1,105	750	1,315	1,778
Buses and Coaches	762	718	519	390	743
Mini Buses	394	447	295	427	813
Special Purposes Vehicles	39	37	20	19	32
Trailers	423	299	291	541	444
Rollers, Graders, Cranes	49	68	55	53	89
Wheeled Tractors	700	687	474	578	977
Crawler Tractors	6	1	2	6	11
Motor and Auto Cycles	1,246	1,364	1,133	1,488	1,778
Three Wheelers	0	2	1	1	2
All Vehicles	15,516	14,784	12,420	17,928	22,224

* Provisional.

14.6. Uncertainties in the tourism industry experienced in the last three years and steady rises in transport operating costs, have inhibited growth in the number of vehicles on hire. As shown in Table 14.4, the number of licensed Passenger Service Vehicles (PSV) in 1995 was 2,185, an 8.9 per cent fall from the 2,399 licensed in 1994. Similarly, the number of licenses issued for freight transport vehicles on hire in 1995 was 7,752, a significant fall of 7.9 per cent from the 8,414, issued in the previous year.

LICENCES ISSUED FOR VEHICLES ON HIRE, 1991 - 1995

Table 14.4 Number

	1991	1992	1993	1994	1995*
Passenger Service Vehicles	3,362	2,305	1,753	2,399	2,185
Freight Transport Vehicles	7,821	9,644	6,290	8,414	7,752
Total	11,183	11,949	8,043	10,813	9,937

* Provisional.

Railway transport

14.7. Although substantial business transformation has been effected in the Kenya Railways in line with the Parastatal Reform Program (PRP), operational problems persisted in the running of the Kenyan railways in 1995. The amount of freight traffic handled by the railways in 1995 was 2,090.1 tonnes, a rise of 9.9 per cent above the 1,901.0 tonnes ferried in 1994. The data presented in Table 14.5 also shows that the number of passenger journeys operated by the railways decreased significantly by 9.7 per

cent. Railway freight revenue has consistently risen since 1992 on account of numerous upward tariff adjustments, revenue accruing from railway passenger transport has been somewhat static, attributed to heavy competition from inter-urban road passenger transport.

RAILWAY TRAFFIC, 1991 - 1995

Table 14.5

	Unit	1991	1992	1993	1994	1995 *
Freight:						
Tonnes	'000	3,286.0	2,821.0	2,310.0	1,901.0	2,090.1
Tonne-km	million	1,865.0	1,627.0	1,312.0	1,172.0	1,456.1
Revenue**	K£million	92.1	102.5	146.1	152.0	171.3
Revenue per tonne-Km	cts	99.0	126.0	221.0	259.0	235.0
Passenger:						
Journeys	'000	2,635.0	2,507.0	2,426.0	1,910.6	1,725.0
Passenger-Km	million	658.0	563.0	464.0	408.0	374.0
Revenue	K£million	11.7	12.4	14.4	15.2	14.5
Revenue per passenger-Km.	cts	36.0	44.0	62.0	75.0	78.0

* Provisional.

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

Harbours and Shipping

14.8. The performance of the Kenya Ports Authority (KPA) in 1995, was adversely affected by cargo congestion, constraints in railway movement, poor international publicity, and the poor condition of the Nairobi-Mombasa highway. However, a substantial port equipment rehabilitation programme helped forestall further decline. An action programme was also set in place in 1995 to transform Mombasa into a regional free port, aimed at gaining economic benefits accruing from regional economic integration. The amount of dry cargo loaded at the port in 1995 was 1,733 thousand tonnes, 19.8 per cent above the 1,446 thousand tonnes loaded in the previous year. Insignificant change was observed in the loading of bulk liquids. The amount of dry cargo landed at the harbour in 1995 was 3,370 thousand tonnes, a significant 14.2 per cent below the 3,930 thousand tonnes landed in the previous year, chiefly as a result of declines in. the importation of grains. Similarly, uncertainties emanating from foreign exchange movements, an important guide to the direction of trade in petroleum products, led to a marginal 1.4 per cent fall in the amount of bulk liquids off-loaded at the port. As shown in Table 14.6, overall freight handled at the port declined by 3.8 per cent.

Pipeline Transport

14.9. Increased exports of white oil products to neighbouring countries, occasioned a 15.8 per cent increase in throughput of refined petroleum products by the KPC. The performance of the company was enhanced by completion of the Western Kenya Pipeline Extension now serving neighbouring countries. Similarly, the full liberalisation of the foreign exchange market in 1995, enabled the KPC to service its foreign financial obligations, although this was constrained by depreciation of the Kenya shilling against hard currencies. The total amount of throughput transported by the pipeline in 1995 was 2,248.5 thousand cubic metres compared to the revised 1,942.5 thousand cubic metres

FREIGHT HANDLED AT MOMBASA HARBOUR, 1991 - 1995

Table 14.6 '000 Tonnes

	1991	1992	1993	1994	1995*
Loaded:					
Dry Cargo	1,483	1,692	2,088	1,446	1,733
Bulk Liquids	310	391	685	213	213
Total	1,793	2,083	2,773	1,659	1,946
Landed:					
Dry Cargo	2,081	2,829	2,773	3,930	3,370
Bulk Liquids	3,228	2,981	2,371	2,680	2,642
Total	5,309	5,810	5,144	6,610	6,012
Total Freight Handled	7,102	7,893	7,917	8,269	7,958

* Provisional.

pumped in 1994. The amount of light diesel oil shipped via the pipeline in 1995 was 759.6 thousand cubic metres representing a rise of 26.5 per cent above the 600.5 thousand cubic metres transported in 1994. The shipment of premium motor spirit, and illuminating kerosene rose by differing ranges; that of jet fuel decreased by 11.5 per cent, while that of regular motor spirit fell by 6.9 per cent.

PIPELINE THROUGHPUT OF WHITE PETROLEUM PRODUCTS, 1991 - 1995

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
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
1994	362.9	219.5	205.0	600.5	633.9	..	2,021.8
1995**	456.8	204.3	266.8	759.6	560.9	..	2,248.4

* Includes Jet fuel in Mombasa from 1988

* * Provisional

Air Transport

14.10. Flight activity at the major international airports in 1995 was lower than that in 1994. This slowdown was mainly attributed to lower world economic growth in the industrialised countries which adversely affected the world travel business. Similarly, the cessation of United Nations Operations in Somalia(UNOSOM) and those necessitated by the civil war in Rwanda, which boosted flight activities in 1994, contributed to the fall in flight activities at the national airports. Major development and rehabilitation works were implemented at Moi International Airport in Mombasa in 1995 in response to the rising competition for tourist trade from neighbouring countries. As shown in Table 14.8, the number of passengers landed at the airports in 1995 was 1,152.7 thousand, 2.9 per cent lower than the 1,187.4 thousand in 1994, The number of passengers embarked fell by 3.1 per cent. Total amount of freight declined by a significant 13.8 per cent.

COMMERCIAL TRAFFIC AT JOMO KENYATTA AND MOI INTERNATIONAL AIRPORTS, 1991 - 1995

Table 14.8

	1991	1992	1993	1994	1995 *
Passengers-000's:					
Landed	1,109.2	1,125.9	1,193.7	1,187.4	1,152.7
Embarked	1,119.2	1,147.8	1,190.4	1,214.4	1,177.0
In Transit	388.5	308.1	336.6	370.8	382.5
Total	2,616.9	2,581.8	2,720.7	2,772.6	2,712.2
Freight -'000 tonnes:					
Cargo: Landed	13.4	15.9	17.9	23.0	22.5
Loaded	41.1	44.7	45.4	59.2	48.5
Mail: Landed	1.2	1.3	1.3	1.2	1.1
Loaded	0.7	0.7	0.8	0.8	0.5
Total	56.4	62.6	65.4	84.2	72.6

* Provisional

Postal and telecommunications services

14.11. The appreciable growth registered in the economy in 1995 produced positive development in the postal and telecommunications industry. Similarly progress on restructuring, consolidation and commercialisation of the industry's network continued to be implemented in the year under review. No data was available in 1995 on the impact of the global information superhighway on business performance of the domestic telecommunications industry. The growth in provision of telecommunications infrastructure was significantly retarded by increased competition in the profitable segments of the postal market, as well as widening operating deficits and pronounced non-commitment of projects by private contractors. As shown in Table 14.9, the total number of post offices decreased slightly from 1,074 in 1994 to 1,061 in 1995 as a result of the closure of uneconomical post offices. On the other hand, the number of private letter boxes in 1995 reached 302 thousand, 7.9 per cent above the 280 thousand installed by the end of 1994. The number of registered and insured items posted in 1995 increased by 56.7 per cent, while estimates of total correspondence handled was 452 million units. The number of parcels handled in 1995 declined by 7.6 per cent attributed to entry into the market of more private courier services. The total number of money orders issued in 1995 declined by a significant 11.8 per cent due to increased business competition from financial institutions. Conversely, the number of postal orders usually involving transactions of small amounts of money rose by 14.6 per cent in 1995.

14.12. In response to the rising consumer demand for new services, the Telecommunications Corporation continued to introduce Value Added Services(VAS), which included mobile telephone services, card phones and Bureaufax services. The number of telephone exchange connections rose by 9.2 per cent from 229 thousand in 1994 to 250 thousand in 1995. No change was recorded in the number of subscriber dialed units which remained at 2,870 million, although the number of manual telephone calls made fell by a significant 16.2 per cent.

POSTAL AND TELECOMMUNICATION SERVICES. 1991 - 1995

Table 14.9

	Unit	1991	1992	1993	1994	1995*
Post Offices	No	1,076	1,096	1,094	1,074	1,061
Private Letter Boxes	'000	252	261	268	280	302
Registered and Insured Items Posted	million	3.6	3.3	3.1	3.0	4.7
Total correspondence handled	million	297	311	384	450	452
Parcels handled	'000	297	311	310	278	257
Telephone Exchange connections	'000	200	207	215	229	250
Public Call boxes	No	5,521	5,552	5,722	5,910	5,922
Card Phones	No	58	58	58	58	58
Mobile Telephone	No	-	•	1,162	1,727	2,638
Manual Telephone Calls made	million	9.2	8.6	8.1	6.8	5.7
Subscriber Dialed Units	million	2,416	2,483	2,365	2,870	2,870
Telex Subscribers	'000	2.0	1.8	1.7	1.5	1.6
Telegrams Handled	'000	1,672	1,589	1,730	1,784	1,835
Money Orders	No.(million)	2.0	1.9	1.9	1.7	1.5
Postal Orders	No.('000)	74	75	101	41	47

* Provisional.

14.13. Rapid changes occurring in telecommunications technology continued to play a major role in the provision of external telecommunications, while on the other hand, outdated technologies continued to be phased out. As shown in Table 14.10, the number of both outgoing and incoming telephone services increased by 8.6 and 6.4 per cent

EXTERNAL TELECOMMUNICATIONS TRAFFIC, 1991 - 1995

Table 14.10

	1991	1992	1993	1994	1995*
Telephone service-million paid minutes-					
Outgoing	22.9	21.7	24.9	20.9	22.7
Incoming	33.8	39.3	45.1	51.7	55.0
Telex service-million paid minutes-					
Outgoing	2.1	1.6	1.9	1.1	0.7
Incoming	2.6	2.0	2.3	1.2	0.9
Telegraph service-million paid words-					
Outgoing	0.8	0.5	0.5	0.2	0.2
Incoming	1.0	0.7	0.8	0.5	0.2
Bureau Fax					
Outgoing:					
Documents	6.882	6,293	6,897	1,727	20,364
Pages	9,212	7,559	8,199	6.256	24,005
Incoming:					
Documents	4,481	4,249	2,311	3,620	3,860
Pages	7,253	6,287	3,785	5,930	6,672

* Provisional.

respectively; while the number of outgoing bureaufax messages rose consistently since 1991 with a steep increase in 1995. The number of incoming bureaufax messages, both documents and pages have been constant at an average of 3,704, and 5,985, respectively. The number of telex subscribers has however been falling gradually in the last five years.

due to the introduction into the market of superior data transmission techniques and facsimile. For similar reasons, the number of incoming telegraph services fell by a significant 60 per cent in 1995.

Information and Mass-media

14.14. Details of the number of radios and television sets sold and licensed are shown in Table 14.11. Increased demand of both radio and television receivers was triggered off by the liberalised economic environment which greatly reduced consumer prices. The number of radio receivers sold in 1995 was 151.1 thousand, 38.5 per cent above the 109.1 thousand sold in 1994. The number of television sets sold and licensed as reported by the Kenya Broadcasting Corporation (KBC) in 1995 was 29.5 thousand, 8.9 per cent above the 27.1 thousand in the previous year. It is suspected, however, that the annual figures on radios and television sets available to Kenyan households are significantly understated on account of the unregulated nature of trade in electronic goods prevailing in the domestic economy due to economic liberalisation.

NEW RADIOS AND T.V. SETS SOLD AND LICENSED. 1991 - 1995

Table 14.11 Number

	1991	1992	1993	1994	1995*
Radios - '000	235.9	154.9	119.5	109.1	151.1
Television Sets - '000	33.2	22.7	26.0	27.1	29.5

*Provisional.

14.15. The circulation trend of daily newspapers from the year 1991 indicates a slow growth in the numbers attributed to rising costs in the printing and publications industry and domestic inflationary pressures. As shown in Table 14.12, the number of daily English newspapers circulated in 1995 was 231.6 thousand copies, marginally above the 213.1 thousand sold in 1994. A steady downward trend in the last three years has been recorded

DAILY/WEEKLY AVERAGE LOCAL NEWSPAPER CIRCULATION, 1991 - 1995

Table 14.12 '000 Copies

	1991	1992	1993	1994	1995*
Morning Newspapers-					
English	304.4	299.9	308.3	213.1	231.6
Swahili	77.7	79.1	39.2	29.6	32.5
Other Newspapers-					
English Weeklies	338.8	346.4	348.2	392.8	447.6
	75.5	78.1	48.7	30.5	36.5

• Provisional.

in the circulation of daily Kiswahili newspapers. This was explained by cessation of production of Kiswahili daily newspapers by a major media concern in the country. The number of English weekly papers in 1995 was 447.6 thousand copies, 14.0 per cent above the revised 392.8 thousand circulated in the previous year. The conspicuous jump was explained by the introduction into the market of new weekly papers sold in the Eastern Africa region. However, the circulation of Kiswahili weeklies has been falling during the last three years except for the small increase noticed in the data for 1995.

CHAPTER 15 - SOCIAL SCENE

Central Government expenditure on social services rose markedly by 28.4 per cent from K£ 1,659.23 million in 1994/95 to K£ 2,130.37 million in 1995/96 fiscal year as shown in Table 15.1. Estimated recurrent expenditure formed 86.6 per cent of the total budget in 1995/96 fiscal year. The Education sector had the highest allocation of recurrent expenditure estimate accounting for 76.2 per cent of the total recurrent budget while Health Sector had the largest share (59.7 per cent) of the development expenditure budget.

CENTRAL GOVERNMENT EXPENDITURE ON SOCIAL SERVICES, 1992/93 - 1995/96

Table 15.1 K£million

	1992/93	1993/94	1994/95 *	1995/96**
RECURRENT EXPENDITURE-				
Ministry of Education	719.67	927.58	1,197.81	1,406.04
Ministry of Health	170.52	223.25	286.20	390.54
Ministry of Labour	5.59	7.05	8.19	11.54
Ministry of Culture and Social Services	21.42	23.46	30.86	36.00
TOTAL	917.20	1,181.34	1,523.06	1,844.12
DEVELOPMENT EXPENDITURE-				
Ministry of Education	65.85	59.46	74.81	107.43
Ministry of Health	54.30	97.59	55.19	170.77
Ministry of Labour	0.29	0.80	0.28	0.53
Ministry of Culture and Social Services	2.47	1.84	5.89	7.52
TOTAL	122.91	159.69	136.17	286.25
TOTAL EXPENDITURE	1,040.11	1,341.03	1,659.23	2,130.37

* Provisional.

* * Estimates including supplementaries.

15.2. Table 15.2 presents information on the Local Government expenditure on social services from 1991/92 to 1995/96 fiscal years. The estimated expenditure went up by a significant 9.7 per cent from K£ 58.96 million in 1994/95 to K£ 64.69 million in 1995/96 fiscal year. The health sector continued to take the largest share of the budget allocation by accounting for 52.9 per cent of the total expenditure while education took 38.6 per cent of the budget estimate.

LOCAL GOVERNMENT EXPENDITURE ON SOCIAL SERVICES, 1991/92 - 1995/96

Table 15.2 K£million

	1991/92	1992/93	1993/94	1994/95*	1995/96**
Education	13.41	13.62	16.79	23.19	24.95
Health	15.23	18.15	17.90	31.68	34.22
Other Social Services	1.19	2.21	1.16	4.09	5.52
TOTAL EXPENDITURE	29.83	33.98	35.85	58.96	64.69

*Provisional.

** Estimates.

Education

15.3. Expenditure of the Ministries of Education and Research, Technical Training and Technology, under which fall Technical and Polytechnic education, are presented in Table 15.3. The total expenditure in the sector increased by 18.6 per cent from K£ 1,312.91 million in 1994/95 to K£ 1,556.62 million in 1995/96 fiscal year. The total expenditure has nearly doubled since 1992/93 fiscal year Recurrent expenditure constituted 91.8 per cent of the total budget. General Administration and Planning continued to take the largest share of the recurrent expenditure accounting for 79.0 per cent followed by Higher Education while Pre-primary Education had the least recurrent expenditure estimate in 1995/96 fiscal year On the other hand. Higher Education received the highest allocation of the development budget accounting for 39.6 per cent while General Administration and Planning and Primary Education received 26.5 per cent of the same budget leaving 33 .9 per cent to be shared by the rest of the Education sector.

EXPENDITURE OF THE MINISTRY OF EDUCATION, 1992/93 - 1995/96

Table 15.3 K£million

	1992/93	1993/94	1994/95 *	1995/96"
RECURRENT EXPENDITURE-				
General Administration and Planning	55.14	51.17	994.52	1,128.47
Pre-Primary Education	0.68	0.78	0.18	0.31
Primary Education	393.95	551.22	18.51	19.85
Secondary Education	122.14	157.27	15.94	16.09
Technical Education +	5.11	8.05	12.41	13.19
Teacher Training + +	16.14	17.14	10.09	8.14
Special Education	6.60	6.90	0.99	2.18
Polytechnic Education + ...	4.53	5.82	6.41	7.01
Higher Education***.	125.04	142.02	172.78	228.84
Miscellaneous	1.55	2.98	4.02	4.47
TOTAL	730.88	943.95	1,235.85	1,428.55
DEVELOPMENT EXPENDITURE-				
General Administration and Planning	12.67	15.65	10.50	15.86
Pre-Primary Education	-	-	0.83	0.15
Primary Education	1.33	0.69	15.19	18.11
Secondary Education	2.89	3.12	2.94	12.59
Technical Education +	0.04	0.05	0.49	17.71
Teacher Training + +	14.66	16.01	25.93	8.64
Special Education	0.43	0.26	0.29	4.23
Polytechnic Education + ...	0.34	0.03	0.82	0.06
Higher Education***.	34.03	23.75	20.07	50.72
Miscellaneous				
TOTAL	66.39	59.56	77.06	128.07
TOTAL RECURRENT & DEVELOPMENT EXPENDITURE	797.27	1,003.51	1,312.91	1,556.62

*Provisional.

**Estimates including 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.

+ + Includes Expenditure on Kenya Technical Teachers College

15.4. Educational institutions in the country increased in number by 3 .6 per cent from 37,851 in 1994 to 39,209 in 1995 as shown in Table 15.4. While the number of pre-schools increased significantly by 5.8 per cent from 19,083 in 1994 to reach 20,186 in 1995, primary and secondary schools had a relatively marginal increase of 1.3 per cent and 1.6 per cent

respectively in the year under review. The number of Training Colleges did not change over the same period.

NUMBER OF EDUCATIONAL INSTITUTIONS, 1991 - 1995

Table 15.4 Numbers

Category	1991	1992	1993	1994	1995*
Schools:					
Pre-Primary	17,650	17,327	18,487	19,083	20,186
Primary	15,196	15,465	15,804	15,906	16,1 15
Secondary	2,647	2,632	2,639	2,834	2,878
Training Colleges:					
Primary	22	25	25	25	25
Secondary	4	4	3	3	3
TOTAL	35,519	35,453	36,958	37,851	39,207

*Provisional.

15.5. Enrolment in pre-primary schools rose from 951,997 in 1994 to 988,826 in 1995, a 3.9 per cent rise. Girls constituted 48.7 per cent of the total enrolment In 1995, pre-school teachers were 29,251 in number where 40.6 per cent (11,877) of them were trained. This constituted a pupil-teacher ratio of 34 pupils per teacher which is good for learning; however, the pupil-trained teacher ratio was 83, a low ratio which needs to be improved and which is quite poor for attainment of quality education

15.6. Primary school enrolment by class from 1992 to 1995 is presented in Table 15.5. Total enrolment dropped marginally by 0.2 per cent from 5.56 million in 1994 to 5.55 million in 1995. Girls accounted for 49.5 per cent of the total enrolment in 1995, an indication of near equal access to primary education for both girls and boys. There was a gradual drop in enrolment as pupils advanced from class 1 to class 8, with enrolment in class 8 being the least (7.5 per cent of the total enrolment) while class 1 had the highest enrolment of 17.2 per cent of the total. This was as a result of drop out and repetition in primary schools In 1995, 393,448 candidates sat for the Kenya Certificate of Primary Education (KCPE) examination. This represented a marginal decline of about 0.6 per cent from 395,765 in 1994.

PRIMARY SCHOOL ENROLMENT BY STANDARD, 1992 - 1995

Table 15.5 '000

	1992		1993		1994		1995*	
Class	Boys	Girls	Boys	Girls	Boys	Girls	Boys	Girts
Standard 1	479.6	453.1	472.5	446.1	491.0	463.4	492.1	459.9
Standard 2	423.8	399.4	409.9	384.2	424.5	399.8	426.8	405.8
Standard 3	393.0	374.0	387.4	369.0	387.7	378.7	392.3	373.3
Standard 4 ..	376.4	366.8	369.6	364.1	379.3	374.9	368.1	366.2
Standard 5	330.0	329.4	324.4	326.5	330.0	337.0	329.2	334.0
Standard 6	299.1	299.2	288.8	292.5	294.3	296.7	292.0	300.4
Standard 7	309.9	302.7	298.1	299.8	295.5	301.2	290.2	300.5
Standard 8	195.0	198.8	210.4	185.3	212.5	190.3	211.6	202.6
TOTAL	2,806.8	2,723.4	2,761.1	2,667.5	2,814.8	2,742.0	2,802.3	2,742.7
GRAND TOTAL	5,530.2		5,428.6		5,556.8		5,545.0	

* Provisional.

15.7. Table 15.6 details secondary schools enrolment by form from 1991 to 1995. There was a notable rise in enrolment of 2.0 per cent from 619,839 in 1994 to 632,388 in 1995 as shown in the Table. Out of the total enrolment in 1995, 45.9 per cent were female students, indicating a gender disparity in secondary education. In secondary education, enrolment was high in Form 1, accounting for 28.5 per cent of the total enrolment, dropping gradually to reach the lowest in Form 4 at 21.4 per cent. However, the decline was lower than that of primary education, an indication of less dropout rates in secondary schools. In 1995, a total of 140,506 candidates were entered for Kenya Certificate of Secondary Education (KCSE) examination compared to 141,842 in 1994, representing a drop of 0.9 per cent.

ENROLMENT IN SECONDARY SCHOOLS BY FORM AND SEX. 1991 - 1995

Table 15.6 Numbers

	1991		1992		1993		1994		1995 *	
Form	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Form 1	95,511	76,126	97,267	78,081	81,543	69,560	90,774	78,140	96,360	83,650
Form 2	89,181	70,651	91,209	72,774	73,125	61,158	87,993	76,549	88,737	75,961
Form 3	82,749	64,139	84,429	66,189	72,647	55,467	79,067	56,328	82,623	69,876
Form 4	78,347	57,457	80,467	58,646	67,881	49,961	78,605	62,383	74,087	61,094
TOTAL	345,788	268,373	353,372	275,690	295,196	236,146	336,439	273,400	341,807	290,581
GRAND TOTAL	614,161		629,062		531,342		619,839		632,388	

* Provisional.

15.8. In 1995, the primary school teaching force was 181,975, representing an increase of 2.2 per cent from the previous year, as shown in Table 15.7. Female teachers constituted 39.9 per cent showing a marked gender gap. Trained teachers formed 90.1 per cent of the total teaching force, indicating Government commitment to train all untrained primary school teachers in the country. P1 teachers continue to account for the largest share of trained teachers (67.8 per cent) while 'O' level teachers take the lions share of the untrained teachers (69.2 per cent). The pupil-teacher ratio in primary education improved from 31 in 1994 to 30 in 1995 while the pupil-trained teacher ratio improved from 36 to 34 in the same period

15.9. The number of secondary teachers by qualification from 1992 to 1995 are shown in Table 15.8. The number of secondary teachers rose significantly by 8.3 per cent from 38,307 in 1994 to 41,484 in 1995. Female teachers accounted for 32.7 per cent while trained teachers formed 80.6 per cent of the total teaching force in secondary education. Graduate teachers formed the bulk of both trained and untrained teachers as shown in the same Table. Both pupil-teacher ratio and pupil-trained teacher ratio for secondary schools improved significantly from 16 in 1994 to 15 in 1995 and from 20 to 19 in the same period, respectively.

NUMBER OF PRIMARY TEACHERS BY QUALIFICATION AND SEX, 1992 - 1995

Table 15.7 Numbers

	1992			1993			1994			1995*		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
TRAINED:-												
Graduate	32	30	62	{			4	4	8	9	10	19
Approved +	501	254	755	{ 769	336	1,105	590	258	848	**866**	448	1,314
S1/Diploma	4,398	1,806	6,204	5,099	2,132	7,231	5,410	2,510	7,920	6,287	3,351	9,638
Technical												
P1	54,641	33,514	88,155	57,279	35,787	93,066	63,447	41,822	105,269	66,728	44,396	111,124
P2	18,073	11,640	29,713	17,889	11,701	29,590	18,969	12,484	31,453	19,158	13,015	32,173
P3	5,291	5,217	10,508	5,163	5,129	10,292	4,966	5,098	10,064	4,714	4,797	9,511
P4	4	5	9	49	43	92	12	17	29	69	67	136
Others				346	325	671						
TOTAL	82,940	52,466	135,406	86,594	55,453	142,047	93,398	62,193	155,591	97,831	66,084	163,915
UNTRAINED:-												
Graduate				**28**	17	45						
Diploma				16	21	37						
Technical												
K . A . C . E . ('A' Level)	2,899	1,639	4,538	2,358	1,209	3,567	1,276	722	1,998	1,612	942	2,554
K .C .E./K.S.C.E. (O' Level)	18,520	12,126	30,646	13,719	8,610	22,329	10,605	6,467	17,072	7,786	4,675	12,461
K. J. S. E	3,332	1,382	4,714	3,021	974	3,995	**2,020**	733	2,753	1,523	515	2,038
C.P.E	514	437	951	458	513	971	347	213	560	216	197	413
Other	50	55	105	111	75	186	90	33	123	335	259	594
TOTAL	25,315	15,639	40,954	19,711	11,419	31,130	14,338	8,168	22,506	11,472	6,588	18,060
GRAND TOTAL	108,255	68,105	176,360	106,305	66,872	173,177	107,736	70,361	178,097	109,303	72,672	181,975

* Provisional

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

NUMBER OF SECONDARY TEACHERS BY QUALIFICATION AND SEX, 1992 - 1995

Table 15.8 Number

	1992			1993			1994			1995 *		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
TRAINED:-												
Graduate	6,651	4,629	**11,280**	6,116	4,832	10,948	9,142	5,856	14,998	11,413	6,719	18,132
Approved +	1,252	397	1,649	1,477	587	2,064	1,622	569	2,191	1,169	373	1,542
S1 /Diploma	8,312	4,635	12,947	6,144	3,722	9,866	**8,826**	4,770	13,596	8,285	4,030	12,315
Technical	557	156	713	496	130	626	433	143	576	770	414	1,184
P1	357	76	433	226	46	272	198	34	232	214	56	270
P2												
P3												
P4												
Others	145	52	197									
TOTAL	17,274	9,945	27,219	14,459	9,317	23,776	20,221	11,372	31,593	21,851	11,592	33,443
UNTRAINED:-												
Graduate	1,511	502	2,013	1,597	416	2,013	1,322	473	1,795	2,196	753	2.949
Dip/Technical	473	191	664	906	373	1,279	543	182	725	846	311	1,157
K . A . C . E . ('A' Level)	4,341	1,783	6,124	2,694	1,040	3,734	2,604	876	3,480	2,098	622	2,720
K .C .E./K.S.C.E. ('O' Level)	114	39	153	333	79	412	171	62	233	633	223	856
K. J. S. E												
C.P.E												
Other	123	44	167	993	333	1,326	364	117	481	278	81	359
TOTAL	6,562	2,559	9,121	6,523	2,241	8,764	5,004	1,710	6,714	6,051	1,990	8,041
GRAND TOTAL	23,836	12,504	36,340	20,982	11,558	32,540	25,225	13,082	38,307	27,902	13,582	41,484

15.10. Student enrolment in Government Primary Teachers Training Colleges (PTTCs) for 1994/95 is detailed in Table 15.9. Enrolment in PTTCs stood at 16,878 representing a 2.5 per cent increase from the previous year. The colleges enrolled only P1 and P2 trainees with the former accounting for 95.2 per cent of the total enrolment. Enrolment of untrained teachers for in-service training registered 1,957 students in 1995/96, of whom 1,585 were being trained as P1 teachers while the rest were P2 and P3 teachers.

STUDENT ENROLMENT IN ALL GOVERNMENT PRIMARY TEACHERS TRAINING COLLEGES, 1995/96 *

Table 15.9 Numbers

CERTIFICATION	1st YEAR		2nd YEAR		TOTAL		GRAND TOTAL
	Male	Female	Male	Female	Male	Female	
P1	4,151	4,142	4,130	3,641	8,281	7,783	16,064
P2	90	174	280	270	370	444	814
TOTAL	4,241	4,316	4,410	3,911	8,651	8,227	16,878

Provisional

15.11. The three National Polytechnics, namely: Kenya, Mombasa and Eldoret polytechnics enrolled a total of 7,927 students in 1995, 23.7 per cent being female students. Thus, the total enrolment represented a significant drop of 26.8 per cent from the 1994 enrolment of 10,836. The high drop may be attributed to the marked low enrolment of students in Graphic Arts in Kenya polytechnic and Business Studies in Mombasa polytechnic. Kenya polytechnic continued to have the highest proportion of students enrolled as it had 57 0 per cent of the total enrolment. The twenty Technical Training Institutes (TTls) in the country enrolled a total of 7,945 students, a 2.5 per cent decline from the previous years enrolment of 8,148.

15.12. The five public universities in the country enrolled a total of 40,065 students in 1995/96 academic year. This represented a 1.8 per cent increase from the previous year's enrolment which stood at 39,340. Female students formed 26 4 per cent of the total enrolment. Postgraduate students accounted for 4.3 per cent of the student population. Nairobi university had the highest student population accounting for 37.0 per cent of the total enrolment followed by Kenyatta university which constituted 20 4 per cent of the total students enrolled. Maseno university college with 1,841 students had the lowest student population.

15.13. Enrolment in the University of Nairobi was 14,089 in 1995/96 academic year, in which 28.6 per cent were female students. This represented an increase of 2.1 per cent from the previous academic year's enrolment which stood at 13,794 students. There were 3,365 first year students who accounted for 23.9 per cent of the total enrolment. Female students constituted 29.3 per cent of the total first year intake

15.14. Moi University (excluding Maseno University College) had a total student enrolment of 5,351 in 1995/96 academic year, where 176 were pursuing postgraduate courses. This gave a marginal drop of 1.9 per cent from the previous academic year's enrolment that stood at 5,456. About 26 per cent and 21.0 per cent of the undergraduate and postgraduate students respectively were females In the same year, the university had admitted 1,283 first year students where females were 28 7 per cent of the total.

15.15. There was a total of 1,841 students enrolled in Maseno University College (a constituent college of Moi university) in 1995/96 academic year, a remarkable 32.0 per cent rise from the previous year's enrolment of 1,395 students. Female students accounted for 35.7 per cent of the total enrolment, a high proportion compared to the other universities. Most of the students were undergraduates, however, 7 of them were pursuing Masters degree programmes First year students were the majority, accounting for 28.2 per cent of the total enrolment.

15.16. Kenyatta University students enrolment declined by 4.9 per cent from 8,588 in 1994/95 to 8,167 in 1995/96 academic year. Female students formed 33.2 per cent of the total enrolment. Of the total enrolment, 74 students were admitted for Masters degree programmes. In the same period, the university had a first year students intake of 1,835 with 39.1 per cent of them being female.

15.17. In 1995/96 academic year, Jomo Kenyatta University of Agriculture and Technology enrolled a total of2,182 students, where 10 of them were postgraduates and 552 were enrolled for Diploma courses. This was a marginal rise of 2.3 per cent from the 1994/95 academic year's enrolment of 2,133. The university also admitted 389 first year undergraduate students of which 24.4 per cent were female student. Overall, female students accounted for 15.2 per cent of the total university student population, the lowest, compared to the other universities.

15.18. Egerton university enrolled a total of 7,695 students in 1995/96 academic year This excludes first year students who are yet to join the institution. Female students constituted 23.9 per cent of the total enrolment. The university had 74 students pursuing postgraduate programmes in the same period where 3 of them were PH.D students.

15.19. The twelve Private Universities and Colleges that offer degree programmes in the country enrolled a total of 4,845 students in 1995/96 academic year Female students constituted 47.9 per cent of the total, showing a high proportion of female students in private universities compared to the public ones. Of the total enrolment, 15 students were pursuing certificate courses, 152 diploma courses, 4,301 undergraduate degree courses while 377 were enrolled in postgraduate programmes Enrolment in the three Government accredited private universities, namely: Baraton, Daystar and Catholic University, accounted for 57.0 per cent (2,763 students) of the total enrolment.++ Of the three, Daystar university with 1,123 students enrolled in the 1996 January Semester, had the highest enrolment followed by Baraton university with 883 students. Catholic university of Eastern Africa with a total of 757 students in 1995/96 academic year had the lowest enrolment

Health

15.20. Government's recurrent expenditure allocated to health increased significantly by 36.5 per cent from K£ 286.20 million in 1994/95 to K£ 390.54 million in 1995/96 financial year as shown in Table 15.1. In the same period, development expenditure estimate in health services rose by more than three-fold to reach K£ 170.77 million This is partly due to Government's continued commitment in construction and expansion of health institutions in the country The expansion of Eldoret Hospital was completed during 1995 while the renovations of Kenyatta National Hospital and upgrading of existing health facilities were on-going.

15.21. Table 15.10 shows the breakdown of health institutions by province in 1995. The total number of health facilities went up by a marginal 2 4 per cent from 3,714 in 1994 to 3,802 in 1995. However, hospitals increased considerably by 6.8 per cent to reach 346 in the period under review from 324 in 1994, resulting in a marked 26.7 per cent rise in the number of hospital beds and cots. Bed-population ratio also increased significantly by 22 4 per cent from 147 in 1994 to record 180 in 1995.

HEALTH INSTITUTIONS AND HOSPITAL BEDS AND COTS BY PROVINCE, 1995 *

Table 15.10

Province	HEALTH INSTITUTIONS				HOSPITAL BEDS & COTS	
	Hospitals	Health Centres	Health sub-centres and Dispensaries	Total	No. of Beds and Cots	No. Per 100,000 Population
Nairobi	43	30	286	359	6,225	354
Coast	39	47	340	426	3.818	173
Eastern	39	62	582	683	5.724	126
North-Eastern	3	9	47	59	1,447	391
Central	41	70	330	441	6,400	174
Rift Valley	72	137	931	1,140	9,878	157
Nyanza	72	98	276	446	8,947	214
Western	37	78	133	248	4,775	155
TOTAL 1995	346	531	2,925	3,802	47,214	180
TOTAL 1994	324	522	2,868	3,714	37,271	147

* Provisional

15.22. Details on personnel trained on Maternal and Child Health care from 1991 to 1995 are presented in Table 15.11. Staff trained on Maternal and Child Health Care (MCH) dropped significantly by 32.8 per cent from 296 in 1994 to reach 199 in 1995. More emphasis was put in the training of Clinical Officers and Registered Nurses to offer social delivery services in dispensaries as depicted in the same Table.

STAFF TRAINED ON THE MATERNAL HEALTH CARE 1991 - 1995

Table 15.11 Number

Type of Personnel	1991	1992	1993	1994	1995 *
Enrolled Community Nurses	382	66	22	244	106
Kenya Registered Nurses/Midwife	66	18	27	48	74
Clinical Officers	31		129	4	19
Total	479	84	178	296	199

* Provisional

15.23. A baseline survey on Maternal Mortality done by Population Studies and Research Institute (PSRI) of Nairobi University in 1994 and funded by UNICEF estimated the weighted Maternal Mortality Ratio (MMR) to be 365 per 100,000 live births. This was a reliable estimate of the national maternal mortality ratio The study classified the causes of maternal deaths in terms of those related to abortion, direct obstetric, indirect obstetric and other causes. It was found that most of the deaths (45 per cent) were due to direct obstetric complications. These deaths were found to be mostly related to Haemorrhage and Sepsis especially during the puerperal period. Major complications and illnesses in the category of indirect obstetric deaths

were found to be mainly Malaria and Anaemia. Abortion related complications caused about 4 per cent of the total maternal deaths. About 30 per cent of deaths occurred during puerperium while 16 per cent occurred during child birth and the rest during pregnancy.

15.24. The number of Registered Medical Personnel in all categories rose parallel to the increase of enrolment to the training institution as shown in Table 15.12. The total number rose to 43,264 in 1994/95 from 40,650 in 1993/94, a 6 4 per cent rise. The ratio of medical personnel to population improved in most of the categories in the period under review, except that of Doctors, Registered Nurses and Public Health Officers. The doctor-population ratio dropped by 3.3 percentage points to register 14.7 doctors per 100,000 people. In general, the ratio of Enrolled Nurses to the population (85.4) was the highest followed by that of Registered Nurses. The Public Health Officer-population ratio was the lowest at 1.8 per cent in the reference year. Personnel in training rose by 7.7 per cent from 3,938 in 1994/95 to 4,242 in 1995/96 as indicated in the same Table. There were more Registered Nurses in training compared to other cadres in 1995/96, while Pharmaceutical Technologists were the fewest during the period under review.

REGISTERED MEDICAL PERSONNEL 1994 - 1995

Table 15.12 — **Number**

Type of Personnel	1994		1995 *		IN TRAINING	
	Number	No. Per 100,000 Population	Number	No. Per 100,000 Population *	1994-95 Number	1995-96 Number
Doctors	4,558	18.0	3,855	14.7	684	642
Dentists	630	2.5	655	2.6	159	160
Pharmacists	1.260	5.0	1,357	5.2	87	114
Pharmaceutical Technologists	660	2.6	885	3.4	99	77
Registered Nurses	6,719	26.5	6,920	26.4	807	955
Enrolled Nurses	21,147	83.4	22,347	85.4	885	880
Clinical Officers	1,644	6.5	2,950	11.3	672	836
Public Health Officers	465	1.8	480	1.8	120	176
Public Health Technicians	3,567	14.1	3,815	14.6	425	402
TOTAL	40,650		43,264		3,938	4,242

* Revised population based on 1989 census results

15.25. Primary Health Care: The Ministry of Health puts more emphasis on the preventive and promotive services rather than simply curative (treating disease and disability). It has embarked on a programme of health sector reform which aims at transforming patterns of government investment in health, away from capital intensive projects to those that will involve the community in the provision of health services. The government launched an ambitious

project on the various aspects of the control of the dreaded disease "AIDS". The project aims at educating the population about the causes and the preventive measures to be taken to curb the spread of the disease.

15.26. Disease Control: Sporadic outbreaks of dysentery in Nyanza, Western and parts of Rift Valley were promptly controlled. Increased cases of highland malaria in Nyamira, Kisii, Nandi, Transmara and Kakamega were reported. Towards the control of STD and AIDS, the Ministry launched a programme on the control of Sexually Transmitted Infections (STI).

15.27. National Hospital Insurance Fund: The Fund continued to register improved performance as indicated in Table 15.13, with the total number of contributors rising by 14.3 per cent, from 1.4 million in 1993/94 to 1.6 million in 1994/95. Receipts from contributors similarly rose by 20.8 per cent, from K£ 50 85 million in 1993/94 to K£ 61.44 million in 1994/95. Benefits paid out by the Fund also rose by 17.6 per cent during the period under review. Contributions net of benefits which declined in 1991/92 and again in 1992/93 registered an upturn, from K£ 4.59 million in 1992/93 to K£ 6.20 million in 1993/94 and to K£ 8.95 million in 1994/95. This represents a growth of 35.1 per cent and 44.4 per cent respectively. This indicates a higher rate of increase of benefits paid to members as opposed to receipts from contributors from 1991/92 to 1992/93 and a reversal of the same since 1993/94.

NATIONAL HOSPITAL INSURANCE FUND, 1990/91 -1994/95

Table 15.13 K£ million

YEAR	Receipts	Benefits	Contribution Net of Benefits
1990/91	36.80	15.60	21.20
1991/92	39.61	30.60	9.01
1992/93	42.97	38.38	4.59
1993/94	50.85	44.65	6.20
1994/95	61.44	52.49	8.95

Other Social Services

15.28. **National Youth Service**: The National Youth Service (NYS) continued to offer vocational training to the Kenyan youth as shown in Table 15.14. Total enrolment rose by 30.6 per cent to 4,975 service men and women, up from 3,809 in 1994. This phenomenal increase was largely as a result of the marked growth in enrolment of service men which grew by 41.5 per cent during the period under review, compared to only 2.5 per cent for service women. The percentage of service men of total enrolment grew from 72.1 per cent in 1994 to 78 per cent in 1995. Total income earned from development activities which recovered tremendously from a negative growth of 17 3 per cent in 1993 to a positive growth of 134.1 per cent in 1994 continued to grow, albeit much less markedly, by 8 4 per cent in 1995. Income earned increased from K£ 1,877,534 in 1994 to K£ 2,034,806 in 1995. This, however still fell below the record K£ 5,047,220 netted in 1991 when Nyayo Bus Service Corporation was still part of the NYS and made significant contribution to its income.

NATIONAL YOUTH SERVICE ENROLMENT AND INCOME EARNED, 1991 - 1994

Table 15.14

	Enrolment (Numbers)			Income Earned
	Service men	Service women	Total	K£
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
1994	2,748	1,061	3,809	1,877,534
1995 *	3,888	1,087	4,975	2,034,806

* Provisional

15.29. National Social Security Fund: Registered employers and employees, annual contributions by members as well as annual benefits paid to members over the period 1991 - 1995 are shown in Table 15.15. The number of registered employers was 45.7 thousand in 1995, up from 44.1 thousand in 1994, representing a rise of 3.6 per cent. The number of registered employees (cumulative) also continued to rise over the same period, from 2,229.6 thousand to 2,294.3 thousand, representing 2.9 per cent, growth.

NATIONAL SOCIAL SECURITY FUND, 1991 - 1995

Table 15.15

	1991	1992	1993	1994	1995 *
Employers registered '000	40.2	41.4	42.7	44.1	45.7
Employees registered '000	1,987.1	2,066.1	2,150.1	2,229.6	2,294.3
Annual contribution K£ mn	55.1	67.9	71.6	73.8	70.3
Annual benefits paid K£ mn	12.9	15.0	17.3	17.1	17.0

* Provisional

15.30. The annual contributions dropped by 4.7 per cent, from K£ 73.8 million in 1994 to K£ 70.3 million in 1995. This was due to a drop of 18.7 per cent in number of employees registered from 79,526 in 1994 to 64,669 in 1995. The annual benefits paid to members on the other hand remained more or less the same, declining slightly from K£ 17.1 million in 1994 to K£ 17.0 million in 1995.

15.31. The Fund has of late been involved in a number of activities geared towards cultivating awareness in both employers and employees. This has been done mainly through radio and television programmes as well as the print media. The compliance act has been strengthened to ensure that there is prompt submission of contributions by all employers registered by increasing the number of inspectors in the field purposely for this exercise.

15.32. Adult Education: Total enrolment in the adult literacy classes, shown in Table 15.16, was 116,051 in 1995, up from 114,278 in 1994. This represented a growth of 1.6 per cent in 1995, but still down from 6.5 per cent in 1994. Females continued to dominate adult literacy classes, although their enrolment ratio dropped marginally from 76.7 per cent of total enrolment in 1994 to 76.2 per cent in 1995. However, total enrolment in 1995 of 116,051 was still below the 139,576 persons enrolled in 1991.

ADULT EDUCATION ENROLMENT BY SEX 1991 - 1995

Table 15.16

Year	Male	Female	Total	% of Female enrolment
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
1994	26,595	87,684	114,278	76.7
1995 *	27,572	88,479	116,051	76.2

* Provisional

15.33. From Table 15.17 the number of candidates who passed the proficiency tests has been declining since 1990 from 10,454 to 7,394 in 1994. The number of participants who sat KCPE, however does not show a definite trend. The percentage of those enrolled that passed

proficiency test increased from 6.3 in 1990 to 7.3 in 1993 and then dropped to 6.5 in 1994. Similarly, the percentage of those enrolled who registered for KCPE rose from 0.5 in 1990 to 1.1 in 1993 and then dropped to 0.8 in 1989. It should also be noted that only candidates who pass proficiency test are registered for KCPE.

Number of Adults who Passed Proficiency Test and those Registered for KCPE by Province, 1990 - 1994

Table 15.17

Province	1990		1991		1992		1993		1994	
	PTP	KCPE	PTP	KCPE	PTP	KCPE	PTP	KCPE	PTP	KCPE
Nairobi	243	403	222	268	118	458	80	474	203	400
Central	1,581	98	986	76	1,074	76	1,231	90	1,216	98
Coast	866	66	780	80	809	72	398	77	536	97
Nyanza	2,187	23	1,971	21	1,237	26	1,740	25	1,347	13
Eastern	1,380	23	998	36	1,568	29	1,710	43	1,482	86
N/Eastern	639	7	598	28	613	32	361	37	415	22
Rift Valley	2,262	118	1,854	173	1,508	234	1,492	404	1,452	240
Western	1,296	29	1,371	25	1,069	13	842	24	743	14
Total	10,454	767	8,780	707	7,996	940	7,854	1,174	7,394	970

NB: KCPE Indicate number registered for KCPE including re-sits.

PTP: Indicate number who passed proficiency test.

15.34. Full time teachers trained for adult education since 1989 numbered 3,519 in 1994 while 1,139 part-time teachers engaged during the same period. There were 8,000 centres established for teaching countrywide. All teachers could not be trained due to inadequacy of funds.

15.35 Gender and Development: The Women's Bureau collaborates with the department of Social Services in the Ministry of Culture and Social Services, other Government Ministries and NGOs to sensitise and monitor mainstreaming of gender issues at all levels of national development. The Bureau has, among its other activities, organised a number of workshops and seminars for the purpose of sensitising policy and decision makers as well as the District and Sectoral Planners on incorporating gender statistics in planning and programme design.

15.36. The number of registered Women Groups by province in 1995, their membership, contribution and GOK grants during the same period, are shown in Table 15.18. Grants by GOK was Ksh. 580,000 in 1995, up from Ksh. 264,000 in 1993. The total number of groups was 32,684 with a total membership of 1,103,345 in 1995. The contribution of various groups totalled Ksh.295,851,097.40 whereby Central province was the leading with Ksh. 80,470,817.60 (or 27.2 per cent).

Registered Women Groups, their membership, contribution and GOK grants by Province, 1995

Table 15.18

Province	Number of Groups	Membership	Groups Contribution (Kshs.)	Grants by G O K (Kshs.)
Central	3,355	101,853	80,470,817.60	60,000.00
Coast	3,127	81,529	10,145,697.40	60,000.00
Eastern	5,788	363,574	15,147,172.00	100,000.00
N/Eastern	448	9,489	216,000.00	30,000.00
Nyanza	8,915	263,430	52,236,404.40	70,000.00
Nairobi	655	30,775	12,516,220.00	50,000.00
Western	5,496	156,183	47,107,228.00	50,000.00
Rift Valley	4,900	96,512	78,011,558.00	160,000.00
Total	32,684	1,103,345	"295,851,097.40	580,000.00

Source: Women's Bureau, MCSS

15.37. Currently, the programme on Country Training of Women Group members on Sustainable Agriculture for Women Farmers is taking place at the Jomo Kenyatta University of Agriculture and Technology. The programme which is scheduled to run for five years in five provinces is designed to offer training in marketing, farm record keeping, vegetable and fruit growing, cash crop growing, irrigation and soil conservation, farm machinery and post harvest among others. By the end of the five year period 250 women will be expected to have been trained.