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ECONOMIC SURVEY 1997

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UNITS AND SYMBOLS USED

1. *K£ (Kenya Pound) = 20 Kenya shillings*
2. *Tonnes are metric tons = 1,000 Kg.*
3. *1 Hectare = 2.47 acres*
4. *Totals may not add up due to rounding*
5. *"- " means nil or negligible*
6. *".." means figures not available*
7. *mn = million*
8. *ADULT Q = adult equivalent*
9. *HHSIZE = number of people in a household*
10. *HHOLDS = number of households*
11. *Pa = 0 The percentage and/or number of poor population*
12. *Pa = 1 poverty gap*
13. *Pa = 2 severity of poverty*

SUMMARY AND OUTLOOK

Overview:

The world as a whole is experiencing weak but accelerating economic growth. The Organisation of Economic Co-operation and Development (OECD) recorded a real Gross Domestic Product (GDP) of 2.4 per cent. Inflation remained low, while employment stabilised after showing a declining trend.

GDP growth, Industrial output and export in Central and Eastern Europe marked a slowdown in growth in the first half of 1996, but showed signs of recovery towards the end of the year. In Central America, inflation is declining and real interest rates are falling. Africa showed signs of recovery recording an estimated GDP growth of 5.0 per cent.

The Kenyan economy experienced a slow down to record a 4.6 per cent GDP growth rate in 1996, down from the revised growth of 4.8 per cent recorded in 1995. The slowdown was mainly a consequence of poor rainfall, which led to power rationing and reduced agricultural output. The manufacturing sector recorded a growth of 3.7 per cent in 1996 compared to 3.9 per cent in 1995. The Finance, Insurance and Business Services sector recorded the highest growth of 7.1 per cent, a trend similar to that recorded by both the Distribution and Other Services sectors. Exports grew by 21 per cent, while imports registered a slower growth of 8.6 per cent. Inflation recorded higher growth of 9.0 per cent owing to; the upward price adjustment of petroleum products, the gradual extension of Value Added Tax (VAT) on consumer goods and the dry spell which resulted in price increases.

International Scene

After growing by over 9.0 per cent in 1995, world trade slowed down significantly during the first half of the year and is estimated to have recorded a growth of 6.0 per cent in 1996. Major factors in this slowdown were the moderation of non-OECD import demand and continued sluggish growth in intra-OECD markets

The pattern of growth across the OECD, has become more balanced and for the area as a whole, GDP growth stabilised at 2.4 per cent, which was similar to that of 1995. The growths experienced in these countries may be attributed to financial market developments. Inflation remained low, while employment stabilised after showing a declining trend. The USA economy expanded above its' expected rate of around 2.3 per cent. In Japan, the economy experienced accelerated growth after three years of low growth and rising unemployment. The German economy recorded a growth of only 1.1 per cent compared to 2.1 per cent registered in 1995. Investment remained weak while industrial production stagnated. Inflation remained low at 1.3 per cent.

Industrial output and exports in Central and Eastern Europe declined, in the first half of 1996. This however changed towards the end of the year as export market of Western countries seemed to have picked up again. In the Dynamic Asian Economies (DAE's:

Chinese Taipei, Singapore, Hong Kong, Malaysia and Thailand) and China, overall restrictive monetary policies have led to decelerated real output growth and diminished inflationary pressures. In Central and South America, fiscal adjustment is proceeding slowly, inflation is declining, real interest rates are falling and capital inflows remain strong.

Africa's economy is undergoing strengthening in growth and is estimated to have recorded a growth of about 5.0 per cent in 1996. The continuing implementation of macro-economic reforms and structural adjustment is expected to further boost growth in most economies. In South Africa, strengthening of exports and private investment has induced stronger economic activity.

Domestic Scene

The Kenyan economy slowed down slightly to record a 4.6 per cent growth in 1996. This was attributed to among other factors; inadequate rainfall, high cost of domestic credit and power rationing.

Growth in the agricultural sector was due to the good performance of coffee, tea and horticultural crops, which recorded increased production. International prices for tea increased, while those of coffee decreased in comparison to 1995. Maize production declined by 36.8 per cent. Exports of horticultural produce increased by 18.1 |>er cent mainly due to the high demand for Kenya's cut flowers, fresh vegetables and fruits in the world market.

The manufacturing sector was resilient to imported finished goods. The financial sector remained the leading growth sector among other sectors of the economy. The Trade, Restaurants and Hotel sector share of GDP rose to 15.5 per cent in 1995 compared to 14.2 per cent in 1992.

Inflation was contained at single digit level during the year, but rose from 1.6 per cent to 9.0 per cent in 1996. The rise was basically due to upward price adjustment of petroleum products, reduced availability of basic food items and the gradual extension of the VAT on consumer goods and services.

Welfare Perspectives

Although there is no official poverty line, ai\ attempt has been made to define such a measure. Such poverty lines are developed and used to distinguish the poor from the non- poor. They are based on norms, which identify the minimum requirements in terms of food, and non-food expenditure needed to meet the minimum basic needs. The rural food poverty line derived from data collected in 1994 is Kshs. 702.99 per month per adult equivalent. The overall poverty line, which includes the food and non-food basic requirements for rural areas, is Kshs. 978.27 per month per adult equivalent. A household with a monthly total expenditure of less than Kshs 978.27 in rural areas is deemed to be below the poverty line. In urban areas, the derived food and overall poverty lines are Kshs 874.72 and Kshs 1489.63 respectively.

Based on the above poverty lines, the 1994 Welfare Monitoring Survey II (WMSII) data show that, overall prevalence of rural poverty has slightly increased from 46.3 per cent in 1992 to 46.8 per cent in 1994. In urban areas, the prevalence of poverty has declined by a small margin from 29.3 per cent in 1992 to 29.0 per cent in 1994.

The population of absolute poor persons during 1994 was estimated at 11.5 million, while the number of absolute poor households was 1.8 million. Likewise, the number of hard core poor (i.e. *those who would not meet their minimum calorie requirements even if they concentrate all their spending on food)* rose from 6.8 million to 7.5 million in 1997. Based on these findings, it is estimated that in 1997, the population of absolute poor stands at 12.6 million persons from 2.0 million households, while the population of the hard core poor is 7.5 million persons from 1.4 million households.

A participatory Poverty Assessment study conducted in November/December 1996 in seven districts show that, out of 1,412 households interviewed 76.7 per cent of household heads indicated that poverty situation had worsened compared to five years ago and attributed this to increasing unemployment, drought, landlessness, breakdown of marriages and too many children among other causes. Of the households interviewed, 55.4 per cent classified themselves as poor compared to 41.7 per cent who declared themselves to be very poor.

Employment, Earnings and Consumer Prices

In the course of 1996, total employment outside small-scale agriculture and pastoralist activities increased by 11.8 per cent to 4.3 million persons. Employment in the informal sector rose by 18.0 per cent to 2,643,800 persons, and accounted for 61.3 per cent of total persons engaged in 1996. Employment in the modern sector expanded by 3.2 per cent to 1,670,000 persons; consisting of 1,606,800 wage employees and 63,200 self-employed and unpaid family workers. Wage employment within the public sector declined from 693,700 persons in 1992 to 689,800 persons in 1996, and registered a zero growth between 1995 and 1996. The number of female wage employees in the modem sector rose from 407,700 in 1995 to 459,300 in 1996, with their share in total wage employment rising from 26.2 per cent to 28.6 per cent over the same period.

The overall wage bill increased from K£ 5,303.7 million in 1995 to K£ 6,669.8 million in 1996, representing a rise of 25.8 per cent. Nominal average earnings increased from K£ 3,406.3 per annum in 1995 to K£ 4,150.9 per annum in 1996. The low inflation rate coupled with upward wage adjustments led to a recovery in real average earnings, from K£ 717.9 per annum to K£ 802.4 per annum. The number of collective agreements registered with the Industrial Court declined from 377 in 1995 to 269 in 1996 The agreements benefited some 84,272 unionisable employees compared to 58,803 covered by the 1995 agreements.

Although the inflation rate maintained its single digit level experienced in the previous year, it rose from 1.6 per cent in 1995 to 9.0 per cent in 1996. The rise in inflationary pressures was largely attributed to reduced availability of basic food items. Other factors include an upward adjustment in the prices of petroleum products following increase of duties on imported crude oil, the gradual extension of Value Added Tax (VAT) to cover

more consumer goods and services, and growth in money supply since the latter half of 1995.

Money, Banking and Finance

The tight monetary policy pursued in 1996 was geared towards maintenance of low and stable inflation rate.

Net foreign assets increased substantially from K£ 346 million in 1995 to K£1,432 million by December 1996. Credit was characterised by high interest rates, while treasury bills and bonds were the main borrowing instruments used by Government to secure domestic funds.

The money market grew further in size and complexity with more Non-Bank Financial Institutions converting into commercial banks. The year witnessed the introduction of a new instrument, the Repurchase Agreements (REPOs). The capital market continued to grow with the Nairobi Stock Exchange being the main market for capital transactions. The year 1996 witnessed the Governments' further divestment through sale of its shareholding in 3 companies through the primary market.

The insurance sector suffered a setback in the deregistration of the only state owned insurance company the Kenya National Assurance Company. To enhance better management in the sector a proficiency examination has been introduced.

Public Finance

During this financial year, development expenditure is estimated to increase from K£ 1,380 million 1995/96 to K£ 2,308 million. Current expenditure is projected to increase from K£ 6,746 million to K£ 7,404 million while current revenue yields are to grow from K£ 7,182 million in 1995/96 to K£ 7,441 million in 1996/97. Provisionally, this will lead to a current account surplus of K£ 37 million. The estimates also show that the overall deficit will be K£ 356 million.

Municipalities are projected to spend about K£ 511 million against revenue receipts of K£ 410 million in 1996/97. Capital expenditure of municipalities is projected to increase from K£ 149 million in 1995/96 to K£ 229 million in 1996/97.

International Trade and Balance of Payments

International trade and balance of payments registered a better performance in 1996 than the previous year. The balance of trade deficit declined by 13.0 per cent from K£ 2,892 million in 1995 to K£ 2,514 million in 1996.

The value of trade grew from K£ 12,625 million in 1995 to K£ 14,334 million in 1996. Total exports grew faster than imports recording a rise of 21.4 per cent compared to a rise of 8.6 per cent for imports. The exports constituted 41.2 per cent of the volume of trade compared to 38.5 per cent in 1995. While the overall price index of total exports

increased by 6.1 per cent, that of imports increased by 9.2 per cent resulting in worsening the terms of trade.

The overall balance of payments recorded an exceptionally high surplus. The favourable balance of payments resulted from good performance in both current and capital accounts. The current account Improved from a deficit of K£ 1,031 million in 1995 to a deficit of K£ 211 million in 1996. On the other hand, the capital account registered a surplus of K£ 1,682 million in 1996 compared to a surplus of K£ 637 million in 1995.

Agriculture

The Agricultural sector registered a 4.4 per cent growth in 1996 in spite of the adverse weather conditions. The production of maize, beans, potatoes and other fowl crops experienced a substantial decline that culminated in a food crisis towards the end of the year. Horticultural production registered an 18.0 per cent increase in exports.

On the other hand, the high cost of inputs led to a deterioration of the agricultural sector terms of trade. The dairy sub-sector performed poorly registering a considerable drop in milk production.

Both coffee and tea recorded increases in production in 1996, rising by 7.7 per cent and 5.2 per cent to stand at 97.0 thousand tonnes and 257.2 thousand tonnes respectively. Auction prices for coffee dropped in 1996 to average Kshs. 13,913.60 per 100 kg, while tea prices rose to Kshs 7,908.00 per 100 kg. Tea exports reached an all time high in 1996 making Kenya the world's leading exporter of the commodity for the first time surpassing Sri Lanka and India.

Environment and Natural Resources

There was reduced performance in the three sub-sectors of fisheries, forestry and mining in 1996 compared to 1995. The quantity of fresh water and marine fish landed went down by 5.3 per cent from 193.9 thousand tonnes recorded in 1995 to 183.7 thousand tonnes in 1996. Similarly, the area under forest plantation decreased by 0.3 per cent to stand at 159.6 thousand hectares while the quantity of mineral production dropped by 5.8 pe cent to record 439.7 thousand tonnes over the same period.

However, the value of both fish landed and mineral production went up by 11.6 per cent and 54.7 per cent from K£ 260.2 million and K£ 92.3 million in 1995 to K£ 290.3 million and K£ 142.8 million respectively in 1996.

The Government's strict financial management policy coupled with reduced donor funding to the sector, resulted in a drop in the level of development expenditure on water supplies and other related services from K£ 214.4 million to K£ 195.8 million during the period under review.

Energy

In 1996, the Organisation of Petroleum Exporting Countries (OPEC) held international energy conferences with the aim of harmonising relationships between producers and consumers of petroleum products. The production ceiling of 24.52 million barrels per day set some years ago was maintained. The Prices of OPEC's selected Reference Basket of Crude ranged between US $ 17.90 per barrel and $ 23.51 per barrel in the year 1996. Imports of crude oil declined, while those of refined petroleum products increased. Prices of petroleum products continued to be unstable, since the liberalisation of the petroleum sub-sector in October 1994.

Installed electricity capacity went down marginally, due to mechanical problems experienced at Kindaruma hydroelectric station. Total electricity generation rose by 7.8* per cent in 1996, with Hydro and Thermal based electricity generation increasing by 1.9 per cent and 39.7 per cent, respectively. Similarly, Geothermal based electricity generation rose by 34.5 per cent.

During the survey period, the Government established Kenya Power Company (KPC), an independent entity, which will be in charge of producing electricity while Kenya Power and Lighting Company (KPLC) will be responsible for electricity distribution.

Manufacturing

Real output growth of manufacturing production slowed down slightly to 3.7 per cent in 1996 compared to the 3.9 per cent growth reported in 1995. Poor rains, power rationing, adverse effects of basic infrastructure, rises in manufacturing processing costs and prevailing high interest rates in 1996, led to lower capacity utilisation of manufacturing establishments.

Total employment in the manufacturing sector grew at a rate of 2.8 per cent in 1996, slower than the 3.7 per cent of 1995. In 1996, total employment in the sector was 210,500 persons compared to the 204,790 persons in 1995.

In 1996, there was a marked decrease in the output of meat and dairy products, grain milling, beverages and tobacco, canned vegetables and fruits processing, fish, oils and fats industries. On the positive side, significant output increases were recorded in miscellaneous manufacturing, motor vehicle assembly, petroleum and other chemicals, plastics, furniture and fixtures, and the rubber products industries. The development financial institutions approved a total of 19 manufacturing projects worth K£ 14.56 million in 1996 compared to 75 approved in 1995.

Building and Construction

The Building and Construction sector's key indicators show that the sector recorded a slower growth in 1996 compared to 1995. This was ascribed to general slow down in economic activities experienced in the domestic economy during the year, coupled with lack of adequate funds for public buildings and construction projects. In addition, high

interest rates on commercial bank's and building societies loans that remained above 30 per cent constrained growth and investment in the sector. The sector however, benefited from increased Government expenditure on roads.

Cement consumption which rose sharply by 24 per cent to 1,065 thousand tonnes in 1995, rose by only 9.0 per cent to reach 1,160 thousand tonnes in 1996. Growth in employment similarly decelerated from 4.5 per cent recorded in the previous year to 3.1 per cent in 1996. During the year, the overall building and construction cost index fell from 19.4 per cent in 1995 to attain a single digit 6.7 per cent in 1996.

Tourism

There was improved performance in tourism activity in 1996 compared to 1995 as depicted by the sector's two most important indicators. Visitor arrivals went up by 3.9 per cent from 690.5 thousand to 717.4 thousand, while departures rose by 9.8 per cent from 656.0 thousand to 720.4 thousand. Earnings from tourism improved, albeit marginally, by 2.4 per cent to stand at K£ 1,280 million.

Hotel capacity went down marginally by 1.8 per cent from 11,562 thousand bed-nights available in 1995 to 11,355 thousand in 1996, while hotel bed-nights occupied rose marginally from 5,055 thousand to 5,061 thousand over the same period. There was also a marginal decline of 0.2 per cent in the number of visitors to national parks and game reserves, while visitors to museums, snake parks and other historical sites dropped by a significant 9.9 per cent.

Transport, Storage and Communication

There was a general slowdown in the performance of the Transport, Storage and Communications sector in 1996. The sector recorded a growth of 12.8 per cent in the total value of output (at current prices) in 1996 as compared to 18.9 per cent recorded in 1995. The slowed growth was attributed to mixed business performance following trade liberalisation in the domestic economy. The sector recorded appreciable economic output growths in road transport (20.6 per cent); air transport (15.6 per cent); pipeline transport (14.1 per cent); services incidental to land transport (19.6 per cent) and communications (14.5 per cent). Railway transport registered declined output of 13.3 per cent while water transport recorded a marginal growth of 1.2 per cent. Flight activity at major airports declined after cessation of international flights for peace mission and relief food supply; whereas registration of new road vehicles grew by 29.0 per cent.

Social Scene

The number of Pre primary, Primary and Secondary schools in the country registered notable increases to stand at 21,261, 16,255 and 3,004 in 1996, respectively. Enrolment in the three levels rose by 4.5 per cent, 1.1 per cent and 4.1 per cent to reach 1,033 thousand pupils, 560 thousand pupils and 658 thousand pupils in the same period respectively. Enrolment in Adult Literacy classes decreased marginally from 116,051 students recorded in 1995 to 11.5,641 students in 1996.

The number of health institutions went up by 5.0 per cent from 3,802 in 1995 to 3,993 in 1996, while the registered medical personnel rose by 5.3 per Cent. The medical personnel population ratio showed insignificant improvement.

Outlook

Events taking place in the world have a significant impact on the performance of our economy. Indicators suggest that in 1997, the world economy will recover with growth in OECD projected at 2.4 per cent in 1997 and 2.7 per cent in 1998. Growth in African countries is estimated at 5.0 per cent in 1996 compared to 3.0 per cent in 1995.

The projected recoveries of the industrialised economies and the continued,, implementation of macro economic reforms and structural adjustments, is expected to trigger some growth in the Kenyan economy. Other challenges that still remain to be tackled include; high levels of unemployment, high level of poverty, poor and inadequate social services, physical infrastructure that need massive overhaul and the high cost of domestic credit

In 1997, overall economic growth is expected to be higher than in 1996, as depicted by several leading factors. The onset of ample and widespread rains and the prevailing high prices for cash crops are expected to boost the agricultural production. In addition, the widening market for manufactured goods within the East African region, coupled with incentives for export - oriented manufactures will boost the output in manufacturing.

The Budget deficit is expected to increase to K£ 356 million in the 1996/97 financial year partly due to expenditure on voter registration, famine relief and ongoing road maintenance and repair works. However, with further improvement in revenue collection, expected lower interest rate on payment on both internal and external debt, introduction of the new Central Bank Act limiting the availability of overdraft facilities to the Government and tight expenditure policy, the growth in the overall deficit can be checked despite the forthcoming general elections.

The single digit inflation level attained in both 1995 and 1996 is expected to be maintained in 1997, though continued pursuit of tight monetary policy by central monetary authorities. Also, inflation is expected to ease with the ongoing food imports and expected recovery of the agricultural sector following the countrywide on sets of the long rains.

Finally, the recovery of demand in the industrial countries is expected to boost our merchandise exports during the year, while stable exchange rates prevailing in 1996 will stem growth of imports during the year. Consequently, the balance of payments account is expected to register a surplus in 1997.

Against this background, the economy's real GDP growth is expected to grow at around 5.2 per cent in 1997.

KEY ECONOMIC AND SOCIAL INDICATORS, 1992 -1996*

Table 1

			1992	1993	1994	1995	1996**	
1	population	(million)	25.0	26.0	26.8	27.5	28.3	
2	Growth of GDP at constant prices	(per cent)	0.5	0.2	3.0	4.8	4.6	
3	GDP at market prices	(K£mn)	13,224	16,681	20,036	22,785	25,896	
4	Net cost of petroleum products	(K£mn)	389	872	620	714	800	
5	Trade balance	(K£mn)	-1,213	-1,378	-1,472	-2,891	-2,514	
6	Money Supply (M3)	(K£mn)	6,605	8,079	10,291	11,582	13,424	
7	Total domestic credit	(K£mn)	6,971	7,615	10,186	12,278	13,606	
8	Balance of payments (current account)	(K£mn)	-157	288	291	-1,031	-211	
9	Coffee marketed production	('000 tonnes)	85	75	80	95	97	
10	Tea marketed production	('000 tonnes)	188	211	209	245	257	
11	Maize marketed centrally	('000 tonnes)	324	242	316	401	296	
12	Wheat marketed centrally	('000 tonnes)	126	73	105	126	130	
13	Sugar-cane production	('000) tonnes)	3,657	3,839	3,308	4,035	4,122	
14	Milk sold centrally	(mn litres)	220	249	258	350	257	
15	Manufacturing output	(K£mn)	11,877	15,908	19,428	23,074	28,820	
16	Construction output	(K£mn)	1,066	1,293	1,456	1,591	1,718	
17	Cement Consumption	('000 tonnes)	1,118	894	859	1,060	1160	
18	Petroleum Consumption	('000 tonnes)	1,839	1,826	2,009	2,067	2,231	
19	Electricity consumption	(mn Kwh)	2,915	3,074	3,205	3,289	3,473	
20	Tourism earnings	(K£mn)	713	1,222	1,405	1,250	1,280	
21	New registration of vehicles	(number)	14,784	12,420	17,928	22,224	28,664	
22	Rail freight	(mn tonnes-Km)	1,627	1,312	1,172	1,456	1,219	
23	Air passengers handled	('000)	2,582	2,721	2,773	2,675	2,691	
24	Wage employment	('000)	1,462	1,475	1,505	1,557	1,607	
25	Education-primary enrolment	('000)	5,530	5,429	5,557	5,536	5,598	
26	Education-secondary enrolment	('000)	629	531	620	632	658	
27	Education-post secondary enrolment	('000)	83	80	82	85	86	
28	Hospital beds and cots	(number)	34,360	38,137	37,271	47,214	49,331	
29	Registered doctors and dentists	(number)	4,218	4,458	5,188	4,510	4,656	
30	GDP Per capita	(K£)	452	546	632	698	773	
	INDEX NUMBERS: (1982=100)							Annual % Rate of change 1992-96
	Export volumes		126	148	167	175	200	12.2
	Import volumes		107	116	144	168	167	11.8
	Terms of trade		79	90	101	95	93	4.2
	Consumer prices ***		248	363	468	474	517	20.2
	Real wages		89	78	92	120	112	5.9
	Agricultural terms of trade		90	87	87	88	86	-1.1

*More precise measures are given in individual chapters

**Provisional

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

CHAPTER 1 - INTERNATIONAL SCENE

The World as a whole is experiencing weak but accelerating economic growth. In many developing and transition economies, domestic adjustment programmes are beginning to bear fruit. Meanwhile, despite rising per capita income, some of the wealthy countries, especially in Europe, have not been able to significanty reduce their high unemployment rates.

1.2. World trade slowed down significantly in 1996 to record an annual rate of 6.1 per cent compared to 9.0 per cent in 1995. Major factors contributing to this decline were the moderation of non-OECD countries import demand and continued sluggish growth in intra-OECD trade.

1.3. The economic situation for the Organisation for Economic Co-operation and Development (OECD) countries in 1996, improved with real GDP stabilising at 2.4 per cent, which was the same as that of 1995. Inflation remained low throughout most of the OECD area, while employment stabilised after showing a declining trend. A major and important contributor to this improvement is the financial market development, which has been broadly supportive of growth. In Japan, Canada and many European countries, money markets are now at their lowest levels in a decade. A background of strong profits and in some countries, rising business confidence, has been another favourable element of the situation. This has resulted to buoyant business investment in many countries.

1.4. Industrial output, GDP growth and exports in Central and Eastern Europe recorded sluggish growth in the first half of 1996, but showed signs of recovery toward the end of the year. In the Dynamic Asian Economies (DAE's Chinese Taipei, Hong Kong. Malaysia, Singapore and Thailand) and China, overall restrictive monetary policies have led to decelerating real output growth and reduced inflationary pressures. In Central and Southern America, fiscal adjustment is proceeding slowly, inflation is declining and real interest rates are falling while capital inflows remained strong. The growth in Africa showed signs of recovery recording an overall growth of 5.0 per cent in 1996.

Country/Regional Analysis

1.5. The USA: the economy expanded above the expected potential of around 2.3 per cent per year. The unemployment rate recorded 5.4 per cent in 1996 compared to 5.6 per cent of 1995. Inflation on the other hand has gone up slightly from 1.6 per cent in 1995 to 2.0 per cent in 1996. Aggregate demand was held back by a deterioration in net exerts as import volumes have jumped and export growth slumped. For visible trade, the slow down in export volume growth reflects a reversal of recent gains in market shares while the sharp rise in import growth may reflect a payback from unusually low growth rate during the second half of 1995.

1.6. Japan: the recovery of the Japanese economy accelerated sharply in 1996. After three years of low growth and rising unemployment, the momentum of growth began late in 1995, to record a growth of 3.6 per cent in 1996. This growth was mainly supported by public sector demand, which registered an increase of over 13.0 per cent. Residential investment was strongly based on low interest rates, though the rebuilding effort following

the 1995 Kobe earthquake also boosted demand in that area. Private consumption grew sharply, as a result of unusually high growth of personal income. On the other hand, the foreign sector continued to experience a significant drop in activity with exports falling and imports continuing to increase rapidly. As a result, the current account surplus dropped to 1.3 percent of GDP.

1.7. Germany: the performance of the economy recorded a growth of 1.1 per cent, compared to the 2.1 per cent registered in 1995. Investment in plant and machinery remained weak, while industrial production stagnated, although capacity utilisation increased in Western Germany and business confidence improved. The labour market has stabilised since the third quarter of 1995, with unemployment stabilising at 10.3 per cent,, but employment growth remained weak. Inflation remained low at 1.3 per cent compared to 2.3 per cent in 1995.

Central and South America:

1.8. Output growth picked up momentum across the Central and South America. The lagged response to the gradual reduction in interest rates since mid-1995 combined with high levels of capital inflows, are beginning to produce a strong recovery in both consumer and investment spending. Brazil still remains central to the economic stability the region. It contributes close to one-half of the regions' GDP. In 1996, the GDP for the region recorded a growth of 2.7 per cent as compared to 2.1 per cent in 1995. Chile remains the most successful economy, recording growth of 7.5 per cent in 1996. In Mexico, activity is now recovering following declines in output in the wake of the 1995 financial crisis. Efforts are also in progress to contain inflation following the sharp depreciation of the peso. Growth has resumed in Argentina, which is currently enjoying the lowest inflation rate in more than fifty years.

Central and Eastern Europe, Russia and Ukraine:

1.9.The first half of 1996 marked a slow down of GDP growth, industrial output and exports in Central and Eastern Europe. Towards the end of the year, however export market to Western markets seems to have improved. Except for Bulgaria and Romania, most countries in the region have continued to make progress in reducing inflation. This has been achieved by tight monetary policies and improved credibility of Central Banks. Output in the region has slumped somewhat with that of Bulgaria and Russia recording negative growths of 9.0 per cent and 4 per cent respectively.

1.10. Dynamic Asian Economies (DAE's): (Chinese Taipei, Hongkong, Malaysia, Singapore and Thailand). After several years of strong economic activity, real output growth decelerated to record 6.1 per cent in comparison to 6.9 per cent in 1995. These were as a consequence of the restrictive monetary policies put in place. This was accompanied by mild easing of inflation pressure. The external sector in these countries did not performed well as expected, reflecting a combination of cyclical and structural factors, A major factor that contributed to this situation was the worsening of terms of trade as a result of contraction in the world demand for electronics and information equipment These adverse consequences have been especially pronounced in the newly industrialising

economies (Chinese Taipei, Hongkong and Singapore) for which the share of electronics in total exports exceeds 20 per cent.

1.11. China: the fall in inflation has been quite an achievement, especially as it has been achieved without a further slow down in growth. However, money supply and credit have continued to expand at a rapid rate and more restrained financial policies is required to sustain the favourable inflation performance. An intensification of state enterprise reform together with further trade liberalisation will help strengthen the role of market forces in resource allocation. China recorded a growth of 9.5 per cent in 1996 compared to 10.2 per cent in 1995.

1.12. Africa: the recent strengthening of growth in many African countries is promising. The African region is estimated to have grown by 5.0 per cent in 1996 compared to 3.0 per cent in 1995. The implementation of stronger macro-economic and structural adjustment policies should allow average growth to continue to improve and overall inflation rate to decline further. Nevertheless, the region continues to face important policy changes in order to enhance resource allocation and strengthen savings and investment. Countries such as Benin, Cote D'voire, Togo and other CFA countries, have shown particularly encouraging performance following the strengthening of incentives and restoration of external competitiveness, brought about by the 1994 monetary devaluation and accompanying policies. Ghana, Kenya, and especially Malawi and Uganda experienced gains in living standards not withstanding the adverse effects of volatile commodity prices.

1.13. Strengthening of exports and private investment has largely accelerated stronger economic activity in South Africa. Tightened monetary conditions are expected to contain inflation, although pressures and weaknesses of the exchange rate and unemployment will remain relatively high for some time. Several other countries, however, including Nigeria, Sudan and Zaire, have made little progress in the formulation and implementation of appropriate stabilisation and structural adjustment polices.

1.14. There are reasons for cautious optimism, following the marked improvements in Africa's economic performance in 1994 and 1995. The continent is further expected to reap benefits of reduced inflation rates, greater private sector participation in the economy, liberalisation of trade and exchange systems and more realistic exchange rates.

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

Table 1.1

	1995	1996	1997	1998
Real GDP -				
United States	3.3	2.4	2.2	2.0
Japan	0.3	3.6	1.6	3.7
Germany'***	2.1	1.1	2.2	2.6
OECD Europe	2.9	1.6	2.4	2.7
Total OECD	2.4	2.4	2.4	2.7
Real total domestic demand -				
United States	3.5	2.5	2.1	1.9
Japan	1.0	4.7	1.6	3.5
Germany'***	2.0	0.8	1.7	2.4
OECD Europe	2.4	1.4	2.2	2.7
Total OECD	2.9	2.7	2.3	2.7
Inflation (GDP deflators)				
United States	1.6	2.0	2.1	2.1
Japan	-0.9	-0.1	0.5	0.0
Germany***	2.3	1.3	1.2	1.3
OECD Europe	2.9	1.7	1.7	1.7
Total OECD	4.1	4.1	3.6	3.2
Current balances-				
United States	-170	-160	-161	-161
Japan	112	63	64	70
Germany***	-19	-16	-5	-1
OECD Europe	70	85	113	126
Total OECD	-22	-19	3	14
Unemployment-				
United States	5.6	5.4	5.4	5.5
Japan	3.1	3.3	3.2	3.1
Germany***	9.3	10.3	10.4	10.1
OECD European members	10.8	11.4	113	109
Total OECD membership	7.8	7.8	7.7	7.5
World Trade**	9.2	6.1	6.7	7.3

Source: OECD Economic Outlook no. 60 December, 1996

**Assumptions underlying the 1996 and 1997 projections include:*

-no change in actual and announced policies;

-unchanged exchange rates from 8th November 1996 in particular $1 = ¥ 114.1 and DM 1 51

-Dollar price (OECD fob imports) for internationally traded oil of US$15.60 per barrel for 94 II and rise in line with OECD maufactured 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 8th November 1996

SELECTED WORLD COMMODITY PRICE INDICES. 1992-1996

(1990=100)

Table 1.2

Year	"Other milds" Coffee*	Tea**	Sisal***	Sugar+	Petroleum++	All+++ Commodities	Industrial Countries	Developing Countries
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	808	99.4	118.0	74.7	118.5	-	-
1996	134.9	87.2		117.8	88.9	116.6		

Source: IMF. International Financial Statistics. (March. 1996).

Indices are based on prices in US dollar

** Other milds (New York)*

*** Average Auction (London).*

**** East African (Europe).*

** E E C Import Price*

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

+++ World (non-fuel commodities).

Commodity Prices

1.15. In 1996, the non-fuel commodity prices fell by 1.7 per cent in US dollar terms. International tea prices were favourable to record a rise of 9.0 per cent, the highest since 1992. Coffee on the other hand, was hard hit, with prices falling by 19.6 per cent in 1996. Crude petroleum prices averaged 19.0 per cent above their levels in 1995.

OUTLOOK

1.16. In most OECD countries, growth is projected to reach or exceed expected rates. Inflation is projected to remain low at 3.6 per cent in 1997, while growth in non-OECD imports is expected to remain strong over the projection period. The DAE's are expected to remain committed to ensuring sound economic fundamentals, implying continued tightening of monetary policies. In Central and Southern America, output will accelerate gradually in the coming years, reaching more than 4 per cent in 1998. Inflation is expected to continue to decline across the region. The output in Russia is projected to pick up as investment increases and rates of inflation are stabilised. Slower GDP growth for Slovakia and Romania will reflect in part slower export growth as well as policy measures to restrain current account pressures significantly.

1.17. A more moderate expansion of the USA economy is expected in 1997. Demand in 1997-1998, should be bolstered by above average private fixed investment, supported by a pick up in export growth as foreign markets strengthen. Increased investment requirement in the manufacturing sector may ease as manufacturing capacity is already growing steadily. Other sectors may experience increased investment need owing to a rising share of unemployment and output. Unemployment rate should drift up as the economy slows but inflation should remain at near current levels.

1.18. In Japan, economic growth is expected to accelerate but is highly dependent on whether there will be a sufficient push in the private sector of the Japanese economy. The

expansion in business investment is projected to continue while the drag on activity from the foreign sector may be reversed. Unemployment is projected to decline only slightly. Labour market conditions are expected to boost growth of personal incomes. Real GDP is expected to record 1.6 per cent and 3.7 per cent in 1997 and 1998, respectively.

1.19. In Germany, growth is expected to pick up in 1997 led by exports and supported by immediate growth in private consumption. Investment on the other hand may remain an important dampening influence. Expected stagnation of construction expenditure would act to restrain overall demand. In the face of high and rising unemployment, projected at 10.4 per cent and 10.1 per cent in 1997 and 1998, respectively, wage increases are projected to remain moderate in 1997. The change in expectations about the timing of the European Monetary Union could have unpredictable confidence and financial market effects. On the positive side, investment could recover more quickly especially if the government maintain its commitment to push through its package of structural reform.

1.20. The combination of China and Hong Kong is expected to form one of the most dynamic economic regions in the world. Since China adopted an open door policy toward the end of the 70's, the net bilateral trade flows, and adjusted for exports, has risen from about 1.4 per cent to 3.5 per cent in 1995 making it the fifth largest world-trading group. China is Hong Kong's largest trading partner accounting for 35 per cent of Hong Kong's trade. Over the long term. Hong Kong is expected to play continuing and crucial economic role for the rest of China as a major trading partner and a provider of affluent services.

CHAPTER 2 - DOMESTIC ECONOMY

Overview

Estimates of Gross Domestic Product (GDP) in 1996 show that Kenya's economy performed below expectation. GDP in real terms grew by 4.6 per cent below the projected 5.5 per cent for 1996. Inadequate rainfall, reduced use of farm inputs due to increasing prices, high cost of domestic credit, power rationing in the latter part of the year, and a more competitive trading environment brought about by macro-economic reform measures were the main causes of the slow down in growth of the economy. The agricultural sector performed poorly as a result of the rain shortage. Most other sectors of the economy recorded meaningful growths albeit lower than those of 1995.

2.2.Growth in the economy was primarily fuelled by higher exports of coffee, tea, and horticultural products, a fairly stable exchange rate, moderate inflation and a widening market arising from the establishment of the East African Co-operation. In addition, the initial shocks experienced after liberalisation, particularly those of imports and the exchange rate, have largely been absorbed by the economy. The Manufacturing sector was resilient to imported finished goods and recorded quite a satisfactory performance. The Finance, Insurance and Business Services Sector has become one of the driving forces of the economy in terms of growth. Specifically, the finance sub-sector invested heavily in information technology, posting high profitability against a background of almost static investment in some sectors and low capital expansion in others. Trade, Restaurants and Hotel and Other Services sectors have taken up a big share of the total economy over the last three years. With these positive developments, real GDP in 1996 grew by an estimated 4.6 per cent compared to a revised growth of 4.8 per cent in 1995.

2.3.The inflation rate accelerated from 1.6 per cent in 1995 to 9.0 per cent in 1996. A favourable balance of payments position, increased donor finance, a liberalised foreign exchange market, as well as higher exports and lower imports, resulted to an increase in holdings of net foreign reserves.

Inflation

2.4.Inflation was contained at a single digit level during the year, but rose from 1.6 per cent to 9.0 per cent in 1996. The rise was largely due to upward price adjustment of petroleum products, rapid money supply and gradual extension of Value Added Tax (VAT) on consumer goods and services. In addition, the drought also led to price increases of staple items such as rice, maize, milk and flour.

Producers of Government Services.

2.5.There has been a marked deceleration in the growth rate of nominal GDP for the general government services in 1996. Compared to 22.8 per cent growth recorded in 1995, the sector only recorded 9.4 per cent growth in 1996. This growth is in line with the Government policy of reducing the budget deficit and concentrating on the provision of essential services. Further, the government aims to allocate more resources to development projects while seeking ways of depressing recurrent expenditure on wages and salaries.

Capital expenditure increased from K£ 997 million to K£ 1,093 million in 1996. A major share of the expenditure was taken up by the Public Administration sub-sector.

International Trade

2.6.A favourable balance of payments position resulting from the good performance in both current and capital accounts was evident in 1996. The overall current account balance stood at a deficit K£ 211 million in 1996 compared to a deficit of K£ 1,031 million in 1995. Terms of trade on the other hand, further worsened by 2.0 percentage points. In 1996, value of exports of goods grew by 21.0 per cent while value of imports recorded a slower growth of 8.6 per cent.

Sectoral Performance

2.7.The general performance in the various sectors was that of continued sustained growth. The Finance, Insurance and Business sector recorded the highest growth. All the other sectors of the economy registered slower growths except for Ownership of Dwellings and Electricity and Water sectors. Agriculture, however, recorded a drop of 0.4 percentage points

Agriculture

2.8.The performance of this sector was much lower than the 5.3 per cent projected in 1996. The slower growth rate of 4.4 per cent in 1996 was a consequence of inadequate rains during the year, poor price incentives for some major crops such as maize following a glut during the previous year, and rising input prices resulting in reduced use of farm inputs such as fertilisers, manufactured feeds and seeds. Despite these factors the quantum index for the cash crops such as tea, coffee, sisal and others rose by 6.1 per cent in 1996. A fairly stable shilling exchange rate, high prices for Kenyan .tea in the world market, improved crop husbandry, particularly for cash crops and regular payments to farmers boosted production in these crops.

2.9.Maize production is estimated to have fallen from 29 million bags in the 1994 agricultural year to 26 million bags in 1995. A further fall of 36.8 per cent to 19 million bags was recorded in the 1996 crop year. Low farm-gate prices, reduced acreage and fertiliser use contributed to this large drop. Wheat on the other hand, recorded a 5.0 per cent growth, largely due to an increase in acreage under the crop. However, production is still below domestic requirements. Overall, cereal production, which had risen by 15.6 per cent in 1995, fell sharply by 18.6 per cent in 1996. Sugar cane output recorded 4,122.0 thousand tonnes in 1996 compared to 4,034.9 thousand tonnes in 1995, while milk recorded a decline of 93 million litres in 1996. Unfavourable weather conditions are attributed for the decline in the production of milk.

2.10.Average price per tonne of coffee was K£ 6,957 in 1996 compared to K£ 7,983 in 1995, while that of tea rose by 16.5 per cent. There were increases in coffee and tea production. The increased tea output over the last two years is mainly attributed to high international prices and improvement in crop husbandry. Tea production rose by 16.8 per cent and 5.2 per cent in 1995 and 1996, respectively. For the first time, Kenya became the

world's leading exporter of tea overtaking Sri Lanka and India. The slower growth in 1996 was mainly due to inadequate short rains in the tea growing zones. Tea output in the first half of 1997 is expected to record a decline as a result of the dry spell towards the end of 1996 and early 1997.

2.11. The exports of fresh horticultural produce increased by 18 per cent to stand at 84.8 thousand tonnes in 1996 mainly due to a favourable world market for cut flowers, fruits and vegetables.

Manufacturing

2.12.The manufacturing sector recorded a slightly slower growth in 1996 compared to 1995. The sector has shown evident signs of recovering from the impact of liberalisation, which was fully felt in 1993. The initial impact brought about the importation of finished, competitively priced products into the market. This required local manufacturers to search for a new product mix to counter their impact. Three years later, the scenario seems to have stabilised, with manufacturing concerns having developed new strategies to remain viable. Apart from the power shortage as a consequence of drought, the sector could have performed much better than expected. The stable value of the Kenya shilling in 1996 helped buoy the manufacturing sector from further decline, by facilitating easy importation of raw materials, machinery and spare parts. Employment in this sector expanded by 2.8 per cent in 1996. Overall, the sector recorded a real output growth of 3.7 per cent in 1996 compared to 3.9 per cent in 1995.

Finance Insurance and Business Services.

2.13.The policy reforms that have taken place in the financial sector continued in 1996. Structural changes in the banking sector produced positive results and impressive profitability was recorded by major banks against a background of almost static investment and low capital expansion in the economy. Despite this trend, the cost of borrowing remained high. Alternative ways of raising capital such as commercial papers and floating rate bonds were sought. The introduction of venture capital was another source of cheap non-bank funds.

2.14.As at the end of 1996, there were 50 commercial banks, 19 Non-Bank Financial Institutions and two mortgage finance companies. Money supply grew from K£ 11,582 million as at December 1995 to K£ 13,424 million as at December 1996, an increase of 15.9 per cent, slightly above the targeted 15.7 per cent. Net foreign reserves increased from K£ 370 million in December 1995 to K£ 1,432 million in December 1996. Domestic credit increased by 10.8 per cent, a much lower growth than the 20.5 per cent recorded in 1995. Interest rates of commercial banks continued to record increases in 1996. The high cost of bank credit has continued to hamper productive growth since the banking system provides the bulk of funds needed by the economy. The capital market grew further as evidenced by increased activities in both the primary market and the secondary market (the Nairobi Stock Exchange). Given these developments the sector recorded a growth rate of 7.1 per cent, the highest growth compared to other sectors of the economy.

GROSS DOMESTIC PRODUCT, 1992- 1996

Table 2.1 K£million

	Current Prices					Constant (1982) Prices				
	1992	1993	1994*	1995*	1996**	1992	1993	1994*	1995*	1996**
A. NON-MONETARY ECONOMY										
Forestry	71.95	77.14	81.93	81.40	84.34	33.04	33.90	34.47	35.58	36.13
Fishing	3.42	4.17	4.83	5.09	5.56	1.27	1.21	1.26	1.31	1.42
Building and Construction	101.40	103.15	104.90	117.80	121.57	75.45	76.37	77.90	78.91	79.91
Water Collection	53.08	56.35	60.00	63.72	67.72	25.33	25.51	26.55	27.67	28.1
Ownership of Dwellings	262.04	281.64	309.20	334.13	370.51	102.34	110.37	114.18	119.59	124.61
TOTAL NON-MONETARY ECONOMY	491.89	522.45	560.86	602.14	649.70	237.43	247.36	254.36	263.06	270.17
MONETARY ECONOMY										
1. Enterprises and Non-Profit Institutions										
Agriculture	3,016.01	4,168.45	5,292.10	5,778.12	6,233.00	1,134 .83	1,088.49	1,11929	1,173.32	1,225.35
Forestry	140.44	168.08	190.48	203.54	223.85	48.16	53.11	57.78	60.75	65.00
Fishing	45.16	53.89	62.98	61.93	68.37	122.4	12.60	13.11	13.65	14.20
Mining and Quarrying	30.28	35.22	35.68	36.21	37.06	11.01	11.23	11.41	11.72	12.01
Manufacturing	1,230.73	1,419.68	1,807.76	1,945.55	2,282.23	588.61	599.21	610.59	634.40	657.68
Building and Construction	579.60	655.20	742.80	799.18	879.02	122.20	111.61	113.06	117.37	121.47
Electricity and Water	100.33	126.90	164.06	191.13	208.01	45.11	45.52	46.50	47.26	48.72
Trade. Restaurants and Hotels	1,517.10	1,920.65	2,400.81	3,238.00	4,144.76	478.94	479.56	508.81	552.47	596.68
Transport, Storage& Communications	908.70	991.91	1,262.95	1,515.64	1,713.84	263.60	265.71	273.68	285.17	296.58
Finance. Insurance, Real Estate and Business Services	1,081.34	1,398.17	2,015.65	2,295.52	2,646.16	377.94	405.15	429.87	459.53	492.15
Ownership of Dwellings	658.42	716.69	764.86	814.00	936.10	238.98	239.46	243.10	255.74	270.32
Other Services	368.65	477.87	578.11	693.73	818.60	144.50	145.68	149.41	158.82	168.35
Less: Imputed Bank Service Charges	-643.03	-725.37	-1,410.09	-1,944.90	-2,245.03	-142.03	-156.30	-169.17	-180.16	-191.33
TOTAL	9,033.73	11407.34	13,908.15	15627.65	17,945.97	3,324.10	3,301.02	3,407.45	3,590.03	3,777.18
2 PRIVATE HOUSEHOLDS (DOMESTIC SERVICES)	154.57	180.58	211.13	247.21	284.17	85.26	94.58	102.45	113.92	124.82
3 Producers of Government Services										
Public Administration	443.32	569.80	651.84	676.55	711.10					
Defence	38.15	41.70	43.32	50.81	65.54					
Education	849.19	945.60	1,024.07	1,441.27	1,601.86					
Health	171.89	215.60	210.49	245.75	270.95					
Agricultural Services	55.80	72.17	81.79	87.47	101.60					
Other Services	163.99	230.17	211.59	226.94	234.66					
TOTAL	1,722.34	2075.04	2,223.10	2,728.79	2,985.71	685.43	699.82	710.32	723.12	734.7
TOTAL MONETARY ECONOMY	10,910.64	13,662.96	16,342.38	18,603.65	21,215.85	4,094.79	4,095.42	4,220.22	4,427.07	4,636.70
TOTAL NON-MONETARY AND MONETARY ECONOMY	11,402.53	14,185.41	15,903,24	19,205.75	21,865.55	4,332.22	4,342.79	4,474.58	4,590.13	4,906.87
ESTIMATED POPULATION	25.24	26.00	26.76	27.52	28.27	25.24	26.00	26.76	27.52	28.27
GROSS DOMESTIC PRODUCT PER CAPITA K£	451.76	545.59	631.66	697.88	773.45	171.64	167.03	167.21	170.43	173.57

*Revised

**Provisional

GROWTH OF GROSS DOMESTIC PRODUCT, 1992 -1996

Table 2.2

Percentages

	Current Prices					Constant (1982) Prices				
	1992-93	1993-94*	1994-95*	1995-96**	1992-96***	1992-93	1993-94*	1994-95*	1995-96**	1992-96***
A. NON-MONETARY ECONOMY										
Forestry	7.22	6.21	-0.65	3.61	4.05	2.6	1.7	3.2	1.6	2.3
Fishing	21.93	15.83	5.38	9.23	12.92	-4.8	4.1	4.0	8.4	2.8
Building and Construction	1.73	1.70	12.30	3.20	4.64	1.2	2.0	1.3	1.3	1.5
Water Collection	6.16	6.48	6.20	6.28	6.28	0.7	4.1	4.2	1.6	2.6
Ownership of Dwellings	7.48	9.79	8.06	10.89	9.05	7.8	3.5	4.7	4.2	5.1
TOTAL NON-MONETARY ECONOMY	6.21	7.35	7.36	7.90	7.20	4.2	2.8	3.4	2.7	3.3
B. MONETARY ECONOMY										
1. Enterprises and Non-Profit Institutions										
Agriculture	67.62	26.96	9.18	7.87	19.90	-4.1	2.8	4.8	4.4	1.9
Forestry	19.68	13.33	6.86	9.98	12.36	10.3	8.8	5.1	7.0	7.8
Fishing	19.33	16.87	-1.67	10.40	10.92	2.9	4.0	4.1	4.0	3.8
Mining and Quarrying	16.31	1.30	1.49	2.35	5.18	2.0	1.6	2.7	2.5	2.2
Manufacturing	15.35	27.34	7.62	17.31	16.70	1.8	1.9	3.9	3.7	2.8
Building and Construction	13.04	13.37	7.59	9.99	10.97	-87	1.3	3.8	3.5	-0.2
Electricity and Water	26.48	29.28	16.50	8.83	20.00	0.9	2.2	1.6	3.1	1.9
Trade, Restaurants and Hotels	26.60	25.00	34.87	28.00	28.56	0.1	6.1	8.6	8.0	5.7
Transport, Storage and Communications	9.16	27.33	20.01	13.08	17.19	0.8	3.0	4.2	4.0	3.1
Finance. Insurance, Real Estate and Business Services	29.30	44.16	13.88	15.27	25.07	7.2	6.1	6.9	7.1	6.8
Ownership of Dwellings	8.85	6.72	6.42	15.00	9.20	0.2	1.5	5.2	5.7	3.1
Other Services	29.63	20.98	20.00	18.00	22.07	0.8	2.6	6.3	6.0	3.9
Less: Imputed bank service charges	12.81	94.40	37.93	15.43	36.70	10.1	8.2	6.5	6.2	7.7
TOTAL	26.28	21.92	12.36	14.83	18.70	-0.7	3.2	5.4	5.2	3.3
2.Private Households (Domestic Services)	16.83	16.92	17.09	14.95	16.44	10.9	8.3	11.2	9.6	10.0
3.Producers of Government Services										
Public Administration	28.53	14.40	3.79	5.11	12.54					
Defence	9.31	3.88	17.29	28.99	14.49					
Education	11.35	8.30	40.74	11.14	17.19					
Health	25.43	-2.37	16.75	10.25	12.05					
Agricultural Services	29.34	13.33	6.94	16.15	16.16					
Other Services	40.36	-8.07	7.25	3.40	9.37					
TOTAL	20.48	7.14	22.75	9.42	14.75	2.1	1.5	1.8	1.6	1.8
TOTAL MONETARY ECONOMY	25.23	19.61	13.84	14.04	18.09	0.0	3.0	4.9	4.7	3.2
TOTAL NON-MONETARY AND MONETARY ECONOMY	24.41	19.16	13.62	13.85	17.68	0.2	3.0	4.8	4.6	3.2
GROSS DOMESTIC PRODUCT PER CAPITA		15.78	10.48	10.83	14.39		0.1	1.9	1.8	0.3

*Revised

**Provisional

***Cummulative

PRODUCTION ACCOUNTS, 1995 AND 1996

Table 2.3 K£milion

	1995*					1996**				
			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	745.25	143.11	602.14	5.25	596.89	826.97	177.27	649.70	5.48	644.22
B. MONETARY ECONOMY										
1 Enterprises and Non-Profit Institutions										
Agriculture	6,367.00	588.88	5,778.12	444.02	5,334.10	6,778.60	545.60	6,233.00	579.94	5,653.06
Forestry	229.59	26.05	203.54	121.77	81.77	254.85	31.00	223.85	139.15	84.70
Fishing	66.25	4.32	61.93	16.12	45.81	72.34	3.97	68.37	18.09	50.28
Mining and Quarrying	119.05	82.84	36.21	18.80	17.41	123.55	86.49	37.06	19.36	17.70
Manufacturing	16,431.39	14,485.84	1,945.55	763.78	1,181.77	21,096.71	18,81448	2,282.23	958.10	1,324.13
Building and Construction	1,591.28	792.10	799.18	595.95	203.23	1,717.91	838.89	879.02	615.31	263.71
Electricity and Water	657.53	466.40	191.13	161.40	29.73	715.73	507.72	208.01	154.28	53.73
Trade, Restaurants and Hotels	7,391.00	4,153.00	3,238.00	1,775.09	1,462.91	8,499.65	4,354.89	4,144.76	1,826.76	2,318.00
Transport, Storage and Communications	3,035.78	1,520.14	1,515.64	456.10	1,059.54	3,425.54	1,711.70	1,713.84	504.16	1,209.68
Finance, Insurance, Real Estate and Business Services	2,992.00	696.48	2,295.52	831.85	1,463.67	3,446.34	800.18	95.00	902.33	1,743.83
Ownership of Dwellings	901.14	87.14	814.00	0.00	814.00	1,031.10	-936.10	936.10	0.00	936.10
Other Services	1,944.91	1,251.18	693.73	451.11	242.62	1,771.7	952.87	818.60	566.41	252.19
Less: Imputed Bank Service Charges	-1,944.90	0.00	-1,944.90	0.00	-1,944.90	2,245.03	0.00	-2,245.03	0.00	-2,245.03
Total	43,671.82	28,044.17	15,627.65	5,635.99	9,991.66	51,178.82	33,232.85	17,945.97	6,283.89	11,662.08
2.Private Households (Domestic Services)	247.11	0.00	247.21	247.21	0.00		0.00	284.17	284.17	0.00
3. Producers of Government Services	4,015.15	1,286.36	2,728.79	2,863.50	-134.71	4,404.57	1,418.86	2,985.71	2,950.48	35.23
TOTAL MONETARY ECONOMY	47,934.08	29,330.43	18,603.65	8,746.70	9,856.95	55,867.56	34,651.71	21,215.85	9,518.54	11,697.31
TOTAL MONETARY AND NON-MONETARY ECONOMY	48,679.33	29,473.54	19,205.79	8,751.95	10,453.84	56,694.52	34,828.98	21,865.55	9,524.02	12,341.53

* Revised

** Provisional

*** Including consumption of fixed capital

\+ After deduction of indirect taxes less subsidies from total of output

Building and Construction

2.15.Building and construction activities rose modesty albeit slower than in 1995. The cost of borrowing remaining high owing to the high interest rates in the local market. Domestic cement consumption slowed down to 8.9 per cent compared to 24.1 per cent in 1995. Growth in employment decelerated from 4.5 per cent in 1995 to 4.1 per cent in 1996. On the other hand, the sector benefitted from a decline in cost of construction materials, which was a major constraint to higher growth in 1995. Approved plans for new buildings expanded substantially as a result of greater demand for both residential and non-residential units.

Transport and Communication

2.16. Indicators of activity for the transport sector show that 1996 was a year of reduced volumes for the railways, the airports and marginal increases for the pipeline and harbours. Road transport and Communications showed substantial increases. Freight handled went down by 12.6 per cent and 10.3 per cent for the railways and airports respectively. Kenya Railways suffered both stiff competition from the road transporters and structural difficulties in their operations during the year. Harbours recorded marginal increases in the freight handled, which rose from 7,973 thousand metric tonnes in 1995 to 8,694 thousand metric tonnes in 1996. Most of the cargo handled at the ports was imports. During the same period, the pipeline throughput of white petroleum products went up from 2,240.1 thousand to 2,376.6 thousand cubic metres, a rise of 6.1 per cent.

2.17. Road transport grew substantially due to an influx of reconditioned personal and passenger vehicles as a result of a fall in prices. The number of new registrations of motor vehicles rose sharply by 29.0 percent from 22,224 vehicles in 1995 to 28,664 in 1996.

Distributive Trade

2.18.The sector (comprising domestic trade, restaurants and hotels) realised some commendable growth increases of 8.6 per cent and 8.0 per cent in 1995 and 1996 respectively. Depressed aggregate demand and rising inflation curtailed the prospects of a higher growth while a rise in international tourism with the resultant rise in hotel and bed occupancy were among the major factors attributable to the growth recorded in 1996.

2.19.The sector has generally displayed a rising trend since 1994. The rise in the tourism industry greatly contributed to the recorded performance of internal trade, restaurants and hotels. Visitor arrivals in Kenya rose by 3.5 per cent from 690.5 thousand persons in 1995, to 714.4 thousand persons in 1996.

Structural Changes

2.20. The structure of the Kenyan economy has largely remained unchanged (see Table 2.4). Agriculture and the manufacturing sectors continue to be the main driving force of the economy accounting for about 40.0 per cent of the total share. These two sectors are undergoing appreciable processes of change in a liberalised economy.

GROSS DOMESTIC PRODUCT
SECTOR SHARES AT CONSTANT (1982) PRICES, 1992 - 1996

Table 2.4 Percentage

	1992	1993	1994*	1995*	1996**
A. NON-MONETARY ECONOMY					
Forestry	0.8	0.8	0.8	0.8	0.7
Fishing	0.0	0.0	0.0	0.0	0.0
Building and Construction	1.7	1.8	1.7	1.7	1.6
Water Collection	0.6	0.6	0.6	0.6	0.6
Ownership of Dwellings	2.4	2.5	2.6	2.5	2.5
TOTAL NON-MONETARY ECONOMY	5.5	5.7	5.7	5.6	5.5
B. MONETARY ECONOMY					
1. Enterprises and Non-Profit Institutions					
Agriculture	26.2	25.1	25.0	25.0	25.0
Forestry	1.1	1.2	1.3	1.3	1.3
Fishing	0.3	0.3	0.3	0.3	0.3
Mining and Quarrying	0.3	0.3	0.3	0.2	0.2
Manufacturing	13.6	13.8	13.6	13.5	13.4
Building and Construction	2.8	2.6	2.5	2.5	2.5
Electricity and Water	1.0	1.0	1.0	1.0	1.0
Trade. Restaurants and Hotels	11.1	11.0	11.4	11.8	12.2
Transport, Storage and Communications	6.1	6.1	6.1	6.1	6.0
Finance, Insurance, Real Estate and Business Services	8.7	9.3	9.6	9.8	10.0
Ownership of Dwellings	5.5	5.5	5.4	5.5	5.5
Other Services	3.3	3.4	3.3	3.4	3.4
Less Imputed Bank Service Charges	-3.3	-3.6	-3.8	-3.8	-3.9
TOTAL	16.1	76.0	76.1	76.5	77.0
2. Private Households (Domestic Services)	2.0	5.5	5.3	5.4	5.5
3. Producers of Government Services					
Public Administration					
Defence					
Education					
Health					
Agricultural Services					
Other Services					
TOTAL	15.8	14.1	15.9	15.4	15.0
TOTAL MONETARY ECONOMY	94.5	94.3	94.3	04.4	94.5
TOTAL MONETARY & NON-MONETARY ECONOMY	100.0	100.0	100.0	100.0	100 0

* Revised

** Provisional

2.21. The share of manufacturing has experienced slight but consistent decline from 13.6 per cent in 1992 to 13.4 per cent in 1996. This trend is similar in the public sector, which has dropped from 15.8 to 15.0 per cent over the same period. The liberalisation of the economy has led to high volumes of trade. This has mainly affected the Trade, Restaurants and Hotel Sectors' whose share contribution has risen from 11.1 per cent in 1992 to 12.2 per cent in 1996. The prospect of being an industrialised nation by the year 2020, entails

that the manufacturing sector be seen to be leading in overall share contribution to the economy.

2.22. The growth of unadjusted real GDP per capita remained at the 1995 level of 1.9 per cent (Table 2.5). After making the necessary adjustments for movement of trade, the growth rates were -0.4 and 0.7 in 1995 and 1996 respectively. These changes may be attributed to; firstly that a slightly higher proportion of the entire population is involved in GDP generating activities and secondly, incomes improved slightly on account of higher export earnings, although unmatched to total imports.

IMPACT OF COMMODITY TERMS OF TRADE ON PER CAPITA GDP. 1992 - 1996

Table 2.5

		1992	1993	1994*	1995*	1996**
1	Unadjusted GDP at constant Factor Cost (K£mn)	4,332.2	4,342.8	4,474.6	4,690.1	4,906.9
2	Adjustment for changes in terms of trade (K£mn)	-356.1	-203.9	21.0	-87.0	-146.1
3	Adjusted GDP (K£mn.)	3,976.1	4,138.9	4,495.2	4,603.1	4,761.9
4	Growth in unadjusted per capita GDP***	-8.9	-2.7	0.1	1.9	1.9
5	Growth in adjusted per capita GDP***	-3.7	1.1	5.5	-0.4	0.7

*Revised

** Provisional

*** Adjusted on account of new population projection figures

Resource Allocation

2.23. Total available domestic resources (Table 2.6) for domestic investment and consumption rose by 11.7 per cent in 1996, a slower growth than that experienced in 1995. The share of indirect taxes to GDP at market prices has remained virtually unchanged at 15.6 per cent. On the other hand, Gross Fixed Capital Formation (GFCF) over the years has taken up greater shares of GDP at market prices, from 16.9 per cent in 1993 to 21.8 per cent in 1995 and slightly declining to 20.1 per cent in 1996. Although private consumption has experienced slower growth, public consumption recorded a very large growth of 23'per cent. This was mainly due to increases of consumption expenditure on public administration and defence, each of which recorded 27 per cent growth while the Health Sector recorded 26 per cent.

TOTAL USE OF RESOURCES AT CURRENT PRICES. 1992 - 1996

Table 2.6 K£million

	1992	1993	1994*	1995*	1996**
G.D.P. at Factor Cost	11,402.52	14,185.41	16,903.24	19,205.79	21,865.55
Of which:					
Non-Monetary	491.89	522.45	560.86	602.14	649.70
Monetary	10,910.64	13,662.96	16,342.38	18,603.65	21,215.85
Indirect Taxes	1,821.17	2,495.30	3131.78	3,577.90	4,030.90
Subsidies	0.05	0.07	1.06	1.02	0.00
G.D.P. at Market Prices	13,223.75	16,680.78	20,036.08	22,784.71	25,896.45
+ Import of goods and non-factor services	3,452.07	5,947.90	6,782.06	9,006.93	9,758.49
- Export of goods and services	3,464.37	6,745.91	7,411.24	7,629.82	8,676.56
= Import Surplus	-12.30	-798.01	-629.18	1,377.11	1,081.93
+ Total Resources available for Domestic					
- Investment and Consumption	13,236.05	15,882.63	19,404.78	24,159.78	26,978.38
= Gross Fixed Capital Formation	2,188.84	2,825.26	3,780.81	4,974.86	5,203.16
Change in Stocks	44.89	112.23	84.17	101.00	250.00
Gross Investment	2,233.73	2,937.49	3,864.98	5,075.86	5,453.16
Public Consumption	2,073.76	2,590.48	3,081.02	3,461.21	4,278.42
Private Consumption	8,928.56	10,354.66	12,458.77	15,62271	17,246.80
TOTAL CONSUMPTION	11,002.32	12,945.14	15,539.79	19,083.92	21,525.22

*Revised

**Provisional

2.24. Financing of Gross Fixed Capital Formation (see Table 2.7) is mainly supported from Grants, net borrowing and domestic saving. Apart from 1993, when domestic savings financed up to 93.0 per cent, in other years, domestic savings support was between 61.0 and 78.0 per cent. In 1996, the economy received capital grants amounting to K£ 1,120 million, which was 26.6 per cent higher than the previous year. Gross Fixed Capital Formation as a share of GDP at market prices stood at 24.0 per cent while total savings grew by 8.8 per cent to stand at 15.9 per cent of GDP.

FINANCING OF CAPITAL FORMATION, 1992- 1996

Table 2.7 K£million

	1992	1993	1994*	1995*	1996**
GROSS CAPITAL FORMATION:					
Gross Fixed Capital Formation	2,188.84	2,825.26	3,780.81	4,974.86	5,203.16
Changes in Stocks	44.89	112.23	84.17	101.00	250.00
TOTAL	2,233.73	2,937.49	3,864.98	5,075.86	5,453.16
FINANCING:					
Grants from Abroad	314.01	484.62	529.93	885.14	1,120.94
Net borrowing from Abroad***	157.28	-287.82	-291.06	1,030.86	211.98
Domestic Saving	1,762.44	2,740.69	3,626.11	3,159.86	4,120.24
TOTAL	2,233.73	2,937.49	3,864.98	5,075.86	5,453.16

* Revised

** Provisional

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

Factor Incomes and Gross National Product

2.25. The distribution of factor incomes has followed a rather irregular trend since 1992. On the overall there are signs of slowed growth from this indicator (see Table 2.8). Incomes grew fastest in 1993 and 1994 to register 21.1 per cent and 35.9 per cent. This slowed down in 1996 to record 11.5 per cent growth. These trends may partially be explained by the fact that the rise in inflation led a number of employers to increase incomes of their

employees during these periods to counter the impact. Indirect taxes as a percentage of GNP declined slightly from 16.4 per cent in 1995 to 16.0 per cent in 1996. The newly formed Kenya Revenue Authority is expected to bring about great improvement especially in raising overall tax collections.

GROSS NATIONAL PRODUCT AT CURRENT PRICES 1992 - 1996

Table 2.8 K£million

	1992	1993*	1994*	1995*	1996**
FACTOR INCOMES					
A. Non-Monetary Economy	491.89	522.45	560.86	602.14	649.70
B. 1 Remuneration of Employees :					
Enterprises	2,800.90	3,390.91	4,607.63	5,635.99	6,283.89
Private Households	154.57	180.58	211.13	247.21	284.17
Producers of Government Services	1,717.33	2,045.12	2,469.44	2,863.50	2,950.48
TOTAL	4,672.80	5,616.61	7,288.20	8,746.70	9,518.54
2. Rental Surplus (including depreciation)	658.42	716.69	764.86	814.00	936.10
3. Other Operating Surplus (including depreciation)	5,579.42	7,329.66	8,289.32	9,177.66	10,761.21
TOTAL MONETARY ECONOMY	10,910.64	13,662.96	16,342.38	18,738.36	21,215.85
TOTAL FACTOR INCOMES = GROSS DOMESTIC PRODUCT (AT FACTOR COST)	11,402.53	14,185.41	16,903.24	19,205.79	21,865.55
Add Indirect Taxes	1,821.17	2,495.30	3,131.78	3,577.90	4,030.90
Deduct: Subsidies	0.05	0.07	1.06	1.02	0.00
GROSS DOMESTIC PRODUCT AT MARKET PRICES	13,223.65	16,680.64	20,033.96	22,782.67	25,896.45
Add: Factor Incomes Received From Abroad	2.75	9.70	58.60	65.95	61.24
Deduct: Factor Incomes Paid Abroad	627.42	1,218.99	1,153.72	991.58	791.84
GROSS NATIONAL PRODUCT	12,598.98	15,471.35	18,938.84	21,857.04	25,165.85

*Revised

**Provisional.

Gross Fixed Capital Formation

2.26. Trends displayed by Gross Fixed Capital Formation (GFCF) by type of asset have been quite erratic in the last five years. In 1994, GFCF recorded substantial growths especially in transport & communication (see Table 2.9). Heavy investments were witnessed by Commercial Banks in information technology. The other sectors generally recorded slower growths. Arising from the slow economic activity in the year, the rate of growth in real investment was 2.7 per cent. The bulk of the growth was as a result of private sector investment. Gross Fixed Capital Formation (GFCF) trends by industry, (see Table 2.10) indicates that the manufacturing and transport sectors played a dorminant role in overall investments. In 1996, the two sectors contributed about 45.0 per cent of the overall GFCF. Public sector investments dropped, essentially due to lack of adequate funds.

GROSS FIXED CAPITAL FORMATION BY TYPE OF ASSET, 1992 - 1996

Table 2.9

K£million

	CURRENT PRICES					CONSTANT (1982) PRICES				
	1992	1993	1994*	1995*	1996**	1992	1993	1994*	1995*	1996**
DWELLINGS:										
PRIVATE:										
Non-Monetary	108.95	135,651	133.25	140.91	149.36	35.03	28.56	26.65	27.63	28.72
Monetary	69.72	40,345	46.63	28.85	29.71	22.46	8.49	9.33	5.66	5.71
TOTAL	178.67	176.00	179.88	169.76	179.07	57.49	37.05	35.98	33.29	34.43
PUBLIC	51.02	90.799	107.00	89.85	93.50	16.43	19.16	21.40	17.62	17.98
TOTAL	229.69	266.80	286.88	259.61	272.57	73.92	56.21	57.38	50.91	52.41
NON-RESIDENTIAL BUILDINGS:										
PRIVATE	53.10	38.274	35.53	38.94	43.13	17.10	7.59	6.68	6.46	7.07
PUBLIC	178.73	201.061	263.55	494.10	435.28	54.23	53.77	49.54	81.98	71.38
TOTAL	231.83	239.34	299.08	533.04	478.41	71.33	61.36	56.22	88.44	78.45
OTHER CONSTRUCTION WORKS:										
PRIVATE	28.48	155.993	165.35	252.10	428.60	10.65	41.34	41.34	41.83	78.86
PUBLIC	487.42	612.601	426.42	742.00	862.39	201.89	162.93	106.61	150.81	158.68
TOTAL	515.90	768.59	591.77	994.10	1,290.99	212.54	204.27	147.95	192.64	237.54
LAND IMPROVEMENT AND PLANTATION DEVELOPMENT										
PRIVATE	11.16	10.648	11.05	12.47	18.36	11.18	10.65	11.05	12.47	18.35
PUBLIC	0.07	1.144	0.25	4.09	4.03	0.07	1.14	0.25	4.09	4.02
TOTAL	11.23	11.79	11.30	16.56	22.39	11.25	11.79	11.30	16.56	22.37
TRANSPORT EQUIPMENT:										
PRIVATE	215.47	247.335	346.86	736.92	566.58	54.10	48.21	63.06	135.43	100.63
PUBLIC	71.18	94.523	122.68	116.72	117.33	20.12	18.43	24.88	21.45	20.84
TOTAL	286.65	341.86	469.54	853.64	683.91	74.22	66.64	87.94	156.88	121.47
MACHINERY AND OTHER EQUIPMENT:										
PRIVATE	727.02	975,587	1,235.06	1,929.69	2,006.27	232.69	244.45	257.81	346.59	356.33
PUBLIC	184.45	219,238	885.29	386.19	446.64	40.05	56.51	179.59	69.36	79.33
TOTAL	911.47	1,194.83	2,120.35	2,315.88	2,452.91	272.74	300.96	437.40	415.95	435.66
BREEDING STOCK AND DAIRY CATTLE:										
PRIVATE	2.07	2.09	1.90	2.00	2.00	2.07	2.09	1.90	2.00	2.00
TOTAL:										
Non-Monetary Dwellings	108.95	135.651	133.253	140.91	149.36	35.033	28.56	26.65	27.63	28.72
Other	1,107.02	1.470.27	1,842.38	3,000.97	3,094.65	350.25	362.83	391.17	550.44	568.95
TOTAL PRIVATE	1,215.97	1.605.92	1,975.64	3,141.88	3,244.01	385.28	391.39	417.82	578.07	597.67
TOTAL PUBLIC***	972.87	1,219.37	1,805.19	1,832.95	1,959.17	332.79	311.94	382.27	345.31	35223
TOTAL PRIVATE AND PUBLIC	2,188.84	2,825.29	3,780.82	4,974.83	5,203.18	718.07	703.32	800.09	923.38	949.90

** Revised

** Provisional.

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

GROSS FIXED CAPITAL FORMATION BY INDUSTRY, 1992 -1996

Table 2.10 K£million

	Current Prices					CONSTANT (1982) PRICES				
	1992	1993	1994*	1995**	1996**	1992	1993	1994*	1995**	1996**
A. NON-MONETARY ECONOMY										
Non-Monetary Dwellings	108.95	135.65	133.25	140.91	149.36	35.03	28.56	26.65	27.63	28.18
B. MONETARY ECONOMY										
Enterprises and Non - Profit Institutions										
Agriculture	137.34	153.35	246.73	344.86	320.02	52.87	48.57	60.81	73.72	73.61
Forestry	5.42	4.85	12.23	1275	6.79	2.25	1.14	2.84	2.21	1.23
Fishing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mining and Quarrying	20.62	14.71	13.96	35.75	35.96	4.15	3.72	2.84	6.43	6.39
Manufacturing	307.32	414.94	598.82	961.64	1,174.48	96.36	103.61	121.62	171.83	210.05
Building and Construction	209.28	233.15	149.70	307.99	297.27	74.80	44.18	32.72	54.94	41.63
Electricity and Water	143.51	142.94	177.03	256.97	231.29	39.82	58.32	37.26	45.37	53.01
Trade. Restaurants and Hotels	94.36	186.09	122.63	184.22	168.23	27.79	45.41	24.39	32.86	29.48
Transport, Storage and Communications	451.46	797.12	1,291.70	1,212.64	1,207.60	141.96	196.49	272.04	215.11	215.76
Finance, Insurance, Real Estate and Business Services	40.34	91.88	148.20	202.86	219.78	20.50	20.92	30.91	34.89	37.64
Ownership of Dwellings	125.57	140.57	160.64	125.80	130.66	40.11	29.01	32.16	27.62	27.66
Other Services	77.05	128.49	152.22	190.90	168.37	24.55	32.57	30.80	34.09	29.81
TOTAL	1,612.27	2,308.09	3,073.86	3,836.38	3,960.45	525.16	583.94	648.39	699.07	726.27
Producers of Government Services										
Public Administration	183.09	163.11	230.33	344.40	468.55	60.98	38.88	51.86	64.64	82.54
Defence	0.02	0.01	0.00	0.00	0.00	0.05	0.00	0.00	0.00	0.00
Education	74.26	49.91	90.40	140.93	147.61	23.76	10.52	17.66	26.15	26.90
Health	37.19	54.68	66.02	119.82	126.44	12.01	13.39	13.88	25.53	26.48
Agricultural Services	45.27	35.94	78.45	115.65	153.24	14.63	8.39	16.27	23.36	25.43
Other Services	127.79	77.87	108.50	276.77	197.51	46.51	19.55	25.38	57.03	33.41
TOTAL	467.62	381.52	573.70	997.57	1,093.35	157.94	90.73	125.05	196.71	194.76
NON - MONETARY ECONOMY	108.95	135.65	133.25	140.91	149.36	35.10	28.56	26.65	27.63	28.18
MONETARY ECONOMY	2,079.89	2,689.61	3,647.56	4,833.95	5,053.80	683.10	674.67	773.44	895.78	921.03
TOTAL	2,188.84	2,825.26	3,780.81	4,974.86	5,203.16	718.20	703.23	800.09	923.41	949.21
C. PERCENTAGE RATES OF GROWTH										
Non-Monetary Economy	7.39	24.51	-1.77	5.75	6.00	-11.43	-18.63	-6.69	3.68	1.99
Monetary Economy	2.35	29.32	35.62	32.53	4.55	-9.97	-1.23	14.64	15.82	2.82
TOTAL	2.59	29.08	33.82	31.58	4.59	4.36	-2.08	13.77	15.41	2.79

*Revised

**Provisional

CHAPTER 3 - POVERTY PROFILES, 1994

Introduction

Section one of this chapter examines the incidence, depth and severity of poverty in Kenya, using the second round of the Welfare Monitoring Survey (WMS) series carried out in the months of June - September 1994. A detailed report containing poverty breakdown by various socio-economic groups and indicators will be released later. Baseline poverty profile was produced in 1994 using the 1981/82 Rural Household Budget Survey (RHBS) and the first round of Household Welfare Monitoring Survey (WMSI) carried out in November/December 1992. This is therefore the second poverty profile produced since the Government embarked on a comprehensive of evaluation of the poverty situation, following the observed adverse effects of structural adjustment process on some sections of the society. Section two presents some of the findings from the Second Poverty Assessment Study carried out in November/December 1996 in seven districts to elicit from the poor what it means to be poor and how they manage to cope with poverty in households and at community level. Knowledge about people's welfare becomes essential in such circumstances particularly if the impact of economic policies on the poor is to be properly assessed and if policies, strategies and intervention programmes are to be well formulated. Thus, anti-poverty efforts have a high priority among economic and social objectives. Some background information and discussion on some concepts used are given in subsequent paragraphs.

Sources of Poverty Data

3.2. *Household Surveys:* Household surveys are the single most important source of data for making poverty comparisons in that the data gives the distribution of living standards in a society, such as how many households did pot attain some minimum consumption level, and so on. However a lot of care should be exercised in setting up and interpreting such data. The coverage of goods and income sources should also be comprehensive. Consumption expenditure should cover all monetary expenditures on goods and services consumed plus the monetary value of all consumption from income in kind. Most household surveys include data on individuals within the household, but this rarely includes their individual consumption levels, which are typically aggregated to the household level.

Poverty Concepts

3.3. *Definition of Poverty:* Poverty can broadly be defined as an absence of well being or capacities. Poverty is multi-dimensional and manifests itself in various forms making its definition using one criterion inadequate. It is also recognised that there is no single indicator that can adequately measure all dimensions of poverty. Further it is noted that poverty and inequality are not synonymous. Whereas poverty is concerned with

absolute standard of living of a part of the society (the poor) inequality refers to relative living standards across the whole society. It is therefore difficult for one survey like the WMS series to capture the many dimensions of poverty. In the WMS analysis, poverty was defined in terms of total household consumption expenditure. A household is considered poor if it cannot attain some recommended food energy intake. The required level of nutrient intake is 2,250 calories per day per adult plus a minimum allowance for non-food consumption. The notion of what constitutes the poor goes beyond an attainment of a level of material well being to constitute a reasonable minimum by the standards of a given society. A household, which does not meet its calorific requirements, but has a relatively high income, is not considered poor.

3.4. *Equivalence Scales:* Households differ in consumption and size. Thus, a simple comparison of aggregate household consumption can be quite misleading about the well being of individual members in a given household. Some analysts therefore use some form of normalisation such as "consumption per adult equivalent". The key question is: "equivalent" in what sense? Earlier studies on poverty in Kenya used equivalence scales that covered age groups of 0-4 (weighted by a factor of 0.24), 5-14 (weighted by a factor of 0.65) and ages 15 and above (weighted by a factor of 1.0). These were developed by Anzagi and Bernard (1977) and were adopted in this analysis. The general practice in developing equivalence scales is to undertake a comprehensive and intensive household consumption survey to monitor and measure actual quantities consumed by each household member of various commodities produced or purchased by the household. This is in recognition of the fact that both gender and cultural influences determine to a large extent individual entitlements at household level.

Poverty Lines

3.5. *Absolute Poverty:* Because of the nature of information captured by WMS survey, a money-metric definition of poverty is adopted in this report i.e. food and non-food consumption expenditures. There are many types of poverty lines. In the analysis of WMS surveys poverty lines are expressed in terms of equivalent adult consumption expenditure calculated using two popular money-metric concepts of poverty namely; absolute and relative poverty. Three poverty lines are presented in this chapter i.e. food, overall (food and non-food) and hard-core. A *Poverty Line* is one, which is fixed over time in terms of the living standards indicator for the entire country; i.e. it does not take into consideration time or place. Proponents of absolute poverty concept argue that there are some basic elements of welfare which every human being has a right to and their attainment is not dependent on scarcity of local resources but is inspired by the Universalist valuation of human dignity.

3.6. *Relative Poverty:* Definition of poverty in relative terms relate to the type of poverty analysis that endeavours to take into account the actual deprivation with respect to the average levels of satisfaction of needs in that society. Relative income/expenditure measures such as income share of the poorest 40 per cent, or the

per cent of the population below a line defined in reference to the mean or median e.g. at 2/3 of the mean income/expenditure are effective measures of inequality given that poverty need not fall as either aggregate income/expenditure or the income/expenditure of the poor or both rises. By contrast, with an absolute poverty line, poverty must fall if the incomes/expenditure of all those who are poor increase. Given the arbitrariness of the relative poverty approach, one can easily over- or under-estimate the population above or below the poverty line. Secondly. The method cannot give an indicative comparison among regions. For this reason, relative poverty measures are less relevant to developing countries in terms of policy interventions targeting the poor. The application of absolute poverty concept is therefore preferred in developing countries where majority of the people live below the subsistence level, since in such situations one would be interested in knowing the size and distribution of those in absolute deprivation rather than relative deprivation. This is the generally expressed view by many governments and donors involved in poverty reduction programmes rather than advocating more egalitarian strategies.

Poverty Measurement Indices

3.7. *FGT index:* One poverty measure that has been found manageable in presenting information on the poor in an operationally convenient manner is the FGT measure, developed by Foster, Greer and Thorbecke (1984). According to this measure, the first simple measure of poverty is the *head count ratio* or the incidence of poverty. It is denoted by $P x = 0$ and is the ratio of the number of poor individuals to the total number of individuals in the population surveyed. The head count ratio however does not tell how far below the poverty line the poor are. The second poverty measure reported and which addresses the depth of poverty is the *poverty gap ratio* denoted by $Px = 1$. This gives the proportion of the average poor from the poverty line and can be used to estimate the amount of resources required to bring the expenditure of every poor person up to the poverty line, thereby eliminating absolute poverty. However, the measure is insensitive to redistribution among the poor. The third measure, *Px=2* gives the *severity of poverty* and produces the co-efficient of variation of expenditure distribution of the poor which reflects the degree of inequality among the poor. However, it's monetary values are difficult to interpret.

Regional Price Deflators

3.8. Different households may face different prices. Prices may also vary between urban and rural areas. In small countries (homogenous) price variability make little difference in estimation of poverty but in bigger countries (heterogeneous) rural-urban differences are a more significant problem. In the construction of poverty profiles, it is necessary to normalise income and/or expenditure data, by removing price differences due to the location of a place in order to bring all values to a common denominator. This is done by obtaining a consumer price index to measure the price of a basket of goods. This assumes an identical and ideal basket of goods, which is standard for all the regions.

However, different regions face different market basket of goods. For this reason, provincial price deflators are used to adjust household consumption expenditure levels for regional price differences. Table 3.1 shows the regional price deflators applied during the surveys to adjust household consumption expenditures. The regional cost-of-living index was calculated using Nairobi Lower Income Group as a base or reference point by matching the prices of selected basket of goods and services in a region to the base. The normalisation process ensures that all the regions have identical basket and consumption pattern.

Regional Food Price Deflators, 1981, 1992 and 1994

Table 3.1

	1981/82	1992	1994
Rural Deflators			
Coast	1.03	0.91	0.99
Eastern	0.97	0.83	0.95
Central	0.96	0.92	0.93
Rift Valley	0.96	0.81	0.93
Nyanza	0.91	0.78	0.91
Western	0.98	0.82	0.95
North Eastern	-		1.06
Urban Deflators			
Kisumu	0.97	0.88	0.93
Nakuru	1.04	0.87	0.96
Mombasa	1.07	0.92	0.99
Other Urban			0.91
Nairobi	1.00	1.00	1.00

Determination of the Poverty Line

3.9. Definition of poverty in absolute terms attempts to specify the levels of absolute deprivation on the basis of widely accepted norms which identify the minimum requirements in terms of food and non-food expenditure needed to satisfy the minimum basic needs. The minimum value of food basket is derived from the basic minimum nutrient requirements (calories) for a healthy growth and maintenance of human body. This necessitates assumption of a similar basket of food items for the whole region and/or country for ease of comparability. The FAO/WHO minimum recommended Daily energy Allowance (RDA) of 2,250 calories per adult equivalent is used to derive the food poverty line. In other words, the food poverty line presented of Kshs. 702.99, is the minimum monthly consumption expenditure required to meet the recommended daily energy intake (of 2,250 calories) from the chosen basket of food items. A household with monthly food expenditure of less than the above amount per equivalent adult is therefore deemed to be *food poor*. Table 3.2 and Table 3.3 show computation process of the basket of food an adult had to consume to meet the minimum calorific requirement in rural and urban areas, respectively. This gives a monthly food poverty line of Kshs 702.99 and 874.72 per adult equivalent for rural and urban areas respectively.

National Monthly Rural Poverty Line per Adult Equivalent, 1994

Table 3.2

ALL RURAL

Food Item	Monthly Consumption Kshs/adult equivalent	Prices Kshs./kg 1982	Monthly Consumption Kg/adult equivalent in 1982	Calories per 100g	Calories produced per month 1982	Calories produced as ratio of total intake 1982	Calories produced per month	Quantity needed to meet requirement Kg/month	Prices Kshs./kg 1994	Food expenditure at poverty line Kshs. 1994
Bread	2.35	4.38	0.54	240	1,287.67	1.65	1,113.71	0.46	29.35	13.62
Maize	24.46	1.83	13.37	340	45,444.81	58.23	39,305.20	11.56	16.95	195.95
Cereal	4.66	2.69	1.73	330	5,716.73	7.33	4,944.40	1.50	29.59	44.33
Meat	11.10	13.72	0.81	200	1,618.08	2.07	1,399.47	0.70	113.51	79.43
Fish	2.11	13.40	0.16	230	362.16	0.46	313.24	0.14	80.44	10.96
Milk	13.43	3.30	4.07	80	3,255.76	4.17	2,815.90	3.52	27.15	95.56
Eggs	1.05	7.88	0.13	140	186 55	0.24	161.35	0.12	93.93	10.83
Oils & fats	5.69	16.27	0.35	880	3,077.57	3.94	2,661.79	0.30	82.03	24.81
Fruits	3.74	3.11	1.20	90	1,082.32	1.39	936.09	1.04	13.57	14.11
Vegetables	6.99	2.24	3.12	40	1,248.21	1.60	1,079.58	2.70	14.63	39.49
Beans	9.31	4.99	1.87	310	5,783.77	7.41	5,002.38	1.61	34.12	55.06
Roots	5.95	2.49	2.39	140	3,345.38	4.29	2,893.42	2.07	12.88	26.62
Sugar	8.15	5.45	1.50	375	5,607.80	7.19	4,850.18	1.29	48.61	62.87
Tea/coffee	2.14	19.06	0.11	24	26.95	0.03	23.31	0.10	302.30	29.36
Total	101.13				78,043.74	100.00	67,500.00 (2250 x 30)			702.99

National Monthly Urban Food Poverty Line per Adult Equivalent, 1994

Table 3.3

ALL URBAN (using internal expenditure weights)

Food Item	Monthly Consumption Kshs./adult equivalent 1994	Monthly Consumption Kg /adult equivalent	Calories per 100g	Calories produced per month	Calories produced as ratio of total intake	Calories produced per month	Quantity needed to meet requirement Kg/month	Prices Kshs./kg 1994	Food expenditure at poverty line Kshs 1994
Bread	154.60	5.31	240	12,746.14	9.45	6,380.09	2.66	29.11	77.39
Maize	252.21	14.22	340	48,337.88	35.85	24,195.57	7.12	17.74	126.24
Cereal	96.92	3.40	330	11,218.38	8.32	5,615.37	1.70	28.51	48.51
Meat	247.12	2.19	224	4,903.44	3.64	2,454.42	1.10	112.89	123.70
Fish	35.30	0.52	230	1,192.57	0.88	596.94	0.26	68.08	17.67
Milk	167.87	6.22	80	4,973.93	3.69	2,489.70	3.11	27.00	84.03
Eggs	42.23	0.45	140	633.81	0.47	317.26	0.23	93.28	21.14
Oils & fats	137.42	1.61	880	14,125.64	10.47	7,070.60	0.80	85.61	68.79
Fruits	50.71	3.56	90	3,204.99	2.38	1,604.26	1.78	14.24	25.38
Vegetables	205.57	15.17	40	6,068.49	4.50	3,037.59	7.59	13.55	102.90
Beans	74.15	2.04	310	6,332.37	4.70	3,169.67	1.02	36.30	37.12
Roots	72.48	6.40	140	8,956.05	6.64	4,482.96	3.20	11.33	36.28
Sugar	146.23	3.22	375	12,083.79	8.96	6,048.55	1.61	45.38	73.20
Tea/coffee	64.71	0.31	24	73.96	0.05	37.02	0.15	209.99	32.39
Total				134,851.41	100.00	67,500.00 (2250 x 30)			874.72

3.10. The *overall poverty* which encompasses the food and non-food basic requirements is derived by adding to the food poverty line the mean of the non-food expenditure items such as education and health, transport, clothing and footwear so on, incurred by households falling in the band of minus 20 per cent and plus 10 per cent of the food poverty line. This band is chosen since the interest is to establish the minimum expenditure of goods and services by individuals and/or households falling around the poverty line. The mean consumption for non-food in the selected band was Kshs. 275.28 per month per adult equivalent giving an overall rural absolute poverty line of Kshs. 978.27 per month per adult equivalent. On the other hand, the *hard-core poor* are defined as *those who would not meet their minimum calorie requirements even if they concentrated all their spending on food.* In this case, these are individuals and/or households whose total monthly expenditures are less than Kshs. 702.99 per adult equivalent. The purpose of the foregoing analysis is to develop rational approaches for focusing policy attention to vulnerable regions and other deprived socio-economic groups.

Survey Findings

3.11. *Poverty Profiles:* The first attempt to estimate rural poverty in Kenya was done in 1974 using the Integrated Rural Survey I (IRS I). Table 3.4 shows various studies carried out to measure poverty levels in different periods. Subsequent studies have showed varying degrees of poverty lines. This is attributed to differences in the concepts and methodological approaches used to determine poverty levels, for instance, some studies have used subsistence farmer as the basis for establishing poverty line while others are based on income earnings falling below a certain threshold.

Overview of Poverty Results

3.12. Monthly food and absolute poverty lines per adult equivalent in rural and urban are estimated at Kshs. 702.99 and 978.27; and 874.72 and 1,489.63, respectively in 1994. Using these poverty lines, 47.19 per cent equivalent adults were food poor in rural Kenya compared to about 72 per cent in 1992. Overall, 46.75 per cent were classified as absolute poor in rural areas, which was almost the same as in 1992. In urban areas, 29.23 per cent were food poor while 28.95 per cent were absolute poor with Kisumu showing the highest prevalence of food and absolute poverty (44.09 per cent and 47.75 per cent) followed by Nakuru (37.18 per cent and 30.01 per cent). Other urban comprises the rest of smaller urban centres. These showed the least prevalence (27.07 per cent and 28.73 per cent) followed by Nairobi with a prevalence of 27.26 per cent and 25.90 per cent, in food and absolute poverty respectively.

3.13. A look at provincial data shows that Central province has maintained the lowest incidence of poverty since 1982, this time with a prevalence of food poverty of 32.95

per cent and absolute prevalence of 31.93 per cent as shown in Table 3.5 and Table 3.6 below. Generally, all the districts within Central Province had the lowest food poverty prevalence figures with Nyeri district having the lowest prevalence both in food and absolute poverty. The results from some of the districts such as Elgeyo Marakwet, Kajiado, Narok, Kisii, Migori, Uasin Gishu in terms of absolute poverty suggest the need to undertake further detailed poverty assessments to confirm or establish actual poverty situation in these districts. Eastern province on the other hand, had the highest prevalence of food poverty of 59.50 per cent while North Eastern showed the highest prevalence of absolute poverty of 58.00 per cent.

Past Studies on Poverty In Kenya

Table 3.4

AUTHOR	EFERENC YEAR	SOURCE	POVERTY LINE	POVERTY INCIDENCE
FAO(1977)		Food Balance sheet (1972-74)	2,137 calories	30 per cent of population
Crawford & Thorbecke	1974/75	IRS I (1974/75)	Kshs 2,200 for small holder HH	38.5 per cent of HH
	1976	1976 Employment Earnings in Modern Sector, IRS II		44 per cent of population
Collier & Lai (1980)	1974/75	IRS 1 Small holders	Kshs. 2,200 per HH for population	34.2 per cent of small holder population - 29 per cent of total population
Vendermoortele	1976	IRS 11974/75 Nairobi HH budget survey (1974) Social Accounting Matrix	Kshs. 2,269 small holder HH Kshs 3,836 urban HH	33.1 per cent of small holder HH 15.3 per cent Urban HH
Crawford & Thorbecke (1980)	1974/75	IRS (1977)	Kshs 310 per adult eq Kshs 1,570 per HH	25 per cent of HH
Greer and Thorbeeke (1980)	1974/75	IRS I (1977)	Kshs 353 per adult equivalent adjusted for taste and preference	38.6 per cent of smallholder HH
Jamal (1981)	1976		Kshs 238 /mo./rural family Kshs. 208 urban	32 per cent of population
Bigsten (1987)	1976	National Accounts	Kshs 1,000 per worker	40 per cent
World Bank (1991)	1981/82	1981/82 Rural survey and complementary statistics	Kshs 3,167 for smallholders	22 per cent rural population
Mukui (1994)	1992	WMS I	Kshs. 484.98 adult eq. Kshs 1,009.70 adult eq.	46 per cent of rural population 30 per cent (Nairobi & Mombasa)

HH = household eq = equivalent

Source: Government of Kenya and World Bank

Rural Food Poverty Ranking by Province

Table 3.5

Province	1982		1992		1994	
	Headcount %	Rank	Headcount %	Rank	Headcount %	Rank
Coast	76.25	5	63.00	2	50.95	4
Eastern	64.58	2	62.31	1	59.50	7
Central	37.89	1	67.83	3	32.95	1
Rift Valley	69.63	3	81.02	6	45.75	3
Nyanza	77.08	6	70.72	4	41.31	2
Western	73.25	4	78.41	5	52.25	5
North Eastern	-	.	-	-	56.55	6
Total Rural	65.53		71.78		47.19	

" . " North Eastern was not covered during the previous surveys

Rural Absolute Poverty Ranking by Province

Table 3.6

Province	1982		1992		1994	
	Headcount %	Rank	Headcount %	Rank	Headcount %	Rank
Coast	54.55	5	43.50	3	55.63	5
Eastern	47.73	2	42.16	2	57.75	6
Central	25.69	1	35.89	1	31.93	1
Rift Valley	51.05	3	51.51	5	42.87	3
Nyanza	57.88	6	47.41	4	42.21	2
Western	53.79	4	54.81	6	53.83	4
North Eastern	-	-	-	-	58.00	7
Total Rural	47.89		46.33		46.75	

" -" North Eastern was not covered during the previous surveys

3.14. There are several reasons, which help explain the observed differences in food and absolute poverty between the two periods of 1992 and 1994. The first important reason is that WMS series are by their nature one round surveys. Such types of surveys capture information for a particular point in time and as such are not representative of the situations prevailing through out the years. Poverty statistics derived from such surveys may therefore show poverty situation, which is just temporary or transitory as opposed to chronic poverty situation. The second reason, which is related, is the element of seasonality affecting the survey results. WMSI of 1992 was conducted during the months of November/December while WMSII of 1994 was carried out in the months of July/September. These two different periods may have had different impacts on poverty results for the same households depending on the scarcity or availability of food. The third reason is that household expenditures in 1994 are generally higher compared to those of 1992. This could be due to the fact that the questionnaires used in the two surveys were different. The questionnaire used in 1994 captured more expenditure items than that of 1992. In other words, the expenditure

items were broken down to finer details, which made it easier for the respondent to recall his/her consumption and purchased items. Economic conditions prevailing during the two survey periods may also explain expenditure differences observed. The difficult economic conditions in 1992 notably the poor weather conditions, investment uncertainty due to the transition to multi-party democracy, refugee influx, donor embargo and ethnic strife in potential agricultural areas contributed to the poor household situation unlike in 1994 when the situation had improved.

3.15. Among the rural areas the hardest hit by food poverty was Eastern province with 59.50 per cent followed by North Eastern province with 56.55 per cent. The least affected by food poverty was Central Province with 32.95 per cent followed by Nyanza province with 41.31 per cent. The depth/gap of poverty was highest in Eastern Province (25.85 per cent), followed by North Eastern (23.91 per cent) and Coast (21.95 per cent). The lowest depth of poverty was in Central Province (10.74 per cent) followed by Nyanza province with 15.18 per cent. In terms of contribution to national rural food poverty, Rift Valley and Eastern provinces accounted for nearly half of the total with 24.03 per cent and 24.02 per cent, respectively. An important feature to note here is that Eastern Province contributed more to national poverty than its share of the population (19.06 per cent).

3.16. The districts with the highest food poverty were Marsabit (85.83 per cent), Turkana (80.85 per cent), Isiolo (81.33 per cent), Samburu (79.36 per cent). Tana River (70.55 per cent), Makueni (69.86 per cent), Machakos (65.86), Kilifi (65.35 per cent) and Kitui (64.47 per cent), as shown in Table 3.7. All the Eastern and North Eastern districts were above 40 per cent food poor except Meru which had 39.28 per cent food poor. The same applied to all Western districts with only Kakamega (48.98 per cent) being below 50 per cent mark. Table 3.8 shows absolute poverty levels.

3.17. For all rural areas absolute poverty was 46.75 per cent. The prevalence of absolute poverty was highest in North Eastern (58.00 per cent) followed by Eastern (57.75 per cent) and Coast with 55.63 per cent. The provinces with the lowest prevalence of absolute poverty were Central province (31.93 per cent) followed by Nyanza with 42.21 per cent, maintaining their ranks in both prevalence and depth as was in food poverty. In respect to their contribution to absolute poverty. Eastern Province had the highest contribution (23.54 per cent) followed by Rift Valley contributing to 22.73 per cent.

3.18. The districts with more than 60 per cent of their population below overall absolute poverty were Marsabit (88.18 per cent), followed by Samburu (84.13 per cent), Isiolo (82.18 per cent), Makueni (76.06 per cent), Turkana (73.76 per cent), Tana River (71.76 per cent), Machakos (68.72 per cent), Mandera (68.03 per cent), Kilifi (66.88 per cent) and Embu with 62.86 per cent.

Food Poverty Measures by Region of Residence, 1994 (Monthly Food Poverty Line Kshs. 702.99 per adult equivalent)

Table 3.7

District Names	Pα=0 ADULTQ	Pα=0 HHOLDS	Pα=0 HHSIZE	Poverty Gap Pα=1 ADULTQ	Severity of poverty Pα=2 ADULTQ	%of population per adultq	Contribution To National Poverty (Per cent) Pα=0 ADULTQ	Pα=1 ADULTQ	Pα=2 ADULTQ
Central Rural	**32.95**	**26.29**	**32.05**	**10.74**	**4.93**	**14.12**	**9.86**	**8.03**	**6.63**
Kiambu	37.82	30.22	37.02	12.11	5.06	4.23	3.39	2.71	2.04
Kirinyaga	34.70	28.55	33.95	12.31	6.33	1.72	1.26	1.12	1.04
Muranga	36.62	27.75	35.53	13.25	6.48	3.99	3.10	2.80	2.47
Nyandarua	30.74	26.91	29.99	8.65	3.91	1.40	0.91	0.64	0.52
Nyeri	20.30	16.14	19.37	5.17	2.14	2.78	1.20	0.76	0.57
Coast Rural	**50.95**	**39.23**	**51.01**	**21.95**	**12.60**	**6.93**	**7.49**	**8.06**	**8.33**
Kilifi	65.35	52.20	64.98	27.50	15.48	2.91	4.03	4.23	4.29
Kwale	31.77	23.41	32.41	11.19	5.17	2.06	1.39	1.22	1.02
Lamu	24.20	19.39	24.00	7.84	3.41	0.25	0.13	0.11	0.08
Taita-Taveta	42.61	33.02	42.21	19.23	11.60	1.04	0.94	1.06	1.15
Tana River	70.55	63.51	69.91	40.60	27.99	0.67	1.00	1.44	1.78
Eastern Rural	**59.50**	**51.28**	**58.75**	**25.85**	**15.00**	**19.06**	**24.02**	**26.08**	**27.25**
Embu	60.91	53.89	59.94	25.74	15.09	1.60	2.06	2.18	2.30
Isiolo	81.33	72.55	81.00	43.12	27.23	0.31	0.53	0.71	0.80
Kitui	64.85	54.49	64.80	29.74	17.71	3.47	4.77	5.47	5.86
Machakos	65.86	60.29	67.14	29.03	16.85	3.96	5.53	6.09	6.36
Marsabit	85.83	78.53	85.56	54.10	38.87	0.62	1.13	1.78	2.30
Meru	39.28	33.17	37.96	14.97	8.02	4.12	3.43	3.27	3.15
Makueni	69.86	60.22	69.47	29.02	15.52	3.36	4.97	5.16	4.97
Tharaka Nithi	46.69	34.96	45.70	16.78	972	1.61	1.59	1.43	1.49
North Eastern Rural	**56.55**	**47.39**	**55.65**	**23.91**	**13.64**	**2.40**	**2.88**	**3.04**	**3.13**
Garissa	52.63	46.08	52.59	24.65	15.36	0.74	0.82	0.96	1.08
Mandera	60.00	49.78	58.01	25.12	14.03	0.80	1.02	1.06	1.07
Wajir	56.68	46.52	56.00	22.16	11.82	0.87	1.04	1.02	0.98

Source: Welfare Monitoring Survey, 1994

cont.

Hard Core Poverty Measures by Region of Residence, 1994 (Monthly Absolute Poverty Line Kshs. 702.99 per adult equivalent)

Table 3.7

District Names	Pα=0 ADULTQ	Pα=0 HHOLDS	Pα=0 HHSIZE	Poverty Gap Pα=1 ADULTQ	Severity of poverty Pα=2 ADULTQ	% 0f population per adultq	Contribution To National Poverty (Per cent)		
							Pα=0 ADULTQ	Pα=1 ADULTQ	Pα=2 ADULTQ
Nyanza Rural	**41.31**	**34.34**	**41.03**	**15.18**	**8.22**	**19.31**	**16.90**	**15.51**	**15.13**
Kisii	39.98	34.23	40.19	11.94	5.14	4.39	3.72	2.78	2.15
Kisumu	42.28	36.40	42.24	16.53	9.53	2.96	2.66	2.59	2.69
Siaya	41.11	35.40	40.83	17.97	10.49	3.39	2.95	3.22	3.39
Homa Bay	40.90	33.22	41.08	14.38	7.53	3.36	2.91	2.56	2.41
Migori	31.81	24.41	30.71	9.27	4.59	2.88	1.94	1.41	1.26
Nyamira	55.22	44.53	54.04	23.99	14.57	2.32	2.72	2.95	3.22
Rift Valley Rural	**45.75**	**37.48**	**45.37**	**18.17**	**9.98**	**24.79**	**24.03**	**23.84**	**23.58**
Kajiado	30.22	22.74	29.50	14.40	8.88	1.22	0.78	0.93	1.03
Kericho	58.52	45.51	57.92	22.10	10.96	2.98	3.70	3.49	3.11
Laikipia	46.78	36.84	45.35	17.88	9.28	1.01	1.00	0.96	0.90
Nakuru	32.69	26.91	32.50	11.50	5.90	3.97	2.75	2.42	2.23
Nandi	45.32	38.91	45.74	16.53	8.93	2.34	2.25	2.05	1.99
Narok	35.84	31.74	35.88	11.11	5.33	2.10	1.59	1.23	1.07
Bomet	52.49	46.38	51.97	17.97	8.40	2.09	2.32	1.99	1.67
Baringo	49.99	40.04	48.66	20.70	11.81	1.56	1.65	1.70	1.75
Elgeyo Marakwet	34.28	28.51	34.27	12.53	6.80	1.17	0.85	0.77	0.76
Samburu	79.36	70.93	79.15	44.42	29.76	0.61	1.02	1.43	1.72
Trans Nzoia	55.25	46.18	54.35	20.93	10.62	2.00	2.34	2.21	2.02
Turkana	80.85	74.61	79.95	49.54	35.58	0.71	1.21	1.85	2.40
Uasin Gishu	38.10	30.29	37.04	16.40	8.87	1.95	1.58	1.69	1.65
West Pokot	42.97	36.63	43.92	19.23	12.18	1.10	1.00	1.12	1.27
Western Rural	**52.25**	**46.02**	**52.37**	**21.77**	**12.51**	**13.38**	**14.82**	**15.42**	**15.96**
Bungoma	55.05	48.96	54.50	26.43	16.58	3.63	4.24	5.09	5.74
Busia	53.18	46.49	53.27	23.52	14.08	2.07	2.33	2.58	2.78
Kakamega	48.98	42.66	49.56	17.68	8.89	4.75	4.93	4.45	4.03
Vihiga	53.42	45.20	53.62	21.39	12.22	2.93	3.32	3.32	3.41
TOTAL RURAL	**47.19**	**39.01**	**46.68**	**18.89**	**10.49**	**100.00**	**100.00**	**100.00**	**100.00**

Source: Welfare Monitoring Survey. 1994

Absolute Poverty Measures by Region of Residence, 1994 (Monthly Absolute Poverty Line Kshs. 978.2696 per adult equivalent)

Table 3.8

District Names	Pα=0 ADULTQ	Pα=0 HHOLDS	Pα=0 HHSIZE	Poverty Gap Pα=1 ADULTQ	Severity of poverty Pα=2 ADULTQ	% of population per adultq	Contribution To National Poverty (Per cent) Pα=0 ADULTQ	Pα=1 ADULTQ	Pα=2 ADULTQ
Central Rural	**31.93**	**26.92**	**31.37**	**9.78**	**4.38**	**14.12**	**9.65**	**7.67**	**6.51**
Kiambu	29.32	26.77	29.08	8.89	3.78	4.23	2.65	2.09	1.68
Kirinyaga	35.41	27.99	34.69	11.78	5.94	1.72	1.30	1.12	1.08
Muranga	37.11	30.15	36.63	12.56	6.04	3.99	3.17	2.78	2.54
Nyandarua	33.34	29.41	32.63	9.99	4.41	1.40	1.00	0.78	0.65
Nyeri	25.62	21.04	24.57	5.80	1.90	2.78	1.52	0.90	0.56
Coast Rural	**55.63**	**44.91**	**55.84**	**23.79**	**+3.10**	**6.93**	**8.25**	**9.16**	**9.57**
Kilifi	66.88	55.87	66.77	28.22	15.02	2.91	4.16	4.56	4.60
Kwale	40.23	31.84	41.19	15.49	7.71	2.06	1.77	1.77	1.67
Lamu	29.53	24.79	29.30	10.99	5.00	0.25	0.16	0.16	0.13
Taita-Taveta	50.65	40.31	50.12	22.33	12.82	1.04	1.13	1.29	1.41
Tana River	71.76	64.40	71.26	37.20	24.86	0.67	1 03	1 38	1.75
Eastern Rural	**57.75**	**49.73**	**57.03**	**24.29**	**13.49**	**19.06**	**23.54**	**25.70**	**27.08**
Embu	62.86	54.57	61.78	23.60	12.70	1.60	2.15	2.10	2.14
Isiolo	82.18	73.81	82.27	46.19	29.06	0.31	0.54	0.80	0.95
Kitui	55.09	44.25	54.93	23.73	12.86	3.47	4.09	4.58	4.70
Machakos	68.72	64.32	69.80	28.85	16.03	3.96	5.82	6.34	6.69
Marsabit	88.18	82.66	88.08	56.20	39.96	0.62	1.17	1.94	2.61
Meru	30.64	25.32	30.13	11.60	6.11	4.12	2.70	2.66	2.65
Makueni	76.06	67.55	75.89	31.54	16.88	3.36	5.47	5.88	5.98
Tharaka Nrthi	46.15	35.43	45.04	15.74	7.98	1.61	1.59	1.41	1.35
North Eastern Rural	**58.00**	**48.98**	**57.36**	**23.77**	**13.10**	**2.40**	**2.98**	**3.17**	**3.32**
Garissa	48.21	41.84	48.30	21.88	12.85	0.74	0.76	0.89	0.99
Mandera	68.03	58.28	66.42	28.92	16.40	0.80	1.16	1.28	1.38
Wajir	57.04	47.12	56.50	20.63	10.28	0.87	1.06	1.00	0.94

cont.

Absolute Poverty Measures by Region of Residence, 1994 (Monthly Absolute Poverty Line Kshs. 978.2696 per adult equivalent)

Table 3.8

District Names	Pα=0 ADULTQ	Pα=0 HHOLDS	Pα=0 HHSIZE	Poverty Gap Pα=1 ADULTQ	Severity of poverty Pα=2 ADULTQ	%of population per adultq	Contribution To National Poverty (Per cent)		
							Pα=0 ADULTQ	Pα=1 ADULTQ	Pα=2 ADULTQ
Nyanza Rural	**42.21**	**36.04**	**42.13**	**14.39**	**7.06**	**19.31**	**17.43**	**16.42**	**14.36**
Kisii	31.58	26.85	32.04	8.32	3.10	4.39	2.97	2.03	1.44
Kisumu	46.91	41.81	46.80	18.12	9.94	2.96	2.97	2.98	3.10
Siaya	46.90	41.39	47.24	17.30	9.14	3.39	3.40	3.26	3.26
Homa Bay	47.74	37.20	47.83	15.65	7.25	3.36	3.43	2.92	2.57
Migori	34.06	28.19	33.15	10.88	5.18	2.88	2.10	1.74	1.57
Nyamira	51.57	43.06	51.04	19.36	9.91	2.32	2.56	2.50	2.42
Rift Valley Rural	**42.87**	**35.46**	**42.55**	**16.36**	**8.46**	**24.79**	**22.73**	**22.60**	**22.10**
Kajiado	22.49	17.85	22.37	8.31	4.21	1.22	0.58	0.56	0.54
Kericho	59.56	47.30	59.45	22.30	10.77	2.98	3.80	3.69	3.38
Laikipia	45.55	37.22	44.67	18.44	10.12	1.01	0.99	1.04	1.08
Nakuru	36.61	29.44	36.49	13.82	6.73	3.97	3.11	3.05	2.82
Nandi	41.73	36.89	41.49	14.67	7.39	2.34	2.09	1.91	1.82
Narok	27.33	23.78	27.09	8.33	3.76	2.10	1.23	0.97	0.83
Bomet	46.53	41.48	46.94	16.90	7.89	2.09	2.08	1.96	1.73
Baringo	40.77	31.52	39.76	12.79	5.58	1.56	1.36	1.10	0.91
Elgeyo Marakwet	27.23	23.75	27.02	7.47	3.36	1.17	0.68	0.48	0.41
Samburu	84.13	77.00	83.57	46.85	30.74	0.61	1.09	1.58	1.97
Trans Nzoia	48.57	39.47	46.96	17.18	8.24	2.00	2.08	1.91	1.73
Turkana	73.76	68.92	72.76	42.41	29.17	0.71	1.12	1.66	2.17
Uasin Gishu	33.54	26.62	33.13	12.62	6.61	1.95	1.40	1.37	1.36
West Pokot	48.52	42.75	49.76	20.08	11.58	1.10	1.14	1.22	1.34
Western Rural	53.83	49.22	53.92	22.05	12.11	13.38	15.41	16.38	17.06
Bungoma	56.00	51.78	55.78	27.04	16.74	3.63	4.35	5.46	6.41
Busia	56.90	53.64	56.79	25.01	14.38	2.07	2.52	2.87	3.13
Kakamega	51.34	45.08	51.76	18.22	8.78	4.75	5.22	4.81	4.39
Vihiga	53.00	50.16	53.02	19.97	10.15	2.93	3.32	3.25	3.13
TOTAL RURAL	**46.75**	**39.46**	**46.33**	**18.01**	**9.49**	**100.00**	**100.00**	**100.00**	**100.00**

Source: Welfare Monitoring Survey, 1994

3.19. Table 3.9 shows poverty in urban areas. Food poverty was highest in Kisumu (44.09 per cent) followed by Nakuru (37.18 per cent) and was lowest in other small urban centres (27.07 per cent) followed by Nairobi with 27.26 per cent. Kisumu urban had the highest depth of poverty (17.29 per cent) followed by Nairobi with 9.38 per cent. Nairobi contributed the most (41.78 per cent) to urban food poverty followed by other small urban centres with 32.55 per cent. Kisumu (47.75 per cent) maintained its ranks in both absolute poverty as well as the gap/depth of poverty. In terms of hard-core poverty, Kisumu had the highest extremely poor population with 19.59 per cent, followed by other urban centres (11.02 per cent). Nairobi had 9.32 per cent of its population extremely poor.

3.20. In terms of absolute hard-core poverty in rural areas (i.e. those whose total expenditure - both food and non-food - was not enough to acquire the minimum food calorie requirement), the highest prevalence was found in Eastern province (39.25 per cent) followed by North Eastern (37.94 per cent), Coast (36.53 per cent) and Western province with 35.78 per cent as shown in Table 3.10. Once again, Central province had the lowest incidence of hard-core poverty (16.17 per cent) followed by Nyanza province (22.86 per cent). As usual Eastern province (25.62 per cent) contributed a disproportionate share to total hard-core poverty amongst the rural areas and was followed by Rift Valley with 24.79 per cent. The following districts had highest hard-core (very high levels of extremely poor population) poverty percentages: Marsabit (81.62 per cent) followed by Isiolo (77.63 per cent), Samburu (72.01 per cent), Turkana (62.26 per cent), Makueni (52.32 per cent), and Tana River (51.24 per cent).

3.21. Table 3.11 shows relative poverty for urban areas. The percentages of poor vary because of conceptual definition of relative poverty. Relative poverty is highly subjective and is not a good indicator for showing levels of poverty.

3.22. Table 3.12 shows the estimated number of poor persons and households by measures of poverty incidence by district. The 1997 estimates are derived from the 1989 projected populations. At national level the population of food poor and absolute poor does not show any significant differences. Table 3.13 shows that the number of absolute poor persons in rural areas rose from 10.3 million in 1994 to 11.3 million in 1997 while the number of absolute poor households rose from 1.6 million in 1994 to 1.7 million. The population of absolute poor persons in urban areas also rose from 1.2 million to 1:3 million in 1997. Overall, the number of absolute poor persons in rural areas and urban areas rose from 11.5 million to 12.6 million in 1997. Rural areas accounted for about 90 per cent of the absolute poor persons. The data presented in Tables 3.12 to 3.15 suggests that the incidence of poverty in urban areas is much less compared to rural areas. Similar poverty studies conducted in other African countries point to possibilities of under-reporting of food expenditures in urban areas.

Decomposition of Urban Poverty Measures, 1994

Table 3.9

Urban centres	Pα=0 ADULTQ	Pα=0 HHOLDS	Pα=0 HHSIZE	Poverty Gap Pα=1 ADULTQ	Seventy of poverty Pα=2 ADULTQ	%of population per adultq	Contribution To National Poverty (Per cent) Pα=0 ADULTQ	Pα=1 ADULTQ	Pα=2 ADULTQ
Food Poverty Line (Monthly Kshs. 874.72 per adult equivalent)									
Overall Urban	**29.23**	**29.25**	**21.85**	**9.56**	**4.75**	**100.00**	**100.00**	**100.00**	**100.00**
Nairobi	27.26	27.77	21.59	9.38	4.79	44.78	41.78	43.93	45.15
Mombasa	33.12	31.75	21.52	8.86	4.34	13.03	14.77	12.07	11.89
Kisumu	44.09	43.95	33.29	17.29	8.56	4.46	6.72	8.06	8.03
Nakuru	37.18	37.60	26.70	7.69	2.21	5.18	6.59	4.17	2.41
Other Urban	27.07	26.89	20.16	9.34	4.75	32.55	30.14	31.78	32.52
Absolute Poverty Line (Monthly Kshs. 1,489.63 per adult equivalent)									
Overall Urban	**28.95**	**29.32**	**22.29**	**9.69**	**4.63**	**100.00**	**100.00**	**100.00**	**100.00**
Nairobi	25.90	26.59	20.77	8.80	4.14	44.78	40.06	40.70	40.01
Mombasa	33.14	31.91	23.59	9.46	4.21	13.03	14.91	12.72	11.84
Kisumu	47.75	48.15	38.52	16.38	7.83	4.46	7.35	7.54	7.53
Nakuru	30.01	31.34	20.74	8.86	3.31	5.18	5.37	4.74	3.70
Other Urban	28.73	28.95	22.38	10.21	5.25	32.55	32.30	34.29	36.92
Hard Core Poverty Line (Monthly Kshs. 874.72 per adult equivalent)									
Overall Urban	**10.07**	**10.43**	**6.88**	**2.96**	**1.32**	**100.00**	**100.00**	**100.00**	**100.00**
Nairobi	9.32	9.68	6.19	2.66	1.03	44.78	41.47	40.17	34.91
Mombasa	7.56	7.98	5.53	2.47	1.18	13.03	9.79	10.86	11.67
Kisumu	19.59	19.72	14.55	4.68	2.01	4.46	8.68	7.04	6.79
Nakuru	8.62	9.35	5.97	0.88	0.12	5.18	4.44	1.54	0.46
Other Urban	11.02	11.23	7.62	3.68	1.87	32.55	35.63	40.38	46.16

Source: Welfare Monitoring Survey. 1994

Hard Core Poverty Measures by Region of Residence, 1994 (Monthly Absolute Poverty Line Kshs. 702.99 per adult equivalent)

Table 3.10

District	Pα=0 ADULTQ	Pα=0 HHOLDS	Pα=0 HHSIZE	Poverty Gap Pα=1 ADULTQ	Severity of poverty Pα=2 ADULTQ	%of population per adultq	Contribution To National Poverty (Per cent) Pα=0 ADULTQ	Pα=1 ADULTQ	Pα=2 ADULTQ
Central Rural	16.17	12.90	15.95	4.36	1.85	14.12	7.83	6.05	5.18
Kiambu	14.76	13.06	14.88	3.74	1.38	4.23	2.14	1.55	1.15
Kinnyaga	19.05	14.72	18.71	6.37	2.98	1.72	1.12	1.08	1.02
Muranga	21.25	15.74	20.69	6.14	2.88	3.99	2.91	2.41	2.28
Nyandarua	17.68	15.70	17.82	4.35	1.74	1.40	0.85	0.60	0.48
Nyeri	8.51	6.39	8.08	1.51	0.45	2.78	0.81	0.41	0.25
Coast Rural	36.53	27.61	36.71	14.21	7.27	6.93	8.68	9.69	10.00
Kilifi	43.02	33.61	42.76	16.27	7.78	2.91	4.29	4.65	4.49
Kwale	26.17	17.51	26.50	8.45	3.55	2.06	1.85	1.71	1.45
Lamu	20.52	16.69	20.44	5.21	1.85	0.25	0.18	0.13	0.09
Taita-Taveta	33.33	25.72	33.37	13.79	7.75	1.04	1.19	1.41	1.60
Tana River	51.24	46.16	52.43	27.12	17.82	0.67	1.17	1.78	2.36
Eastern Rural	39.25	33.73	38.66	14.86	7.55	19.06	25.62	27.83	28.52
Embu	36.20	31.35	35.53	13.70	7.09	1.60	1.98	2.15	2.25
Isiolo	72.63	63.55	72.16	33.10	18.32	0.31	0.77	1.01	1.13
Kitui	40.13	31.81	40.20	14.17	6.80	3.47	4.77	4.84	4.68
Machakos	46.65	45.11	47.23	17.63	9.06	3.96	6.33	6.86	7.12
Marsabit	81.62	73.65	80.92	44.92	29.33	0.62	1.74	2.74	3.61
Meru	19.03	16.15	18.72	6.55	3.23	4.12	2.69	2.66	2.64
Makueni	52.32	44.08	52.01	18.66	8.75	3.36	6.02	6.17	5.83
Tharaka Nithi	23.87	18.57	23.86	8.86	3.97	1.61	1.32	1.40	1.27
North Eastern Rural	37.94	30.14	37.08	14.12	7.40	2.40	3.13	3.34	3.53
Garissa	37.14	30.60	37.37	14.07	7.76	0.74	0.94	1.02	1.13
Mandera	44.09	36.78	42.29	17.83	9.59	0.80	1.21	1.40	1.52
Wajir	32.96	24.55	32.15	10.76	5.09	0.87	0.98	0.92	0.88

cont.

Hard Core Poverty Measures by Region of Residence, 1994 (Monthly Absolute Poverty Line Kshs. 702.99 per adult equivalent)

Table 3.10(cont.)

District	Pα=0 ADULTQ	Pα=0 HHOLDS	Pα=0 HHSIZE	Poverty Gap Pα=1 ADULTQ	Seventy of poverty Pα=2 ADULTQ	% of population per adultq	Contribution To National Poverty (Per cent) Pα=0 ADULTQ	Pα=1 ADULTQ	Pα=2 ADULTQ
Nyanza Rural	22.16	19.72	22.64	7.36	3.47	19.31	15.12	13.98	13.28
Kisii	12.51	10.74	12.47	2.80	0.92	4.39	1.88	1.21	0.80
Kisumu	28.85	24.70	29.03	10.41	5.74	2.96	2.93	3.03	3.38
Siaya	27.08	23.55	27.01	9.89	4.91	3.39	3.14	3.30	3.30
Homa Bay	24.97	20.93	24.57	7.53	3.22	3.36	2.87	2.49	2.14
Migon	16.14	13.10	15.60	5.22	2.49	2.88	1.59	1.48	1.43
Nyamira	33.88	28.54	33.50	10.83	4.88	2.32	2.70	2.47	2.25
Rift Valley Rural	27.34	21.94	27.10	8.97	4.37	24.79	23.22	21.86	21.46
Kajiado	14.58	10.64	14.41	4.67	2.00	1.22	0.61	0.56	0.48
Kericho	42.67	33.42	42.40	11.42	4.68	2.98	4.36	3.35	2.77
Laikipia	30.30	22.77	29.45	10.83	5.71	1.01	1.05	1.08	1.15
Nakuru	23.21	17.88	22.88	7.03	3.11	3.97	3.16	2.74	2.45
Nandi	23.31	20.54	23.46	7.60	3.79	2.34	1.87	1.75	1.76
Narok	9.49	9.38	9.65	3.74	1.75	2.10	0.68	0.77	0.73
Bomet	32.53	28.05	32.68	8.07	3.25	2.09	2.33	1.66	1.34
Baringo	20.56	16.22	20.04	5.69	2.17	1.56	1.10	0.87	0.67
Elgeyo Marakwet	12.88	11.15	13.07	3.21	1.54	1.17	0.52	0.37	0.36
Samburu	72.01	62.81	71.66	34.49	20.80	0.61	1.50	2.06	2.51
Trans Nzoia	29.28	23.31	28.43	8.65	3.68	2.00	2.00	1.70	1.46
Turkana	62.26	55.51	61.03	32.56	20.98	0.71	1.51	2.26	2.94
Uasin Gishu	20.71	15.55	20.38	7.10	3.40	1.95	1.38	1.36	1.32
West Pokot	30.88	25.11	32.04	12.33	7.08	1.10	1.16	1.33	1.54
Western Rural	35.78	31.48	35.77	13.11	6.79	13.38	16.41	17.25	18.03
Bungoma	40.91	37.35	40.54	18.27	10.95	3.63	5.09	6.53	7.89
Busia	42.03	38.27	41.92	15.83	8.36	2.07	2.98	3.22	3.43
Kakamega	31.42	25.45	31.54	9.36	3.97	4.75	5.11	4.37	3.74
Vihiga	32.09	30.25	32.19	10.88	5.11	2.93	3.22	3.13	2.97
TOTAL RURAL	29.19	23.95	28.85	10.17	5.04	100.00	100.00	100.00	100.00

Source: Welfare Monitoring Survey, 1994

Decomposition of Urban Poverty Measures, 1994

Table 3.11

Urban centres	Pα=0 ADULTQ	Pα=0 HHOLDS	Pα=0 HHSIZE	Poverty Gap Pα=1 ADULTQ	Severity of poverty Pα=2 ADULTQ	% of population per aduttq	Contribution To National Poverty (Per cent) Pα=0 ADULTQ	Pα=1 ADULTQ	Pα=2 ADULTQ
Relative Poverty: 2/3 of the mean total expenditure per adult equivalent									
Kshs. 2,006.3837									
Overall Urban	45.49	46.04	37.38	16.90	8..58	100.00	100.00	100.00	100.00
Nairobi	38.67	39.37	32.77	14.75	7.61	44.78	38.07	39.09	39.74
Mombasa	59.46	58.80	45.30	18.99	8.77	13.03	17.03	14.64	13.32
Kisumu	69.10	70.03	61.49	27.49	14.28	4.46	6.77	7.25	7.42
Nakuru	53.99	55.04	42.69	18.59	8.09	5.18	6.15	5.70	4.89
Other Urban	44.70	45.05	37.35	17.30	9.13	32.55	31.98	33.32	34.64
Relative Poverty: 1/3 of the mean total expenditure per adult equivalent									
Kshs. 1,003.1911									
Overall Urban	13.43	13.87	9.94	4.09	1.85	100.00	100.00	100.00	100.00
Nairobi	12.59	13.05	9.53	3.70	1.54	44.78	41.96	40.53	37.36
Mombasa	9.71	10.02	7.43	3.30	1.59	13.03	9.42	10.51	11.21
Kisumu	25.01	25.61	19.56	6.98	2.93	4.46	8.30	7.61	7.09
Nakuru	16.26	17.38	10.11	2.29	0.46	5.18	6.27	2.90	1.28
Other Urban	14.05	14.25	10.30	4.83	2.44	32.55	34.05	38.46	43.07
Median expenditure Kshs. 2,269.768 per adult equivalent									
Overall Urban	54.27	54.73	45.14	20.67	10.82	100.00	100.00	100.00	100.00
Nairobi	46.84	47.07	39.71	17.92	9.53	44.78	38.65	38.81	39.44
Mombasa	71.45	71.78	57.19	24.50	11.61	13.03	17.15	15.44	13.99
Kisumu	76.58	77.36	66.87	32.84	17.76	4.46	6.29	7.08	7.32
Nakuru	61.88	62.56	52.76	23.27	10.91	5.18	5.91	5.83	5.23
Other Urban	53.36	53.76	44.64	20.85	11.31	32.55	32.00	32.83	34.03

Source: Welfare Monitoring Survey, 1994

Distribution of the Food Poor Population by District

Table 3.12

DISTRICT	Head Count Aduft Equivalent PŬ = 0		Number of Poor Persons PŬ=0		Number of Poor Households PŬ=0	
	1994	1997	1994	1997	1994	1997
Central Rural	1,102,324	1,179,150	1,072,334	1,147,200	162,256	178,250
Kiambu	376,649	406,084	368,682	397,494	60,331	70,102
Kirinyaga	141,304	155,411	138,250	152,052	22,529	23,648
Muranga	346,145	365,385	335,842	354,509	44,128	45,289
Nyandarua	104,956	113,549	102,398	110,778	15,673	17,856
Nyeri	133,268	138,722	127,163	132,366	19,594	21,354
Coast Rural	778, 538	834,078	775,110	832,535	100,245	116,111
Kilifi	421,039	454,869	418,655	452,293	49,601	59,576
Kwale	143,743	153,735	146,639	156,832	18,062	18,344
Lamu	13,327	14,108	13,217	13,992	2,010	2,931
Taita-Taveta	93,161	96,880	92.286	95,971	17,100	18,130
Tana River	105,268	114,486	104,313	113,448	13,472	16,130
Eastern Rural	2,526,776	2,710,707	2,513,724	2,697,240	376,282	397,942
Embu	232,515	250,165	228,812	246,181	33,477	38,958
Isiolo	57,468	63,533	57,235	63,276	8,600	12,047
Kitui	491,778	533,229	491,399	532,818	80,252	81,858
Machakos	567,831	636,973	578,867	649,352	92,540	98,065
Marsabit	115,964	122,142	115,599	121,758	17,652	19,821
Meru	383,413	420,240	370,529	406,118	53,584	56,262
Makueni	502,455	500,943	499,650	498,146	69,138	69,617
Tharaka Nithi	175,351	183,481	171,633	179,590	21,039	21,314
North Eastern Rural	303,369	329,093	298,406	323,612	40,122	49,100
Garissa	84,138	90,308	84,074	90,240	11,689	16,982
Mandera	107,189	120,309	103,634	116,318	13,015	15,911
Wajir	112,042	118,475	110,697	117,054	15,418	16,207
Nyanza Rural	1,728,336	1,926,075	1,716,376	1,913,671	286,100	305,688
Kisii	382,514	432,827	384,523	435,101	57,210	59,031
Kisumu	270,950	300,607	270,694	300,322	47,531	61,105
Siaya	294,625	310,908	292,618	308,790	58,241	58,306
Homa Bay	295,879	358,236	297,181	359,813	53,421	57,526
Migori	201,253	201,785	194,294	194,807	28,556	29,609
Nyamira	283,116	321,712	277,066	314,838	40,142	40,112

cont.

Distribution of the Food Poor Population by District

Table 3.12 (cont)

DISTRICT	Head Count Adult Equivalent Pα = 0		Number of Poor Persons Pα = 0		Number of Poor Households Pα = 0	
	1994	1997	1994	1997	1994	1997
Rift Valley Rural	2,518,149	2,826,445	2,494,626	2,800,036	375,433	425,858
Kajiado	82,320	96,529	80,358	94,229	12,065	15,242
Kericho	388,060	451,008	384,081	446,384	54,108	54,907
Laikipia	114,602	130,855	111,099	126,855	15,057	17,369
Nakuru	275,827	319,960	274,224	318,100	49,972	65,451
Nandi	235,480	260,115	237,662	262,525	34,802	36,028
Narok	173,095	193,313	173,288	193,529	26,835	28,957
Bomet	239,809	261,190	237,434	258,602	35,600	36,212
Baringo	171,251	186,714	166,695	181,746	26,378	27,463
Elgeyo Marakwet	87,958	96,630	87,932	96,602	13,622	13,675
Samburu	103,077	111,312	102,804	111,018	17,771	18,574
Trans Nzoia	246,261	278,336	242,250	273,802	33,581	39,389
Turkana	128,125	129,812	126,699	128,367	16,363	21,110
Uasin Gishu	163,425	184,633	158,878	179,496	20,752	32,542
West Pokot	106,866	124,042	109,228	126,784	16,533	16,942
Western Rural	1,533,421	1,686,221	1,536,684	1,689,832	227,949	242,412
Bungoma	443,706	494,789	439,273	489,846	57,521	67,158
Busia	243,292	261,506	243,704	261,949	38,463	39,027
Kakamega	508,250	571,825	514,268	578,596	79,186	83,841
Vihiga	338,173	358,100	339,439	359,441	52,780	52,386
TOTAL RURAL	10,488,913	11,491,769	10,407,259	11,404,127	1,567,386	1,714,362

Number of Absolute Poor Population by District

Table 3.13

DISTRICT	Head Count Adult Equivalent PŨ=0		Number of Absolute Poor Persons PŨ=0		Number of Absolute Poor Households PŨ=0	
	1994	1997	1994	1997	1994	1997
Central Rural	**1,066,197**	**1,138,926**	**1,047,214**	**1,118,746**	**165,646**	**181,173**
Kiambu	290,803	313,529	288,512	311,059	53,064	61,658
Kirinyaga	144,196	158,591	141,264	155,366	22,087	23,184
Muranga	349,169	368,578	344,727	363,889	47,722	48,978
Nyandarua	113,836	123,153	111,412	120,530	17,129	19,515
Nyeri	168,193	175,076	161,300	167,901	25,543	27,838
Coast Rural	**846,992**	**909,017**	**848,696**	**910,746**	**114,760**	**130,950**
Kilifi	430,896	465,518	430,188	464,753	53,088	63,764
Kwale	182,021	194,673	186,364	199,319	24,566	24,950
Lamu	16,262	17,216	16,136	17,081	2,569	3,748
Taita-Taveta	110,739	115,160	109,580	113,955	20,875	22,133
Tana River	107,073	116,450	106,327	115,638	13,661	16,356
Eastern Rural	**2,446,869**	**2,620,034**	**2,440,404**	**2,613,618**	**364,903**	**386,302**
Embu	239,959	258,174	235,836	253,738	33,899	39,449
Isiolo	58,068	64,197	58,132	64,268	8,749	12,256
Kitui	417,765	452,978	416,552	451.662	65.171	66,475
Machakos	592,489	664,633	601,801	675,079	98,725	104,620
Marsabit	119,139	125,486	119,004	125.344	18,580	20,863
Meru	299,078	327,805	294,100	322,348	40,903	42,947
Makueni	547,048	545,401	545,825	544,182	77,553	78,091
Tharaka Nithi	173,323	181,358	169,154	176,996	21,322	21,601
North Eastern Rural	**311,182**	**338,174**	**307,382**	**333,971**	**41,408**	**50,400**
Garissa	77,072	82,724	77,216	82,878	10,614	15,420
Mandera	121,535	136,410	118,659	133,182	15,237	18,628
Wajir	112,575	119,040	111,508	117,911	15,557	16,353
Nyanza Rural	**1,783,239**	**1,963,723**	**1,761,826**	**1,962,410**	**298,993**	**321,873**
Kisii	302,146	341,888	306,547	346,868	44,875	46,304
Kisumu	300,621	333,525	299,916	332,743	54,595	70,187
Siaya	336,120	354,697	338,557	357,268	68,096	68,172
Homa Bay	345,361	418,146	346,012	418,935	59,821	64,418
Migori	215,615	216,185	209,731	210,285	32,978	34,194
Nyamira	263,377	299,282	260,762	296,311	38,628	38,599

cont.

Number of Absolute Poor Population by District

Table 3.13 (cont.)

DISTRICT	Head Count Adult Equivalent PŬ= 0		Number of Absolute Poor Persons PŬ=0		Number of Absolute Poor Households PŬ=0	
	1994	1997	1994	1997	1994	1997
Rift Valley Rural	**2,356,123**	**2,649,802**	**2,339,904**	**2,631,029**	**366,277**	**403,132**
Kajiado	61,263	71,838	60,936	71,455	9,471	11,964
Kericho	394,956	459,023	394,227	458,176	56,236	57,067
Laikipia	111,589	127,414	109,433	124,953	15,213	17,548
Nakuru	308,903	358,328	307,890	357,153	54,670	71,605
Nandi	216,827	239,510	215,580	238,132	32,996	34,158
Narok	131,994	147,412	130,835	146,117	20,105	21,695
Bomet	212,580	231,533	214,453	233,573	31,839	32,386
Baringo	139,666	152,277	136,206	148,504	20,765	21,620
Elgeyo Marakwet	69,869	76,757	69,330	76,165	11,348	11,392
Samburu	109,272	118,003	108,545	117,217	19,292	20,164
Trans Nzoia	216,487	244,684	209,311	236,573	28,701	33,666
Turkana	116,890	118,428	115,305	116,823	15,115	19,500
Uasin Gishu	143,865	162,535	142,107	160,548	18,237	28,599
West Pokot	120,668	140,063	123,752	143,643	19,296	19,772
Western Rural	**1,672,906**	**1,730,039**	**1,676,820**	**1,733,363**	**242,662**	**267, 982**
Bungoma	451,363	503,328	449,590	501,351	60,834	71,026
Busia	257,337	276,602	256,605	275,816	44,022	44,669
Kakamega	528,692	594,824	533,984	600,778	82,880	87,752
Vihiga	335,514	355,285	335,641	355,419	54,926	54,516
TOTAL RURAL	**10,364,208**	**11,349,716**	**10,320,843**	**11,303,883**	**1,683,648**	**1,731,793**

Number of Hard Core Poor Population by District

Table 3.14

DISTRICT	Head Count Adult Equivalent PŬ= 0		Number of Hard Core Poor Persons PŬ=0		Number of Hard Core poor Households PŬ= 0	
	1994	1997	1994	1997	1994	1997
Central Rural	**541,666**	**579,290**	**633,838**	**671,046**	**79,620**	**87,049**
Kiambu	146,995	158,482	148,190	159,771	26,073	30,296
Kirinyaga	77,575	85,319	76,190	83,797	11,616	12,193
Muranga	200,862	212,027	195,569	206,440	25,030	25,688
Nyandarua	60,366	65,307	60,844	65,824	9.144	10,418
Nyeri	55,867	58,154	53,045	55,215	7,758	8,454
Coast Rural	**666,204**	**596,971**	**657,841**	**598,734**	**70,288**	**80,448**
Kilifl	277,171	299,441	275,495	297,631	31,937	38,359
Kwale	118,406	126,637	119,899	128,234	13.510	13,721
Lamu	11,301	11,963	11,257	11,916	1,730	2,523
Taita-Taveta	72,871	75,781	72,959	75,872	13,319	14,122
Tana River	76,455	83,151	78,231	85,082	9,792	11,723
Eastern Rural	**1,651,011**	**1,775,283**	**1,654,414**	**1,771,775**	**247,525**	**262,639**
Embu	138,188	148,678	135,630	145,926	19,475	22,663
Isiolo	51,320	56,737	50,988	56,370	7,533	10,553
Kitui	304,319	329,969	304,849	330,545	46,849	47,787
Machakos	402,207	451,181	407,207	456,790	69,240	73,374
Marsabit	110,276	116,151	109,330	115,155	16,555	18,589
Meru	185,752	203,594	182,726	200,278	26,089	27,393
Makueni	376,302	375,169	374,073	372,947	50,608	50,959
Tharaka Nithi	89,647	93,803	89,610	93,764	11,175	11,322
North Eastern Rural	**203,294**	**262,165**	**198,845**	**216,123**	**26,515**	**31,586**
Garissa	59,375	63,729	59,742	64,124	7,762	11,277
Mandera	78,766	88,407	75,551	84,798	9,616	11,756
Wajir	65,153	68,895	63,552	67,202	8,137	8,553
Nyanza Rural	**955,107**	**1,138,885**	**947,117**	**1,066,007**	**163,658**	**176,616**
Kisii	119,691	135,434	119,308	135,001	17,950	18,522
Kisumu	184,884	205,121	186,038	206,400	32,253	41,464
Siaya	194,075	204,801	193,574	204,272	38,745	38,788
Homa Bay	180,638	218,708	177,744	215,204	33,658	36,244
Migori	102,113	102,383	98,697	98,958	15,325	15,890
Nyamira	173,704	197,385	171,756	195,171	25,728	25,708

cont.

Number of Hard Core Poor Population by District

Table 3.14 (cont.)

DISTRICT	Head Count Adult Equivalent PŬ= 0		Number of Hard Core Poor Persons PŬ= 0		Number of Hard Core poor Households PŬ= 0	
	1994	1997	1994	1997	1994	1997
Rift Valley Rural	**1,502,116**	**1,687,269**	**1,491,216**	**1,675,103**	**220,576**	**249,979**
Kajiado	39,716	46,572	39,253	46,029	5,645	7,132
Kericho	282,955	328,854	281,164	326,773	39,734	40,321
Laikipia	74,229	84,757	72,147	82,379	9,307	10,735
Nakuru	195,838	227,173	193,054	223,943	33,203	43,488
Nandi	121,117	133,788	121,897	134,649	18,372	19,019
Narok	45,833	51,187	46,606	52,050	7,930	8,558
Bomet	148,619	161,869	149,304	162,615	21,530	21,901
Baringo	70,432	76,792	68,651	74,850	10,685	11,125
Elgeyo Marakwet	33,048	36,307	33,536	36,842	5,327	5,348
Samburu	93,530	101,003	93,076	100,512	15,736	16,448
Trans Nzoia	130,507	147,505	126,719	143,223	16,950	19,882
Turkana	98,665	99,964	96,716	97,989	12,174	15,706
Uasin Gishu	88,833	100,361	87,417	98,761	10,653	16,706
West Pokot	76,798	89,142	79,683	92,490	11,334	11,614
Western Rural	**1,061,199**	**1,156,309**	**1,049,691**	**1,154,514**	**156,907**	**166,264**
Bungoma	329,737	367,699	326,754	364,374	43,881	51,233
Busia	192,282	206,677	191,779	206,136	31,662	32,127
Kakamega	326,035	366,818	327,280	368,219	47,241	50,016
Vihiga	203,144	215,115	203,778	215,785	33,124	32,875
TOTAL RURAL	**6,467,596**	**7,196,173**	**6,432,863**	**7,042,302**	**963,089**	**1,064,671**

Distribution of Urban Poor Population by Selected Major Towns

Table 3.12

PROVINCE TOWN	Head Count Adult Equivalent PŬ = 0		Number of Poor Persons PŬ = 0		Number of Poor Households PŬ = 0	
	1994	1997	1994	1997	1994	1997
(a) **FOOO POOR**						
Total	**1,201,217**	**1,322,636**	**1,208,188**	**1,322,443**	**226,494**	**249,434**
Nairobi	489,019	545,445	498,167	555,650	103,452	115,843
Mombasa	176,413	198,720	169,115	190,500	26,164	27,995
Kisumu	84,652	91,712	84,383	91,420	12,943	17,782
Nakuru	79,927	80,766	80,830	81,678	15,972	15,779
Other Urban	378,207	405,893	375,692	403,194	67,964	72,035
(b) **ABSOLUTE POOR**						
Total	**1,198,733**	**1,312,372**	**1,211,260**	**1,326,818**	**231,034**	**264,931**
Nairobi	464,621	518,233	476,999	532,039	99,523	111,444
Mombasa	176,519	198,840	169,968	191,460	28,680	30,688
Kisumu	91,679	99,325	92,447	100,157	14,976	20,575
Nakuru	64,513	65,191	67,373	68,080	12,407	12,257
Other Urban	401,399	430,783	404,473	434,082	75,448	79,967
(c) HARD CORE POOR						
Total	**417,688**	**466,664**	**431,016**	**471,283**	**71,301**	**78,934**
Nairobi	167,192	186,484	173,650	193,687	29,660	33,213
Mombasa	40,268	45,360	42,505	47,880	6,723	7,194
Kisumu	37,612	40,749	37,862	41,020	5,657	7,772
Nakuru	18,531	18,725	20,100	20,311	3,571	3,528
Other Urban	153,965	165,236	156,899	168,385	25,689	27,227

Participatory Poverty Assessment

3.23. In November/December 1996, a participatory poverty assessment study was conducted in seven districts to elicit from the poor themselves who the poor are, what it meant to be poor and what their priority needs might be. The objectives of the study were to obtain other qualitative information that might assist in understanding and interpreting some of the findings obtained from Welfare Monitoring Survey II since an income based poverty profile gives a picture of poverty at a particular point in time. However, poverty status is dynamic: some individuals and households move in and out of poverty overtime and hence the notion of vulnerability, which may be defined as households with a high probability of being poor. This particular study adopted a range of techniques which included in-depth interviews with key informants, focus group discussions, researchers' observation, social mapping and administration of a household questionnaire to a selected sample of poor households to obtain supplemental data on the poor, gauge performance of poverty reduction programmes at sub-regional level and to assess the importance attached by residents to basic infrastructure available within their communities.

3.24. The main findings of the study are contained in a separate document entitled *Participatory Poverty Assessment II - A Methodological Research, 1997'.* The districts selected for the study included Mombasa, Taita Taveta, Makueni, Kajiado, Nyeri, Nakuru and Kisumu. The areas visited were drawn from the National Sample Survey and Evaluation Programme (NASSEP III) using broad agro-ecological zones and local knowledge of the districts to identify clusters falling in areas where majority of the residents may be said to be either in middle or low income brackets. A fixed sample of 10 clusters was selected in each of the districts. Within the selected clusters, 20 households were classified as either poor or very poor by the community members (villagers) who were interviewed by a team of researchers drawn from the Government and the private sectors. The central point of the cluster map was identified as the starting point and with the assistance of village elders and the local administration, the teams were able to navigate in various directions until the required number of households was obtained. Both qualitative and quantitative interviews were administered. In all, a total of 1,412 households were interviewed in the seven districts over a three-week period. The information sought included self-assessments of poverty in households and in the community, coping strategies or the dynamics of poverty, availability and affordability of community services and actions taken to alleviate poverty at household and community level. The following section presents some of the quantitative aspects of poverty within the study areas.

Survey Findings

3.25. The definition of a poor person and the perception of poverty vary not only among individuals within a community but also across different communities within the same administrative boundary. For this reason the analysis presented focuses on responses provided by the head of the household, as he/she perceives poverty in their locality.

3.26. Table 3.16 shows that out of 1,412 household heads interviewed, 55.4 per cent ranked their families as poor, 41.7 per cent as very poor while 2.9 per cent considered themselves as being rich.

Self Ranking of Households by Household Head in relation to Poverty

Table 3.12

District	A rich person		A poor person		A very poor person		Total
	Number	Percent	Number	Percent	Number	Percent	Number
Mombasa	16	7.6	126	60.0	68	32.4	210
Taita Taveta	3	1.6	87	47.8	92	50.5	182
Makueni			84	42.0	116	58.0	200
Nyeri	5	2.4	151	73.7	49	23.9	205
Kajtado	5	2.5	123	61.5	72	36.0	200
Nakuru	8	4.0	119	59.2	74	36.8	201
Kisumu	4	1.9	92	43.0	118	55.1	214
Total	41	2.9	782	66.4	689	41.7	1,412

A follow-up question asked respondents to state major causes of poverty in their community and to which they attributed unemployment or lack of income, drought and related livestock and crop losses, landlessness, too many children, breakdown of marriages or loss of key family members as major contributors. With regard to comparison of poverty situation now and five years ago, 70 per cent or more of household heads indicated a worsening situation except for Nyeri district. Overall only 8 per cent of respondents reported an improvement in poverty reduction as shown in Table 3.17. Information was also obtained on behaviour characteristics of the poor. Within the communities the poor were identified to have such characteristics as over dependency on begging and famine relief food, the poor perform odd jobs, have little or no education and include school drop outs and street children. The poor are generally miserable, have poor health and shelter as shown in Table 3.18.

Trends of Poverty in Households as Perceived by Household Head

Table 3.17

District	Poverty Situation					
	Improved		Remained the Same		Worsened	
	Number	Percent	Number	Percent	Number	Percent
Mombasa	12	5.7	28	13.3	170	81.0
Taita Taveta	17	9.3	39	21.4	126	69.2
Makueni	4	2.0	22	11.0	174	87.0
Nyeri	42	20.5	59	28.8	104	50.7
Kajiado	10	5.0	16	8.0	174	87.0
Nakuru	16	8.0	26	12.9	159	79.1
Kisumu	12	5.6	26	12.1	178	82.2
Total	113	8.0	216	16.3	1,083	76.7

Behavioural Characteristics of a Poor Person by District

Table 3.18

Behavioural Characteristics	Mombasa		T.Taveta		Makueni		Nyeri		Kajiado		Nakuru		Kisumu		Total	
	Count	Percent	Count	Percent	Count	Percent	Count	Percent	Count	Percent	Count	Percent	Count	Percent	Count	Percent
Begging/depending on relief food, handouts	72	34.3	78	42.9	49	24.5	44	21.5	55	27.5	58	28.9	83	38.8	439	31.1
Petty thefts	3	1.4	14	7.7	3	1.5	5	2.4	1	0.5	7	3.5	20	9.3	53	3.8
Poor shelter/poor clothing	40	19.0	4	2.2	68	34.0	69	33.7	56	28.0	69	34.3	48	22.4	354	25.1
Depression/misery	18	8.6	14	7.7	8	4.0	7	3.4	15	7.5	7	3.5	7	3.3	76	5.4
School dropouts/Child labour/ Idleness/Street children	9	4.3	1	0.5	18	9.0	20	9.8	7	3.5	18	9.0	9	4.2	82	5.8
Poor health	15	7.1	3	1.6	18	9.0	8	3.9	33	16.5	6	3.0	14	6.5	97	6.9
Odd jobs	19	9.0	6	3.3	3	1.5	7	3.4	23	11.5	18	9.0	11	5.1	87	6.2
Sale of illicit brew/ drugs/drunkardness	1	0.5	11	6.0	21	10.5	3	1.5	2	1.0	3	1.5			41	2.9
Other	33	15.7	51	28.0	12	6.0	42	20.5	8	4.0	15	7.5	22	10.3	183	13.0

3.27. During the study household heads were asked to state *four major problems* that affect their community. Table 3.19 presents summary ranking of problems listed under the *first seven major problems.* From the table it is evident that lack of water, famine or drought are major handicaps in all the seven districts. Other related problems identified included unemployment, lack of land ownership, poor shelter and insecurity. Availability, afford ability and quality of services delivered at community level were considered important in addressing the problems of poverty. *Five* essential services were identified during the study and included provision of education, health, agricultural extension services, water and social services. Household heads were asked to indicate their access to such services, usage and quality of services delivered today compared to five years ago within their community. The results are presented in Table 3.20.

(1) ***Education Services*** - Overall 80 per cent of the respondents reported that education services were available but only 22.8 per cent confirmed that the services were affordable. On quality of education services, 47.0 per cent of them reported a decline in quality of education compared to 27.3 per cent who felt that quality of education had improved with a similar percentage (25.7 per cent) reporting that there was no change in quality of education offered now compared to five years ago.

(2) ***Health Services*** - Of the household heads interviewed 58.1 per cent reported that health services were available in their community with 25.5 per cent of them confirming that the services were affordable. A slightly higher proportion (64.3 per cent) of household heads reported that quality of health services had deteriorated.

(3) ***Agricultural Extension Services*** - These services were reported to be available in communities by 36.2 per cent of household heads and affordable by 18.3 per cent of the heads. Around 72 per cent of the heads reported to have noticed no change in quality of agricultural services.

(4) ***Water*** - Overall water was reported to be available in communities by 59.3 per cent of the respondents with 61.1 per cent of them confirming affordability of water. Around 36 per cent of the heads reported a decline in quality of water available to communities.

(5) ***Social Services*** - Availability and affordability of social services in communities was reported by 27.3 per cent and 22.5 per cent of the household heads, respectively. About 71 per cent of household heads reported to have noticed no change in provision of quality of social services in their communities.

Ranking of the First Seven Major Problems Identified by Communities by District *

Table 3.19

Mombasa District			Taita Taveta District		
	Number	Percent		Number	Percent
1 Water	54	25.8	1. Famine/drought	70	38.4
2. Unemployment	29	13.9	2. Water	49	26.9
3. Squatters/No land	21	10.0	3. Lack of health facilities	9	4.9
4. Poor shelter	15	7.2	4. Lack of schools	8	4.4
5. Drought/famine	13	6.2	5. Poor shelter	7	3.8
6. Low income/ lack of school fees	10	4.8	6. Low income/ lack of school fees	7	3.8
7. Crime/insecurity	10	4.8	7. Unemployment	6	3.3

Ranking of the First Seven Major Problems Identified by Communities by District *

Table 3 .19 (cont)

Makueni District			Nyeri District		
	Number	Percent		Number	Percent
1. Famine/drought	70	35.2	1. Water	45	22.3
2. Water	49	24.6	2. Famine/drought	33	16.4
3. Poor communication	22	11.1	3. Squatters/No land	24	11.9
4. Squatters/No land	14	7.0	4. Poor communication	22	10.9
5. Unemployment	9	4.5	5. Unemployment	22	10.9
6. Lack of education	7	3.5	6. Poor shelter	7	3.5
7. Low income/ lack of school fees	6	3.0	7. Poverty	6	3.0

Ranking of the First Seven Major Problems Identified by Communities by District*

Table 3.19 (cont)

Kajiado District			Nakuru District		
	Number	Percent		Number	Percent
1. Famine/drought	86	43.6	1. Water	86	42.8
2. Water	76	38.6	2. Unemployment	17	8.5
3. Unemployment	17	8.5	3. Famine/drought	14	7.0
4. Crime/insecurity	12	6.0	4. Low income/ lack of school fees	13	6.5
5. Poor shelter	9	4.5	5. Crime/insecurity	12	6.0
6. Lack of schools	7	3.6	6. Poor shelter	9	4.5
7. Diseases	5	2.5	7. Poor communication	8	4.0

Ranking of the First Seven Major Problems Identified by Communities by District *

Table 3.19 (cont)

Kisumu District		
	Number	Percent
1. Famine/drought	44	21.0
2. Water	38	18.1
3. Low income/ lack of school fees	19	9.0
4. Unemployment	17	8.1
5. Lack of health facilities	11	5.2
6. Poor shelter	10	4.8
7. Crime/insecurity	9	4.3

*- Percentages do not add up to 100 because only 7 out of 32 problems are presented

Availability, Afford ability and Quality of Education at Present and 5 Years Ago by District

Table 3.20

Education

District	Availability				Affordability				Quality					
	Available		Not Available		Affordable		Not Affordable		Improved		Declined		No Change	
	Count	Percent	Count	Percent	Count	Percent	Count	Percent	Count	Percent	Count	Percent	Count	Percent
Mombasa	150	71.4	60	28.6	26	12 4	184	87.6	24	11.4	141	67.1	45	21.4
T/Taveta	152	83.5	30	16.5	32	17.6	150	82.4	39	21.4	85	46.7	58	31.9
Makueni	165	82.5	35	17.5	17	8.5	183	91.5	118	59.0	59	29.5	23	11.5
Nyeri	153	74.6	52	25.4	63	30.7	142	69.3	45	22.0	64	31.2	96	46.8
Kajiado	147	73.5	53	26.5	60	30.0	140	70.0	107	53.5	43	21.5	50	25.0
Nakuru	193	96.0	8	4.0	70	34.8	131	65.2	34	16.9	126	62.7	41	20.4
Kisumu	158	73.8	56	26.2	54	25.2	160	74.8	19	8.9	145	67.8	50	23.4
Total	1,118	79.2	294	20.8	322	22.8	1,090	77.2	386	27.3	663	47.0	363	25.7

Availability, Affordability and Quality of Education at Present and 5 Years Ago by District

Table 3.20 (cont.)

Health Services

District	Availability				Affordability				Quality					
	Available		Not Available		Affordable		Not Affordable		Improved		Declined		No Change	
	Count	Percent	Count	Percent	Count	Percent	Count	Percent	Count	Percent	Count	Percent	Count	Percent
Mombasa	127	60.5	83	39.5	31	14.8	179	85.2	18	8.6	153	72.9	39	18.6
T7Taveta	119	65.4	63	34.6	56	30.8	126	69.2	30	16.5	105	57.7	47	25.8
Makueni	92	46.0	108	54.0	23	11.5	177	88.5	19	9.5	162	81.0	19	9.5
Nyeri	133	64.9	72	35.1	72	35.1	133	64.9	30	14.6	83	40.5	92	44.9
Kajiado	64	32.0	136	68.0	36	18.0	164	82.0	45	22.5	104	52.0	51	25.5
Nakuru	178	88.6	23	11.4	82	40.8	119	59.2	22	10.9	143	71.1	36	17.9
Kisumu	108	50.5	106	49.5	60	28.0	154	72.0	14	6.5	158	73.8	42	19.6
Total	821	58.1	591	41.9	360	25.5	1052	74.5	178	12.6	908	64.3	326	23.1

cont.

Availability, Affordability and Quality of Agricultural Services at Present and 5 Years Ago by District

Table 3.20 (cont.)

Agricultural Services

District	Availability				Affordability				Quality					
	Available		Not Available		Affordable		Not Affordable		Improved		Declined		No Change	
	Count	Percent	Count	Percent	Count	Percent	Count	Percent	Count	Percent	Count	Percent	Count	Percent
Mombasa	53	25.2	157	74.8	3	1.4	207	98.6	1	0.5	23	11.0	186	88.6
T/Taveta	105	57.7	77	42.3	82	45.1	100	54.9	46	25.3	27	14.8	109	59.9
Makueni	56	28.0	144	72	43	21.5	157	78.5	18	9.0	49	24.5	133	66.5
Nyeri	81	39.5	124	60.5	40	19.5	165	80.5	5	2.4	23	11.2	177	86.3
Kajiado	20	10.0	180	90	15	7.5	185	92.5	11	5.5	55	27.5	134	67.0
Nakuru	110	54.7	91	45.3	29	14.4	172	85.6	13	6.5	39	19.4	149	74.1
Kisumu	86	40.2	128	59.8	47	22.0	167	78.0	13	6.1	74	34.6	127	59.3
Total	511	36.2	901	63.8	259	18.3	1153	81.7	107	7.6	290	20.5	1015	71.9

Availability, Affordability and Quality of Water at Present and 5 Years Ago by District

Table 3.20 (cont)

Water

District	Availability				Affordability				Quality					
	Available		Not Available		Affordable		Not Affordable		Improved		Declined		No Change	
	Count	Percent	Count	Percent	Count	Percent	Count	Percent	Count	Percent	Count	Percent	Count	Percent
Mombasa	120	57.1	90	42.9	115	54.8	95	45.2	28	13.3	112	53.3	70	33.3
T/Taveta	122	67.0	60	33.0	113	62.1	69	37.9	52	28.6	38	20.9	92	50 5
Makueni	116	58.0	84	42.0	123	61.5	77	38.5	39	19.5	72	36.0	89	44.5
Nyeri	149	72.7	56	27.3	133	64.9	72	35.1	25	12.2	22	10.7	158	77.1
Kajiado	47	23.5	153	76.5	81	40.5	119	59.5	38	19.0	74	37.0	88	44.0
Nakuru	153	76.1	48	23.9	159	79.1	42	20.9	29	14.4	85	42.3	87	43.3
Kisumu	130	60.7	84	39.3	139	65.0	75	35.0	28	13.1	99	46.3	87	40.7
Total	837	59.3	575	40.7	863	61.1	549	38.9	239	16.9	502	35.6	671	47.5

cont.

Availability, Affordability and Quality of Social Services at Present and 5 Years Ago by District

Table 3.20 (cont.)

District	Social Services													
	Availability				Affordability				Quality					
	Available		Not Available		Affordable		Not Affordable		Improved		Declined		No Change	
	Count	Percent	Count	Percent	Count	Percent	Count	Percent	Count	Percent	Count	Percent	Count	Percent
Mombasa	38	18.1	172	81.9	33	15.7	177	84.3	8	3.8	108	51.4	94	44.8
T/Taveta	48	26.4	134	73.6	37	20.3	145	79.7	12	6.6	4	2.2	166	91.2
Makueni	99	49.5	101	50.5	97	48.5	103	51.5	54	27.0	34	17.0	112	56.0
Nyeri	10	4.9	195	95.1	46	22.4	159	77.6			6	2.9	199	97.1
Kajiado	50	25.0	150	75.0	24	12.0	176	88.0	46	23.0	28	14.0	126	63.0
Nakuru	55	27.4	146	72.6	27	13.4	174	86.6	4	2.0	37	18.4	160	79.6
Kisumu	86	40.2	128	59.8	53	24.8	161	75.2	7	3.3	67	31.3	140	65.4
Total	386	27.3	1026	72.7	317	22.5	1095	77.5	131	9.3	284	20.1	997	70.6

CHAPTER 4 - EMPLOYMENT, EARNINGS AND CONSUMER PRICES

Overview

The comprehensive economic reforms that Kenya is undertaking have led to significant changes in the employment situation. Among the changes, a large proportion of the labour force is joining the informal sector. Also, employment in the public sector is being constrained by the ongoing public sector reforms. Further, the Government has liberalised some aspects of the labour market by, among other measures, relaxing redundancy procedures and reviewing wage guidelines with a view to eliminating them, thus leaving market forces to determine appropriate wage levels.

4.2. Against this scenario, there were 4.3 million persons employed outside small-scale agriculture and pastoralist activities in 1996. Inflation rate maintained its single digit level achieved in the previous year, but rose from 1.6 per cent in 1995 to 9.0 per cent in 1996. Nominal average earnings in the modern sector per person increased from K£ 3,406.3 per annum in 1995 to K£ 4,150.9 per annum in 1996. The low inflation rate coupled with upward wage adjustments led to a significant rise in real average earnings, from K£ 717.9 per annum to K£ 802.4 per annum.

Employment

4.3. The number of persons employed outside small-scale agriculture and pastoralist activities rose by 11.8 per cent to 4.3 million persons in 1996. Most of the additional jobs were created within the expanding informal sector. Table 4.1 shows that employment in the informal sector rose by 18.0 per cent to 2,643,800 persons, and accounted for 61.3 per cent of total persons engaged in 1996. Employment in the modem sector expanded by 3.2 per cent to 1,670,000 persons - consisting of 1,606,800 wage employees and 63,200 self-employed and unpaid family workers.

PERSONS ENGAGED: RECORDED TOTALS, JUNE, 1993 - 1996

Table 4.1 000's

	1993	1994	1995	1996*
Modern Establishments - Urban and Rural Areas				
Wage Employees	1,475.5	1,505.5	1,557.0	1,606.8
Self-employed and unpaid family workers .	56.2	58.3	61.1	63.2
Informal Sector**	1,466.5	1,792.4	2,240.5	2,643.8
TOTAL	5,998.2	3,356 2	3,656.6	4,313.6

** Revised Series

4.4. *Modern Sector* - Table 4.2 presents sectoral analysis of wage employment in the modern sector. Wage employment in the modem sector expanded by 3.2 per cent to 1,606,800 persons. The increase in wage employment in the modern sector was confined to the private sector, as wage employment in the public sector remained at the 1995 level. Wage employment in the private sector expanded by 5.8 per cent to 917,000 persons in 1996. Further, the share of private sector wage employment, which stood below 50 per cent prior to 1990, rose from 52.6 per cent in 1992 to 57.1 per cent in 1996.

4.5. In 1996, wage employment in the agricultural activities within the private sector grew by 4.3 per cent to 236,600 persons, and absorbed 25.8 per cent of total private sector wage employment. Of the other leading industries, wage employment in manufacturing activities rose from 165,500 persons to 172,300 persons in 1996, representing a growth of 4.1 per cent compared with a growth of 4.6 per cent recorded in 1995. The deceleration in growth of wage employment in manufacturing activities was largely attributed to stiff competition from imported consumer goods, intermittent power rationing and shortage of raw materials. Wage employment in the distributive trade and community, social and personal services registered significant annual growth rates of 7.3 per cent and 8.7 per cent, respectively.

4.6. As shown in Tables 4.2 and 4.3, there has been a steady slow down in growth of employment within the public sector of economy since 1990. The slow down is attributed to continued implementation of restrictive Government policy on employment in public institutions and privatisation of non-strategic public enterprises. Consequently, wage employment within the public sector declined from 693,700 persons in 1992 to 689,800 persons in 1996, and registered a zero growth between 1995 and 1996. Also, the public sector's share in total wage employment declined from 47.4 per cent in 1992 to 44.3 per cent in 1995, and further to 42.9 per cent in 1996.

WAGE EMPLOYMENT BY INDUSTRY AND SECTOR, 1992 - 1996

Table 4.2 '000's

	1992	1993	1994	1995	1996*	% change
PRIVATE SECTOR						
Agriculture and Forestry	203.0	205.9	213.1	226.8	236.6	4.3
Mining and Quarrying	3.7	3.8	3.9	4	4.1	2.5
Manufacturing	151.0	154.3	158.2	165.5	172.3	4.1
Electricity and Water	1.1	1.2	1.2	1.3	1.3	0.0
Building and Construction	42.0	42.4	44.2	47,1	49.6	5.3
Wholesale and Retail Trade. Restaurants and	111.0	114.1	119.7	127.9	137.3	7.3
Hotels Transport and Communications	33.8	36.4	37.2	38.1	39.4	3.4
Finance,Insurance. Real Estate and Business services	51.5	54.8	57.1	59.7	62.6	4.9
Community, Social and Personal Services	171.3	176.6	182.6	196.6	213.8	8.7
TOTAL PRIVATE SECTOR	768.4	789.5	817.2	867.0	917.0	5.8
Agriculture and Forestry	70.9	68.3	67.9	67.2	66.4	-1.2
Mining and Quarrying	0.7	0.7	0.7	0.7	0.7	0.0
PUBLIC SECTOR						
Manufacturing	39.3	39.3	39.3	39.3	38.2	-2.8
Electricity and Water	21,3	21.2	21.1	21.6	2.2	1.9
Building and Construction	31.2	30.2	29.3	29.3	29.2	-0.3
Wholesale and Retail Trade. Restaurants and Hotels	7.5	6.9	6.9	7	7	0.0
Transport and Communications	43.1	41.2	41.0	4.1	40.9	-0.2
Finance, Insurance, Real Estate and Business services		17.9	17.9	18.3	18.4	0.5
Community. Social and Personal Services ..	460.6	460.3	464.2	465.6	46.7	0.3
TOTAL PUBLIC SECTOR	693.7	686.0	688.3	690.0	689.8	0.0

4.7. Table 4.3 presents detailed analysis of employment in the public sector. Of the major employers in the sector, only the Teachers' Service Commission and Local Government registered positive growths in wage employment during 1996. The number of persons employed by the Teachers' Service Commission rose by 3.5 per cent to 239,900 persons in 1996, mainly due to the expansion of the educational system. Further, wage employment in local government rose by 2.6 per cent to 52,100 persons due to creation of new districts. After declining by 2.9 per cent in 1995, wage employment in the Central

Government declined by 3.7 per cent to 242,400 persons in 1996. The declining trend is mainly attributed to the continued implementation of the Early Retirement Scheme and recruitment embargo on certain categories of employees aimed at trimming the Civil Service. Employment in institutions with a majority control by the Government declined by 1.2 per cent to 47,900 persons in 1996.

WAGE EMPLOYMENT IN THE PUBLIC SECTOR, 1992 -1996

Table 4.3 '000's

	1992	1993	1994	1995	1996*	Annual Percentage Change 1995/1994
Central Government	269.0	267.9	259.3	251.7	242.4	-3.7
Teachers Service Commission	208.6	211.9	223.3	231.7	239.9	3.5
Parastatal Bodies**	115.3	107.7	106.9	107.3	107.5	0.2
Majority Control by the Public Sector***	50.0	48.9	48.8	48.5	47.9	-1.2
Local Government	50.8	49.6	50.0	50.8	52.1	2.6
TOTAL	693.7	686.0	688.3	690.0	689.8	0.0

*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. Table 4.4 gives distribution of wage employment in the modern sector by province. Nairobi province, with the highest share, had its wage employment expand by 1.4 per cent to 405,900 persons in 1996. However, the province's share in wage employment declined slightly from 25.7 per cent in 1995 to 25.3 per cent in 1996. Rift valley province had the second largest share in wage employment of 22.0 per cent, and its paid work force grew by 4.3 per cent to 353,000 persons. Central province absorbed the third largest share in wage employment of 14.2 per cent, with its workforce growing by 3.5 per cent to 227,700. Despite its smallest share, North Eastern Province registered an impressive growth rate in wage employment of 3.5 per cent in 1996.

4.9. Table 4.5 presents wage employment in major towns by six urban-based industries for the years 1991 and 1996. The urban workforce engaged in the six urban-based industries (excluding agriculture, mining and quarrying, and electricity and water industries) rose by 19.0 per cent from 700,800 persons in 1991 to 833,900 persons in 1996. Although Nairobi City had the highest wage employment among other towns, its share in urban wage employment has been declining at the expense of other towns, from 50.4 per cent in 1991 to 46.7 per cent in 1996. High employment growth rates over the last five years of 53.4 per cent, 40.4 per cent and 37.6 per cent were recorded for Eldoret, Malindi and Nakuru towns, respectively. Nairobi city recorded a low growth in wage employment of 10.1 per cent in the six urban-based industries over the same period. Among the main urban-based industries, wage employment in the community, social and personal services was 326,600 persons, and accounted for the largest share of 39.2 per cent of urban workforce. Wage employment in the manufacturing industries stood at 178,500 persons in 1996, and accounted for the second largest share of 20.7 per cent of urban employees in the six industries.

WAGE EMPLOYMENT BY PROVINCE 1993 - 1996

Table 4.4 '000's

Province	1993	1994	1995	1996*	percentage Change 1996/1995
Nairobi	376.1	393.7	400.1	405.9	1.4
Coast	187.3	189.6	194.5	201.3	3.5
North Eastern	13.4	13.8	14.3	14.8	3.5
Eastern	127.3	129.2	132.4	136.1	2.8
Central	209.5	212.4	219.9	227.7	3.5
Rift Valley	316.6	320.3	338.4	353.0	4.3
Nyanza	146.1	146.7	153.8	160.7	4.5
Western	99.2	99.8	103.6	107.3	3.6
TOTAL	1,475.5	1,505.5	1,557.0	1,606.8	3.2

* Provisional

4.10. Table 4.6 shows wage employment by industry and sex for the years 1995 and 1996. The number of female wage employees in the modern sector rose from 407,700 in 1995 to 459,300 in 1996, with their share in total wage employment rising from 26.2 per cent to 28.6 per cent over the same period. The increased participation of women in the labour market is mainly attributed to their improved access to education. Educational services remained the major female employer in 1996, engaging 110,600 females with a share of 24.1 per cent of total females in wage employment. This is followed by agricultural activities, which employed 76,600 females, absorbing 16.7 per cent of total females in employment. On the other hand, the proportion of females employed in industries traditionally dominated by males, such as mining and quarrying, electricity and water, and building and construction remained low. Of the 459,300 females employed in the modern sector, 372,500 females were on regular terms of employment.

Wage Earnings in the Modern Sector

4.11. Table 4.7 presents analysis of wage payments by sector and industrial activity for the period 1992 to 1996. The overall wage bill increased from K£ 5,303.7 million in 1995 to K£ 6,669.8 million in 1996, representing a rise of 25.8 per cent. The expansion in wage bill is a reflection of increases in wage employment and average earnings per person during the year under review. In 1996, total wage payments in the private sector expanded by 29.6 per cent to K£ 3,957.4 million. Trade and hotel industry recorded the highest growth in wage payments of 32.7 per cent, and also registered the highest share of 22.2 per cent of the private sector wage bill. The industry was followed by manufacturing, community and social service activities, with identical shares of 20.5 per cent of the private sector wage bill.

4.12. Public sector wage payments accounted for 40.7 per cent of the total wage bill in the modern sector; and expanded by 20.6 per cent to K£ 2,712.4 million in 1996 Due to its large share in the public sector, community, social and personal services activity accounted for 62.9 per cent of public sector wage bill. Agriculture and forestry industry registered the highest growth of wage payments within the public sector of 26.8

WAGE EMPLOYMENT BY MAJOR TOWNS AND SELECTED INDUSTRIES. 1991 AND 1996

Table 4.5 '000's

	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	
Towns	1991	1996*	1991	1996*	1991	1996*	1991	1996*	1991	1996*	1991	1996*	1991	1996*
Nairobi	66.5	74.2	36.8	39.1	46.4	53.0	27.7	30.8	41.2	41.2	134.9	150.8	353.5	389.1
Mombasa	24.9	30.1	5.7	6.2	16.6	20.9	24.7	30.4	9.1	12.9	38.7	47.4	119.7	147.9
Kisumu	5.0	6.9	2.4	2.2	2.9	4.1	1.5	1 8	2.1	2.5	16.1	19.2	30.0	36.7
Nakuru	6.2	8.4	1.8	2.6	3.9	5.4	1.1	1.6	1.2	2.4	8.7	11.1	22.9	31.5
Thika	11.7	14.8	0.4	0.6	2.0	2.9	0.2	0.4	1.2	1.5	4.0	5.7	19.5	25.9
Eldoret	9.3	15.8	1.2	1.9	2.8	3.9	0.8	0.9	1.9	2.8	3.3	4.3	19.3	29.6
Malindi	0.3	0.4	0.2	0.3	1.9	2.8	0.2	0.3	0.3	0.4	2.3	3.1	5.2	7.3
Kericho	2.9	3.7	0.8	1.0	0.7	1.2	0.1	0.2	0.2	0.5	4.7	5.9	9.4	12.5
Others	18.5	24.2	11.3	17.3	13.4	19.9	5.3	8.2	5.2	4.7	67.6	79.1	121.3	153.4
TOTAL	2,136.3	178.5	2, 051.6	71.2	2,081.6	114.1	2,052.6	74.6	2,053.4	68.9	2,271.3	326.6	2,691.8	833.9

* Provisional

per cent in 1996. The other high growth rates of 23.8 per cent and 23.5 per cent were observed in transport and communication and financial services activities in the public sector, respectively.

WAGE EMPLOYMENT BY INDUSTRY AND SEX, 1995 AND 1996

Table 4.6 '000's

INDUSTRY	MALES		FEMALES		TOTAL	
	1995	1996*	1995	1996*	1995	1996*
Agriculture and Forestry	222.8	226.4	71.2	76.6	294.0	303.0
Mining and Quarrying	3.5	3.5	1.2	1.3	4.7	4.8
Manufacturing	173.9	176.7	30.9	33.8	204.8	210.5
Electricity and Water	19.6	19.3	3.3	4.0	22.9	23.3
Building and Construction	70.3	72.5	6.1	6.3	76.4	78.8
Trade, Restaurants and Hotels	104.4	107.9	30.5	36.4	134.9	144.3
Transport and Communications	64.9	64.6	14.2	15.7	79.1	80.3
Finance, Insurance, Real Estate and Business Services	61.2	60.3	16.8	20.7	78.0	81.0
Community, Social and Personal Services-						
Public Administration	134.2	108.1	42.6	64.7	176.8	172.8
Education Services	162.0	166.4	107.6	110.6	269.6	277.0
Domestic Services	51.1	56.4	35.3	38.9	86.4	95.3
Other Services	81.4	85.4	48.0	50.3	129.4	135.7
TOTAL	1,149.3	1,147.5	407.7	459.3	1,557.0	1,606.8
Of which: Regular	959.9	961.8	345.8	372.5	1,305.7	1,334.3
Casual	189.3	185.7	61.9	86.8	251.2	275.5

* Provisional

4.13. Table 4.8 summarises the total wage payments in the public sector by type of employer. Wage bill for the Central Government grew by 12.6 per cent to K£ 983.8 million in 1996, and accounted for 36.3 per cent of total wage bill in the public sector. The wage bill for the Teachers Service Commission rose by 28.8 per cent to K£ 760.3 million, and accounted for 28.5 per cent of total wage bill in the public sector in 1996. The growth is attributed to recruitment of additional teachers and a significant improvement in average earnings occasioned largely by an upward salary revision for some categories of teachers. Wage payments for parastatals and other institutions under public sector control rose by 17.9 per cent and 23.3 per cent respectively, mainly due to increases in earnings as employment levels remained low.

4.14. Table 4.9 shows that average earnings per annum increased by 21.9 per cent, from K£ 3,406.3 per annum in 1995 to K£ 4,150.9 per annum in 1996. Annual earnings per person in the private sector expanded from K£ 3,522.6 per annum in 1995 to K£ 4,315.4 per annum in 1996, or by 22.5 per cent. Analysis across different activities within the private sector reveals significant wage differentials. Average earnings in the financial activities and transport and communication industry were higher than those in the other activities. On the other hand, average earnings in agriculture and forestry, mining and quarrying, and building and construction activities were lower than the overall mean earnings per annum. Wage differentials in the private sector are generally attributed to profitability of activities, level of skills for the workers in that activity, and the strength of collective bargaining.

ESTIMATED TOTAL WAGE PAYMENTS BY INDUSTRY AND SECTOR, 1993 - 1996

Table 4.7 K£million

	1993	1994	1995	1996*
PRIVATE SECTOR:				
Agriculture and Forestry	197.4	255.8	328.6	421.4
Mining and Quarrying	6.5	7.7	9.3	11.3
Manufacturing	403.5	485.5	636.3	811.9
Electricity and Water	2.8	3.8	5.1	6.6
Building and Construction	91.4	114.0	154.0	200.5
Wholesale and Retail Trade. Restaurants and Hotels	396.7	495.1	661.3	877.6
Transport and Communications	143.2	174.6	218.8	275.8
Finance, Insurance .Real Estate and Business Services	287.3	339.3	430.2	542.3
Community, Social and Personal Services	367.4	439.1	610.4	810.0
TOTAL PRIVATE SECTOR	1,896.2	2,314.9	3,054.0	3,957.4
PUBLIC SECTOR:				
Agriculture and Forestry	78.2	94.5	125.0	158.5
Mining and Quarrying	2.2	2.4	2.7	3.0
Manufacturing	82.5	97.8	129.0	146.2
Electricity and Water	75.9	89.8	107.5	126.2
Building and Construction	57.5	70.7	85.1	104.1
Wholesale and Retail Trade, Restaurants and Hotels	21.7	24.2	30.3	35,8
Transport and Communications	141.0	153.7	190.7	236.0
Finance, Insurance .Real Estate and Business Services	108.8	120.3	158.5	195.7
Community, Social and Personal Services	1,033.6	1,249.3	1,420.9	1,706.9
TOTAL PUBLIC SECTOR	1,601.4	1,902.7	2,249.7	2,712.4
TOTAL PUBLIC AND PRIVATE	3,497.6	4,217.6	5,303.7	6,669.8

* Provisional

TOTAL WAGE PAYMENTS IN THE PUBLIC SECTOR, 1993 - 1996

Table 4.8 K£million

	1993	1994	1995	1996*
Central Government	660.4	744.4	873.8	983.8
Teachers Service Commission	397.6	503.2	590.5	760.3
Parastatal Bodies**	306.5	354.6	405.7	478.3
Majority Control by the Public Sector***	142.7	173.2	213.9	263.7
Local Government	94.2	127.3	165.8	226.3
TOTAL	1,601.4	1,902.7	2,249.7	2,712.4

* Provisional

** Refers to Government wholly-owned corporations

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

4.15. Average wage earnings in the public sector rose from K£ 3,260.4 per annum in 1995 to K£ 3,913.8 per annum in 1996, or by 20.0 per cent compared with a growth of 18.0 per cent recorded in 1995. The slight acceleration in the growth of average earnings was largely due to an upward salary revision in some institutions within the public sector. Further analysis reveals a significant wage disparity between employees in the public sector and their counterparts in the private sector in most of the listed economic activities.

AVERAGE WAGE EARNINGS PER EMPLOYEE, 1993 -1996

Table 4.9 K£ per annum

	1993	1994	1995	1996*
PRIVATE SECTOR:				
Agriculture and Forestry	958.5	1,200.8	1,448.8	1,781.3
Mining and Quarrying	1,709.5	1,974.8	2,331.9	2,728.1
Manufacturing	2,616.0	3,065.9	3,845.4	4,712.3
Electricity and Water	2,384.0	2,485.8	4,027.9	4,970.4
Building and Construction	2,154.1	2,580.7	3,268.8	4,042.0
Trade, Restaurants and Hotels	3,476.6	4,135.5	5,169.8	6,390.1
Transport and Communications	3,932.4	4,694.9	5,745.1	6,998.5
Finance, Insurance .Real Estate and Business Services	5,239.5	5,945.5	7,204.0	8,667.3
Community, Social & Personal Services	2,080.4	2,404.2	3,104.5	3,788.5
TOTAL PRIVATE SECTOR	2,401.6	2,832.1	3,522.6	4,315.4
PUBLIC SECTOR:				
Agriculture and Forestry	1,144.5	1,390.7	1,858.8	2,388.8
Mining and Quarrying	2,998.2	3,311.2	3,809.8	4,239.8
Manufacturing	2,098.2	2,487.7	3,282.1	3,831.8
Electricity and Water	3,627.8	4,269.1	4,974.5	5,729.3
Building and Construction	1,903.3	2,409.5	2,901.2	3,563.2
Trade, Restaurants and Hotels	3,118.8	3,477.8	4,346.0	5,122.8
Transport and Communications	3,421.8	3,754.1	4,654.0	5,769.5
Finance, Insurance ,Real Estate and Business Services	6,110.8	6,724.1	8,652.6	10,615.5
Community, Social & Personal Services	2,246.3	2,692.3	3,052.0	3,655.0
TOTAL PUBLIC SECTOR	2,334.4	2,764.1	3.260.4	3,913.8
TOTAL PRIVATE AND PUBLIC SECTOR	2,370.7	2,801.0	3,406.3	4,150.9
MEMORANDUM ITEMS IN PUBLIC SECTOR				
Central Government	2,465.1	2,871.5	3,484 2	4,058.7
Teachers Service Commission	1,876.4	2,252.8	2,532.2	3,169.3
Parastatal Bodies**	2,845.9	3,316.9	3,801.9	4,449.0
Majority Control by the Public Sector	2,918.2	3,548.4	4,411.2	5,506.0
Local Government	1,899.2	2,545.3	3,263.5	4,343.7
TOTAL PUBLIC SECTOR	2,334.4	2,764.1	3,260.4	3,913.8

* Provisional

** Refers to Government wholly-owned corporations

4.16. Within the public sector, average earnings for civil servants in the Central Government rose by 16.5 per cent to K£ 4,058.7 per annum. Average earnings for employees of the Teachers Service Commission rose from K£ 2,532.2 in 1995 to K£ 3,169.3 per annum. The 25.2 per cent increase is largely attributed to an upward salary revision for Diploma and Graduate teachers. Average earnings for employees of parastatals rose by 17.0 per cent to K£ 4,449.0 per annum, while employees of other institutions with majority control by the Government had their average earnings rise by 24.8 per cent to K£ 5,506.6 per annum in 1996.

4.17. Table 4.10 presents percentage changes in wage employment and average earnings for the period 1991 to 1996. Over the five-year period, wage employment rose by 11.5 per cent. Most of the paid jobs were generated within the private sector, as public sector employment declined by 3.5 per cent over the same period due to public sector reform programme. Employment in the Central Government declined by 11.4 per cent over the same period. On the other hand, employment by the Teachers Service Commission rose by 9.4 per cent due to expansion of the educational system.

PERCENTAGE CHANGES IN WAGE EMPLOYMENT AND AVERAGE EARNINGS, 1996/91 -1996/95

Table 4.10

	EMPLOYMENT		AVERAGE EARNINGS	
	1996*/1991	1996/1995	1996*/1991	1996*/1995
PRIVATE SECTOR:				
Agriculture and Forestry	17.8	4.3	175.0	23.0
Mining and Quarrying	13.9	2.5	110.3	17.0
Manufacturing	15.0	4.1	128.9	22.5
Electricity and Water	160.0	0.0	134.2	23.4
Building and Construction	21.9	5.3	155.8	23.7
Trade, Restaurants and Hotels	26.2	7.3	138.3	23.6
Transport and Communications	44.3	3.4	126.6	21.8
Finance, Insurance,Real Estate and Business Services	32.3	4.9	111.4	20.3
Community, Social & Personal Services	44.8	8.7	157.6	22.0
TOTAL PRIVATE SECTOR	26.2	5.8	142.0	22.5
PUBLIC SECTOR:				
Agriculture and Forestry	-6.6	-1.2	143.2	28.5
Mining and Quarrying	-12.5	0.0	59.7	11.3
Manufacturing	-2.3	-2.8	119.0	16.7
Electricity and Water	0.5	1.9	94.0	15.2
Building and Construction	-7.9	-0.3	127.8	22.8
Trade, Restaurants and Hotels	-11.4	0.0	101.0	17.9
Transport and Communications	-16.4	-0.2	115.0	24.0
Finance, Insurance ,Real Estate and Business Services	-3.2	0.5	101.6	22.7
Community, Social and Personal Services	-1.6	0.3	104.8	19.8
TOTAL PUBLIC SECTOR	-3.5	-0.0	106.8	20.0
TOTAL PUBLIC AND PRIVATE	11.5	3.2	125.9	21.9
MEMORANDUM ITEMS IN PUBLIC SECTOR				
Central Government	-11.4	-3.7	99.7	16.5
Teacher's Service Commission	9.4	3.5	108.0	25.2
Parastatal Bodies**	-8.4	0.2	102.6	18.1
Majority Control by the Public Sector ***	-9.3	-1.2	143.9	24.8
Local government	0.0	2.6	170.6	33.1
TOTAL PUBLIC SECTOR	-3.5	-0.0	106.8	20.0

** 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

4.18. Over the five-year period, average earnings in general more than doubled from their 1991 levels, partly due to the indexing of wages to inflation. Within the same period, average earnings in the private sector rose faster than in the public sector. Notable increases in average earnings within the private sector were recorded in agriculture and forestry activities; followed by community, social and personal services, and building and construction industry. Similar trend is reflected in the public sector.

4.19. The easing of inflationary pressures coupled with upward wage adjustments led to a significant recovery of average earnings in real terms during the year. As shown in Table 4.11, real average wage earnings improved by 11.8 per cent to K£ 802.4 per annum in 1996. Although the growth is below the 19.7 per cent growth observed in 1995, it reflects a significant improvement in the workers purchasing power, mainly occasioned by single digit inflation rates prevailing in both 1995 and 1996. Real average earnings in the private sector rose by 12.4 per cent to K£ 834.2 per annum in 1996, while earnings in the public sector rose at a slightly lower rate of 10.1 per cent to K£ 756.6 per annum.

ESTIMATED REAL AVERAGE WAGE EARNINGS* PER EMPLOYEE, 1993 - 1996

Table 4.11 K£ per annum

	1993	1994	1995	1996**
PRIVATE SECTOR:				
Agriculture and Forestry	264.3	257.0	305.4	344.4
Mining and Quarrying	471.3	422.7	491.5	527.4
Manufacturing	721.3	656.2	810.5	911.0
Electricity and Water	657.3	532.1	848.4	960.9
Building and Construction	593.9	552.4	688.9	781.4
Trade. Restaurants and Hotels	958.6	885.2	1,089.6	1,235.3
Transport and Communications	1,084.2	1,004 9	1,210.9	1,352.9
Finance, Insurance,Real				
Estate & Business Services	1,444.6	1,272.6	1,518.4	1,675.6
Community, Social & Personal Services	573.6	514.6	654.3	732.4
TOTAL PRIVATE SECTOR	662.2	606.2	742.5	834.2
PUBLIC SECTOR:				
Agriculture and Forestry	318.8	297.7	391.8	461.8
Mining and Quarrying	835.1	708.7	803.0	819.6
Manufacturing	584.4	532.5	691.8	740.8
Electricity and Water	1,010.5	913.8	1,053.9	1,107.6
Building and Construction	530.1	515.7	611.5	688.8
Trade, Restaurants and Hotels	868.7	744.4	916.0	990.3
Transport and Communications	842.8	803.5	980.9	1,115.4
Finance, Insurance .Real				
Estate & Business Services	1,702.1	1,439.3	1,823.7	2,052.2
Community, Social & Personal				
Services	625.7	576.3	643.3	706.6
TOTAL PUBLIC SECTOR	643.6	591.6	687.2	756.6
TOTAL PRIVATE AND PUBLIC	653.6	599.5	717.9	802.4
MEMORANDUM ITEMS IN PUBLIC SECTOR				
Central Government	679.7	614.6	734.4	784.6
Teacher's Service Commission	517.4	482.2	533.7	612.7
Parastatal Bodies***	784.7	710.0	801.3	860.0
Majority Control by the Public				
Sector +	804.6	759.5	929.7	1,064.4
Local government	523.6	544.8	687.8	839.7
TOTAL PUBLIC SECTOR	643.6	591.6	687.2	756.6

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

Employment in the Informal Sector

4.20. The term informal sector, also referred to as *"Jua Kali",* covers all small-scale activities that are normally semi-organised and unregulated, and use simple labour-intensive technology. Self-employed persons or employers of a few workers largely undertake these activities. The informal activities are undertaken by artisans, traders and other operators in work-sites such as open yards, market stalls, undeveloped plots, residential houses and street pavements. Though not registered with the Registrar of Companies, they may or may not have licences from local authorities for carrying out a variety of businesses. The Government has recognised the sector as a major source of employment and income and has promoted the sector in various ways.

4.21. Available information on employment reveals that a large proportion of the surplus labour in the economy is continuously joining the expanding informal sector, The high

employment generation potential principally results from the multiplicity of the informal sector activities; the use of simple and inexpensive technologies, which do not require specialised skills, its high labour intensity and ease of entry - for it requires little capital investment and virtually no registration formalities. Also, the workforce engaged in subsistence farming and pastoralist's activities are shifting to the informal sector, as the economy becomes more and more market oriented.

CHANGES IN WAGE EMPLOYMENT, PRICES AND REAL EARNINGS, 1993 - 1996

Table 4.12 Percentage

	1993	1994	1995	1996*
Wage employment	0.9	2.0	3.5	3.2
Average earnings at current prices .. .	13.7	18.2	21.6	21.9
Consumer prices (Inflation rates)**	46.0	28.8	1.6	9.0
Real average earnings	-22.1	-8.3	19.7	11.8

• Provisional

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

4.22. As shown in Table 4.13, the number of persons engaged in the informal sector rose by 18.0 per cent to 2,643,750 persons. Most of the informal sector activities are based in the urban areas, which absorbed 64.0 per cent of informal sector employment in 1996. Nairobi province had the highest informal sector employment of 623,924 persons, and accounted for 23.6 per cent of employment in the informal sector in 1996. Rift Valley and Central Provinces occupied the second and third positions in providing employment in the sector, with 502,313 persons and 417,713 persons engaged, respectively.

NUMBER OF PERSONS ENGAGED BY PROVINCE

Table 4.13 Number

Province	1993	1994	1995	1996*
Nairobi	366,332	433,014	538,432	623,924
Central.	226,305	281,643	356,669	417,713
Nyanza	177,921	213,642	268,356	319,894
Western	98,254	131,472	156,493	187,706
Rift Valley	279,260	332,256	420,960	502,313
Eastern	138,852	164,340	217,204	253,800
Coast	174,582	229,905	274,291	325,181
North Eastern	5,006	6,101	8,061	13,219
TOTAL	1,466,512	1,792,373	2,240,466	2643,750
Of which				
Urban	960,801	1,165,041	1,470,255	1,692,000
Rural	505,711	627,332	770,211	951,750

* Provisional

4.23 Table 4.14 presents informal sector employment by industry. During the year, informal sector employment in the trades, hotels and restaurants industry expanded by 19.3 per cent to 1,675,482 persons. Also the industry absorbed 63.4 per cent of persons engaged in the informal sector. The expansion in persons engaged in the trades,

INFORMAL SECTOR, 1993 - 1996
NUMBER OF PERSONS ENGAGED BY ACTIVITY

Table 4.14 Number

Activity	1993	1994	1995	1996*
Manufacturing	418,252	492,439	616,854	710,859
Construction	20,591	26,015	31,554	36,049
Wholesale and Retail Trade, Hotels ana Restaurants	909,879	1,126,217	1,405,450	1,675,482
Transport and Communications*	23,642	28,861	35,070	41,460
Community, Social and Personal Services	94,148	118,841	151,538	179,901
TOTAL	1,466,512	1,792,373	2,240.466	2,643,750

* Provisional

** Includes mainly support services to transport activity

Hotels and restaurants industry may be attributed to the continued liberalisation of the economy. The manufacturing industry absorbed the second largest share of 26.9 per cent in informal sector employment in 1996. Total persons in informal sector employment within the community and personal services rose by 18.7 per cent to 179.901 persons. The construction industry had the smallest share of persons engaged in the sector.

Wage Awards and Registered Collective Agreements

4.24. Wage guidelines introduced in 1973 have been extensively liberalised since 1994, allowing workers and employers greater freedom in wage negotiations based on labour productivity and movements in consumer prices. Further, the Government is reviewing the guidelines with a view to leaving market forces determine appropriate wage levels. The Government has also encouraged continued dialogue between concerned parties on workers issues.

4.25. As shown in Table 4.15, gazetted monthly basic minimum wages for rural agricultural workers were raised by 6.0 per cent for all categories and on average expanded from Kshs 1,168 in 1995 to Kshs 1,238 in 1996.

BASIC GAZETTED MINIMUM MONTHLY WAGES FOR AGRICULTURAL INDUSTRY

Table 4.15 Kshs.

Type of Employee	1994	1995	1996
UNSKILLED EMPLOYEES			
18 years & above	869	939	995
Under 18 years	620	670	710
STOCKMAN, HERDSMAN AND WATCHMAN			
18 year & above	719	1,083	1,148
Under 18 years	620	777	824
SKILLED AND SEMI-SKILLED EMPLOYEES			
House servant or cook	992	1,071	1,135
Farm foreman	1,567	1,692	1,794
Farm clerk	1,567	1,692	1,794
Section foreman	1,015	1,096	1,162
Farm artisan	1,040	1,123	1,190
Tractor driver	1,102	1,190	1,261
Combined harvester driver	1,213	1,310	1,389
Lorry driver or car driver	1,273	1,375	1,458
AVERAGE	1,050	1,168	1,238

Further, gazetted basic minimum wages in urban areas were raised by 10.0 per cent across all occupations. On average, basic minimum wages for workers in urban Nairobi and Mombasa rose from Kshs 2,993 per month in 1995 to Kshs 3,293 per month in 1996. The

average minimum wage for workers in all other municipalities was raised from Kshs 2,776 per month in 1995 to Kshs 3,054 per month in 1996. Workers in all other towns had their minimum wages raised from Kshs 2,366 per month in 1995 to Kshs 2,599 per month in 1996.

GAZETTED MONTHLY BASIC MININUM WAGES IN URBAN AREAS (EXCLUDING HOUSING ALLOWANCE)

Table 4.16 Kshs.

Occupation	Nairobi Area & Mombasa			Other Municipals plus Mavoko & Ruiru Town Councils			All other towns		
	1994	1995	1996 -	1994	1995	1996*	1994	1995	1996*
General Labourer	1,700	1,904	2,094	1,567	1,755	1,931	955	1,070	1,117
Miner, stone cutter, turnboy, waiter, cook	1,835	2,055	2,261	1,628	1,823	2,005	1,048	1,174	1,291
Night watchman	1,896	2,124	2,336	1,758	1.969	2,166	1,082	1,212	1,333
Machine attendant	1,925	2,156	2,372	1,792	2,007	2,208	1,453	1,627	1,790
Machinist	2,198	2,462	2,708	2,057	2,304	2,534	1,973	1,884	2,072
Plywood machine operator	2,293	2,568	2,825	2,117	2,371	2,608	1,751	1,961	2,157
Pattern designer	2,681	2,932	3,225	2,393	2,680	2.948	2,040	2,285	2,514
Tailor, Driver (medium vehicle)	2,885	3,231	3,554	2,652	2,970	3,267	2,363	2.647	2,912
Dyer, Crawler, Tractor driver, Salesman	3,185	3,567	3,924	2,971	3,328	3.661	2,682	3,004	3,304
Saw doctor, Caretaker (building)	3,524	3,947	4,342	3,290	3,685	4,054	3,066	3,434	3,777
Cashier, Driver (heavy commercial)	3,835	4,295	4,725	3,608	4,041	4,445	3,384	3.790	4,169
Artisan (Upgraded)	2,293	2,568	2,825	2,117	2,371	2.608	1,751	1,961	2,157
Artisan Grade III	2,885	3,231	3,554	2,652	2,970	3,267	2,363	2,647	2,912
Artisan Grade II	3,185	3,567	3,924	2,971	3,328	3,661	2,682	3.004	3,304
Artisan Grade I	3,835	4,295	4,725	3,608	4,041	4,445	3,384	3 790	4,169
AVERAGE	2,677	2,993	3,293	2,479	2,776	3,054	2,132	2,366	2,599

* Provisional

4.26. The number of collective agreements registered with the Industrial Court declined from 377 in 1995 to 269 in 1996. As shown in Table 4.17, the agreements benefitted some 84,272 unionisable employees compared to 58,803 covered by the 1995 agreements. Building and construction industry recorded the lowest number by registering only one agreement; while textiles, wearing apparels, and leather industry, together with community and social services recorded the highest number by each registering 32 agreements. From the registered agreements, overall average monthly basic wage offered was Kshs 4,257. In aggregate, the agreements offered an average housing allowance of Kshs 881 compared to the previous year's figure of Kshs 783.

Consumer Price

4.27. The inflation rate, estimated by Nairobi Consumer Price Indices, accelerated from 1-6 per cent in 1995 to 9.0 per cent in 1996. The inflationary pressures were more pronounced in the middle income group, whose price index rose by 9.8 per cent from 498.02 to 546.64 in 1996. Price indices for the lower and upper income groups rose by 8.8 Per cent and 8.9 per cent, respectively above their 1995 levels.

Collective Agreements Registered by the Industrial Court

Table 4.17

Industry	No of Agreements		No of Unionisable Employees		Monthly Basic Wage Offered (Kshs)		Monthly Basic Housing Allowance Offered (Kshs)	
	1995	1996*	1995	1996*	1995	1996*	1995	1996*
Agriculture Hunting Forestry & Fishing	25	22	6,401	12,901	2,738	4,403	698	924
Mining & Quarrying	3	-	290	-	3,203	-	616	-
Food, Beverage & Tobacco	53	30	14,139	15,844	3,737	4,132	664	746
Textile, Wearing Apparels & Leather Industry	18	32	2,213	6,622	3,293	3,257	683	785
Wood & Wood Industry	3	3	138	477	3,042	3,780	490	550
Paper & Paper Products, Printing & Publishing	18	6	780	477	3,907	3,568	883	734
Chemical Petroleum Rubber & Plastic Product	24	26	1,316	1,703	4,314	4,319	544	828
Glass, Ceramic & Cement	11	5	1,185	790	6,161	2,971	692	536
Motor Mechanic & Engineering Products	2	.	71	-	5,406	-	700	-
Electronics & Electrical Products	39	30	4,513	1,622	3,631	3,310	660	805
Other Manufacturing Products	2	2	63	149	2,454	4,601	525	875
Electricity and Water	1	-	7,893	-	7,829	-	1,972	-
Building & Construction	5	1	3,378	23	3,372	8,078	417	-
Wholesale & Retail Trade, Restaurant & Hotels	60	29	4.735	28,887	3,713	3,695	776	984
Transport and Communication	36	27	7,311	9,553	4,753	4,577	961	1,087
Finance, Insurance, Real Estate & Business Serv	21	24	1,963	2,363	6,568	5,093	1,257	1,594
Community & Social Services	56	32	2,414	2,861	3,680	3,809	765	999
Total	377	269	58,803	84,272	4,222	4,257	783	881

* Provisional

4.28. The rise in inflation rate is largely attributed to an upward adjustment in the prices of petroleum products following the increase of duties on imported crude oil. In addition, there was a 75.0 per cent raise in the variable duty on sugar, the gradual extension of Value Added Tax (VAT) to cover more consumer goods and services, and a significant growth in money supply since the latter half of 1995. Other contributory factors include non-policy ones such as the reduced availability of basic foods. Consequently, staple items such as rice, maize flour, meat, milk, beans, fruits and vegetables recorded significant price increases following the dry weather conditions that prevailed during the latter half of 1996 in some parts of the country.

4.29. Due to the prevailing drought in some parts of the country, the first quarter of 1997 witnessed rapid increases in the prices of cereals and vegetables in the food category. However, the single digit inflation level is expected to be maintained in 1997 through continued pursuit of tight monetary policy by central monetary authorities. Inflation is also expected to ease with the on-going food imports and the expected recovery of the food sector following onset of well distributed long rains.

PERCENTAGE INCREASES IN NAIROBI CONSUMER PRICES', 1992/91 - 1996/95

Table 4.18

Income Group **	1992/91	1993/92	1994/93	1995/94	1996/95*
Nairobi Lower Income Index	29.5	45.8	29.0	0.8	8.8
Nairobi Middle Income Index	21.1	45.9	27.9	4.0	9.8
Nairobi Upper Income Index	16.3	53.3	30.6	3.9	8.9
Weighted Average Increases for 12 Months (Inflation rates)***	27.3	46.0	28.8	1.6	9.0

*Provisional

**The Income Groups are re - defined as

1 The lower income group comprises households with monthly earnings below KSh 2,000

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 of KSh 8,000 and above

*** The annual average increases are weighted as 0 768 for lower income group, 0 209 for middle income group and 0.023 for upper income group

4.30. Tables 4.19, 4.20, and 4.21 show a six-year series of the Nairobi consumer price indices for the lower, middle and upper income groups respectively. The year 1996 witnessed slight increases, especially in the latter half of the year in consumer price indices for all income groups. The middle income group index, which had the highest increase among the three income group indices, rose from 498.02 in 1995 to 546.64 in 1996; representing an increase of 48.62 points, with the highest increase being recorded in December, 1996. The significant rise in the middle income group index is largely reflected in the significant increase in the education, entertainment and recreation index, mainly due to increases in education costs. During the year, the lower and upper income group indices rose by 41.19 points and 44.91 points respectively.

NAIROBI REVISED LOWER INCOME GROUP CONSUMER PRICE INDEX. 1991-1996

Table 4.19 Base Feb/March 1986=100

Months	1991	1992	1993	1994	1995	1996
January	175.01	203.90	276.24	445.59	456.52	481.96
February	180.50	205.39	302.41	463.17	462.05	484.57
March	183.74	224.17	305.73	473.19	465.28	491.37
April	183.36	226.36	327.72	486.58	462.42	492.55
May	188.61	235.06	338.77	477.63	467.16	496.01
June	189.77	265.74	363.32	469.96	465.85	510.73
July	192.61	261.84	367.00	474.18	465.85	519.35
August	193.40	262.51	381.46	464.91	468.29	521.29
September	197.81	267.00	405.93	457.36	473.88	524.02
October	198.05	262.62	409.28	459.31	472.03	524.24
November	199.41	267.10	414.51	443.56	470.08	525.32
December	200.15	275.13	418.55	446.25	476.25	528.52
Annual average	190.20	246.40	359.24	463.47	467.14	508.33

NAIROBI REVISED MIDDLE INCOME GROUP CONSUMER PRICE INDEX, 1991-1996

Table 4.20 Base Feb/March 1986=100

Months	1991	1992	1993	1994	1995	1996*
January	196.45	228.91	280.27	452.67	483.04	522.37
February	198.63	232.64	289.73	455.60	485.79	523.75
March	202.89	250.80	318.34	476.44	487.92	534.75
April	204.58	251.54	335.82	487.90	490.05	538.43
May	208.33	255.47	349.50	494.73	491.83	542.22
June	211.91	259.93	380.05	481.28	499.59	549.90
July	213.09	259.37	397.85	482.44	500.13	551.97
August	213.38	261.87	405.42	486.54	502.68	553.44
September	221.78	266.13	423.08	479.11	505.63	555.85
October	222.16	266.67	430.58	484.30	507.93	559.96
November	222.36	269.60	432.21	487.81	508.50	561.01
December	224.81	276.26	449.03	476.70	513.16	566.06
Annual average	211.70	256.60	374.32	478.79	498.02	546.64

*Provisional

NAIROBI REVISED UPPER INCOME GROUP CONSUMER PRICE INDEX, 1991-1996

Table 4.21 Base Feb/March 1986=100

Months	1991	1992	1993	1994	1995	1996*
January	195.14	223.61	265.85	452.29	502.95	522.51
February	196.25	224.33	270.12	459.92	505.5	522.78
March	199.45	233.95	309.89	481.99	496.93	540.29
April	.201.08	235.65	330.23	483.37	495.62	544.51
May	207.76	239.53	356.55	504.78	493.44	544.34
June	211.12	244.27	385.09	494.96	496.97	550.73
July	211.27	246.02	393.02	493.05	498.5	552.98
August	211.84	246.36	400.62	489.82	503.25	554.13
September	214.99	250.73	431.86	495.94	509.79	556.44
October	215.72	251.81	434.68	488.25	516.38	563.17
November	217.78	254.54	438.59	492.39	515.54	564.57
December	221.52	262.86	449.17	493.14	519.24	576.61
Annual average	208.66	242.81	372.14	485.83	504.51	549.42

4.31. Table 4.22 shows the Nairobi consumer price indices for food, rent and all other groups combined for the three income groups. There were substantial increases in the food index during the year for all the income groups. Since the food index carries a significant weight in the overall index, the increase in the food index contributed significantly to the rise in the overall inflation level. The noted increase in the food index was mainly caused by inadequate availability of staple items, mainly occasioned by failure of short rains in some parts of the country. The increases mostly affected the lower income group since food costs account for 44.2 per cent of their total expenditure. Consequently, the food index for the lower income group rose by 38.56 points from 468.7 points in January, 1996 to 507.26 points in December, 1996; while that for middle and upper income groups rose by 32.52 and 30.29 points over the same period, respectively.

4.32. The rent index went up for all the income groups in 1996. The index for lower income group, accounting for 25.0 per cent of their total expenditure, was estimated at 644.98 at the end of 1996, representing an increase of 45.33 points from its first quarter level. The same index for middle and upper income groups increased by 39.74 points and 42.43 points, respectively. These compare with lower increases of 13.39 points for lower income group, 32.05 points for middle income group and 26.05 points for upper income

group recorded in 1995. As shown in Table 4.22, the 1996 consumer price index for all item groups (composite index) increased modestly and gradually from the first quarter to the end of the year across all income groups.

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
1995		March	447.51	567.80	409.02	473.19
		June	445.76	568.50	411.35	469.96
		September	454.25	578.30	417.29	457.36
		December	458.59	581.19	416.41	446.25
1996*		March	468.70	599.65	436.03	491.37
		June	492.01	623.26	446.24	510.73
		September	509.25	639.49	451.50	524.02
		December	507.26	644.98	464.49	528.52
	MIDDLE INCOME	Weights	0.21	0.30	0.49	1.00
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
1996*		March	498.35	678.85	461.09	534.75
		June	524.95	698.08	468.70	549.90
		September	529.59	705.64	474.23	555.85
		December	530.97	718.59	486.58	566.06
	UPPER INCOME	Weights	0.14	0.32	0.54	1.00
1995		March	496.22	580.49	446.69	496.93
		June	478.53	580.53	451.33	496.97
		September	498.43	595.35	460.85	509.65
		December	510.11	606.54	468.92	519.24
1996*		March	511.12	631.14	493.03	540.29
		June	526.84	643.33	501.04	550.73
		September	528.95	650.01	507.10	556.44
		December	541.41	673.57	527.20	576.61

*Provisional

4.33. During the year under review, the slight rise in inflation pressure prevailing in Nairobi was also felt in the other towns of Mombasa, Kisumu and Nakuru. As shown in Table 4.23, inflation rate for Mombasa rose from 5.1 per cent to 8.0 per cent in 1996.

CONSUMER PRICE INDICES** FOR MOMBASA,KISUMU AND NAKURU. 1991-1996

Table 4.23 Base: 1976 = 100

YEAR		Mombasa	Kisumu	Nakuru
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	Annual Average	1190.72	1137.14	1235.56
1996*	March	1281.09	1190.21	1343.70
	June	1281.65	1241.57	1363.75
	September	1287.21	1271.81	1360.48
	December	1294.65	1302.35	1373.63
	Annual Average	1286.15	1251.49	1360.39

*Provisional

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

In Kisumu, the inflation level rose from 2.6 per cent per cent to 10.1 per cent, and in Nakuru from 1.0 per cent to 10.1 per cent. Among the broad item categories for the three towns, there was substantial growth in food prices while the other items registered marginal price increases.

CHAPTER 5 - MONEY, BANKING AND FINANCE

Overall Trends

The tight monetary policy pursued in 1996 was geared towards maintenance of low and stable inflation rate. Thus the monetary authorities tuned monetary policy operations to run hand-in-hand with fiscal policy in order to contain money supply within the desired levels. Towards this end, Open Market Operations (OMO) was used to check money supply growth. Commercial banks and Non-Bank Financial Institutions (NBFIs) were required to observe a minimum cash ratio of 18.0 per cent and liquidity ratio of 25.0 per cent.

Net foreign assets more than quadrupled while domestic credit increased by 10.8 per cent. Money Supply (M3) expanded by 15.9 per cent while the targeted growth rate was 15.7 per cent. The average liquidity ratio of commercial banks and NBFIs averaged 42.0 per cent and 36.9 per cent respectively in 1996. High interest rates prevailed over the year while the inflation rate remained at single digit.

5.2. Monetary indicators are summarised in Table 5.1. Net foreign assets held by the banking system, which had almost declined by one half in 1995, more than quadrupled in 1996. Net foreign assets which stood at K£ 346 million by December 1995, increased steadily over the first half of 1996 before recording a decline in the third quarter and finally peaked at K£ 1,432 million at the end of the year. These developments are consistent with the good performance of the balance of payments.

MONETARY INDICATORS, 1992 - 1996

Table 5.1

As at end of		Net Foreign Assets K£m	DOMESTIC CREDIT K£m			Money** Supply K£m	Commer-cial Bank Liquidity Ratio per cent	Advances/ Deposits Ratio Per cent
			Private*	Gover-nment	Total			
1992	December	--353.31	4,998.76	1,971,98	6,970.74	6,604.74	31	79
1993	December	975.20	5,170.54	2,444.37	7,614.91	8,079.47	50	61
1994	December	664.53	6,403.51	3,782.11	10,185.62	10,291.10	53	64
1995	December	345.65	8,551.31	3,726.26	12,277.57	11,582.25	41	79
1996	March	697.47	8,870.89	3,712.67	12,583.56	12,213.85	43	77
	June	1,331.97		3,458.23	12,694.89	12.781.78	42	76
	September	1,173.60	9,564.93	3,774.17	13,339.10	12,779.08	42	79
	December	1,432.25	9,886.35	3,719.53	13,605.88	13,424.48	42	76

Source: Central Bank of Kenya

*Includes parastatal bodies

** See Table 5.2 for Coverage.

5.3. Total credit extended by the banking system to the economy increased by 10.8 per cent in 1996 compared with 33.8 per cent and 20.5 per cent in 1994 and 1995, respectively. Borrowing by the private sector (including other public bodies) increased from K£ 8,551 million in 1995 to K£ 9,886 million in 1996. On the other hand, credit to the Government which declined by 1.5 per cent or K£ 56 million in 1995, continued with the same trend dropping by 1.8 per cent or K£ 7 million in 1996. The reduction in Government borrowing was mainly due to 34.3 per cent reduction in Government borrowing from the Central Bank in the form of overdrafts. As a result, Government's share in total credit by the banking system decreased

from 30.4 per cent in 1995 to 27.3 per cent in 1996.

5.4. The average liquidity ratio of commercial banks, which started declining towards the end of 1995, slightly improved and averaged 42.0 per cent in 1996. This high liquidity reflected increases in commercial banks cash balances with the Central Bank and holdings of Treasury bills. The high returns on the Treasury bills led commercial banks to invest in these securities. The advances/deposits ratio, which stood at 79 per cent in 1995, fluctuated over the period and finally settled at 76 per cent at the end of 1996.

5.5. Money Supply (M3), defined as broad money, which includes money supplied by Central Bank, commercial banks and NBFIs, increased from K£ 11,582 million in 1995 to K£ 13,424 million in 1996 or 15.9 per cent increase. This compares well with the targeted growth rate of 15.7 per cent. The expansion in Money Supply (M3) was supported by increases in both net foreign assets and domestic credit.

5.6. Table 5.2 summarises the components of Money Supply (M3). Money Supply (M2), which is the money supplied by Central Bank and commercial banks increased by 23.8 per cent in 1996 compared with 18.6 per cent in 1995. The expansion was mainly due to a number of NBFIs, which converted into commercial banks or merged with parent commercial banks. Consequently, narrow money and quasi-money increased by 8.3 per cent and 33.3 per cent respectively. Quasi-Money held by NBFIs, which had declined in 1995, further decreased by 20.2 per cent in 1996. The share of quasi-money of the NBFIs in the Money Supply (M3) also decreased from 19.1 per cent in 1995 to 13.2 per cent in 1996. This trend is expected to continue as more NBFIs convert into commercial banks.

MONEY AND QUASI-MONEY SUPPLY, 1992 -1996

Table 5.2 K£million

As at end of		Money and Quasi-Money (MS)			Quasi-Money	Adjust ***	
		Money*	Quasi-Money**	Total (M2)	(NBFIs)		Total (M3)
1992	December	2,470.16	2,494 43	4,964.59	1,874.48	-234.33	6,604.74
1993	December	3,028.92	3,212.50	6,241.42	2,168.72	-330.67	8,079.47
1994	December	3,364.31	4,771.98	8,136.29	2,653.66	-498.85	10,291.10
1995	December	3,666.02	5,982.88	9,648.90	2,215.92	-282.57	11,582.25
1996	January	3,586.37	6,120.45	9,706.82	2,310.06	-250.67	11,766.21
	February	3,620.57	6,088.59	9,709.16	2,331.50	-155.14	11,885.52
	March	3,688.06	6,569.73	10,257.79	2,253.64	-297.58	12,21385
	April	3,854.70	6,844.86	10,699.56	1,988.35	-304.07	12,383.84
	May	3,706.08	7,031.47	10,737.55	2,007.61	-274.76	12,470.40
	June	3,816.25	7,188.06	11,004.31	2,039.95	-262.48	12,781.78
	July	3,863.95	7,385.72	11,249.67	2,010.65	-250.71	13,009.61
	August	3,798.80	7.490.92	11,289.72	1,979.07	-282.14	12,986.65
	September	3,659.45	7,390.23	11,049.68	1,965.25	-235.85	12,779.08
	October	3,788.65	7,407.91	11,196.56	1,923.19	-227.53	12,892.22
	November	3,888.94	7,555.07	11,444.01	1,888.24	-236.72	13,095.53
	December	3,970.83	7,972.53	11,943.36	1,769.12	-288.00	13,424.48

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 and Non-Resident Banks

*** NBFIs domestic notes and coins and their deposits with banks.

5.7. Consolidated accounts of the banking system (Central Bank, commercial banks and NBFIs) are summarised in Table 5.3. The assets and liabilities of the banking system which experienced steady growth between 1993-95, registering an annual average growth rate of 24.1 percent, increased by 19.1 per cent, from K£ 12,623 million in 1995 to K£ 15,038 million in 1996. These developments reflect good management in the overall banking sector and enhanced public confidence in the banking system. The high increases in Money Supply (M2) was mainly in quasi-money, which expanded by 33.3 per cent as a result of 61.1 per cent increase in time deposits. The increase in Money Supply (M3) is reflected in the increases in net foreign assets and domestic credit.

CONSOLIDATED ACCOUNTS OF THE BANKING SYSTEM, 1992 - 1996

Table 5.3 K£million

	AS AT THE END OF							
					1996			
	1992	1993	1994	1995	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
LIABILITIES-								
1 Money (M1):								
1.1 Demand Deposits	1,609.89	1,961.17	2,123.46	2,221.47	2,247.58	2,376.24	2,268.54	2,451.13
1.2.Currency outside banks	860.27	1,067.75	1,240.85	1,444.55	1,440.48	1,440.01	1,390.91	1,519.70
Sub-Total	2,470.16	3,028.92	3,364.31	3,666.02	3,688.06	3,816.25	3,659.45	3,970.83
2. Quasi-Money(MS):								
2.1 Call + 7 days Notice Deposits	570.08	857.58	637.74	797.33	784.35	808.94	770.30	776.54
2.2 Savings Deposits	1,090.70	1,420.27	2,063.03	2,332.86	2,427.36	2,481.81	2,443.51	2,599.38
2.3 Time Deposits	833.65	934.65	2,071.21	2,85269	3,358.02	3,897.31	4,176.42	4,596.61
Sub-Total	2,494.43	3,212.50	4,771.98	5,982.88	6,569.73	7,188.06	7,390.23	7,972.53
Money Supply(M2)	4,964.59	6,241.42	8,136.29	9,648.90	10,257.79	11,004.31	11,049.68	11,943.36
3 Quasi-Money (NBFIs)	1,874.48	2,168.72	2,653.66	2,215.92	2,253.64	2,039.95	1,965.25	1,769.12
Adjustments for Cross Balance	-234.33	-330.67	-498.85	-28257	-297.58	-262.48	-235.85	-288.00
Total Money Supply(M3)	6,604.74	8,079.47	10,291.10	11,582.3	12,213.85	12,781.78	12,779.08	13,424.48
4 Other Items (Net)	12.70	510.60	559.05	1,041.00	1067.17	1,245.09	1,733.65	1,613.65
TOTAL	6,617.44	8,590.07	10,850.15	12,623.3	13,281.02	14,026.87	14,512.73	15,038.13
ASSETS-								
5 Net Foreign Assets	-353.31	975.20	664.53	345.7	697.47	1331.97	1,173.60	1,432.25
6 Domestic Credit								
6.1 Central Govt (Net)..	1,971.98	2444.37	3,782.11	3,726.26	3,712.67	3,458.23	3,774.17	3,719.53
6 2 Private Sector	4,774.80	4,950.59	6,115.90	8,282.95	8,642.25	9,032.82	9,267.02	9,601.51
6.3 Other Public Bodies	223.97	219.91	287.61	268.39	228.63	203.85	297.94	284.84
TOTAL	6,617.44	8,590.07	10,850.15	12,623.3	13,281.02	14,026.87	14,512.73	15,038.13

Source: Central Bank of Kenya.

5.8. Table 5.4 presents analysis of changes in Money Supply and sources of these changes. Expansion in Money Supply (M3) by K£ 1,842 million in 1996 was supported by increases of K£ 1,087 million in net foreign assets, K£ 1,328 million in domestic credit and K£ 573 million in other assets net of liabilities of the banking system.

5.9. Table 5.5 presents real values of selected financial aggregates obtained by deflating the nominal values by the weighted Consumer Price Index (CPI). All the financial aggregates except those of NBFIs grew in real terms as a result of low inflation rate, which stood at 9.0 per cent in 1996. In real terms, money supply (M3) and total liabilities of the banking system grew by 6.3 per cent and 9.3 per cent respectively. Commercial banks credit to the private sector and total commercial banks credit respectively recorded significant real growth rates of 14.4 per cent and 13.6 per cent. On the other hand, NBFIs credit to private sector and total NBFIs credit in real terms declined by 18.3 per cent and 24.2 per cent respectively. Total liabilities of NBFIs in real terms also declined by 20.8 per cent. All these declines are as a result of some NBFIs, which either converted into commercial banks or merged with parent banks.

CHANGES IN MONEY SUPPLY AND SOURCES OF CHANGES, 1992 - 1996

Table 5.4 K£million comparing year-end values

	1992	1993	1994	1995	1996
MONEY SUPPLY-					
1. Currency plus demand deposits	753.19	558.76	335.39	301.71	304.81
2. Quasi-money(MS)	495.09	718.07	1,559.48	1,210.90	1,989.65
3.Quasi-money(NBFIs)	205.00	294.24	484.94	-437.74	-446.80
4. Cross Bal. Adjustments	-65.35	-96.34	-168.18	216.28	-5.43
5. Total money supply	1,387.93	1,474.73	2,211.63	1,291.15	1,842.23
SOURCES OF CHANGES—					
6. Net foreign assets	72.85	1,328.51	-310.67	-318.88	1,086.60
7. Domestic credit —					
(a) to Central Government(net)	140.55	472.39	1,337.74	-55.85	-6.73
(b) to other public sector	-11.63	-4.06	67.70	-19.22	16.45
(c) to private sector	758.91	175.79	1,165.31	2,167.05	1,318.56
(d) all domestic credit	887.83	644.12	2,570.75	2,091.98	1,328.28
8. Other Items (Net)	-427.25	497.90	48.45	481.95	572.65
9. Total sources of changes	1,387.93	1,474.73	2,211.63	1,291.15	1,842.23

TRENDS IN THE REAL VALUE OF CERTAIN FINANCIAL AGGREGATES*, 1992 - 1996

Table 5.5 K£million at constant (1986) prices

	1992	1993	1994	1995	1996
1. Money Supply(M3)	2,658.4	2,228.0	2,202.8	2,441.2	2,595.2
2. Commercial bank credit to private sector	1,195.1	864.1	898.7	1,313.4	1,502.1
3. Total commercial bank credit	1,297.5	928.4	968.3	1,382.0	1,570.2
4. Total liabilities of banking system	2,663.5	2,368.8	2,322.4	2,660.6	2,907.2
5. NBFIs credit to private sector	711.4	497.4	431.4	438.7	358.5
6. Total NBFIs credit	872.3	759.1	660.8	515.7	390.7
7. Total liabilities of non-bank financial institutions	1,142.7	939.7	831.2	704.0	557.6
Memorandum Item					
Line 7 as per cent of line 4	42.9	39.7	35.8	26.5	19.2

*Deflated by average Consumer Price Indices

Interest Rates

5.10. The upward pressure on interest rates which started during the second half of 1995, continued into 1996. The upward trend in the interest rates partly coincided with the Central Bank intervention in the money market through enhanced sales of Treasury bills. The process was aimed at mopping excess liquidity injected in the economy as a result of Central Bank intervention in the foreign exchange market and need to finance the budget deficit from domestic sources. In order to achieve all these, the Central Bank had to maintain high interest rates on Treasury bills to attract deposits. In addition, there was generally high demand for domestic credit as reflected by the high advances/deposits ratio (Table 5.1). All these created upward pressure on interest rates. The results of these developments are summarised in Table 5.6.

PRINCIPAL INTEREST RATES, 1994 -1996

Table 5.6 Percentage

	1994	1995	1996	
	December	December	June	December
CENTRAL BANK OF KENYA				
Discount Rate for 91 day Treasury Bills	17.90	20.90	20.86	21.61
Advances against Treasury Bills	20.50	23.50	26.00	26.88
Bills and Notes under Crop Finance Scheme:				
Discounts	21.50	24.50	26.00	26.88
Advances	21.50	24.50	26.00	26.88
Other Bills and Notes				
Discounts	21.50	24.50	26.00	26.88
Advances	21.50	24.50	26.00	26.88
Treasury Bonds (Coupon Rates):				
One Year	15.00	15.00	15.00	15.00
Two Years	16.50	16.50	15.00	15.50
Five Years	17.00	17.00	17.00	17.00
KENYA COMMERCIAL BANKS				
Time Deposits **				
0-3 Months	9.37-16.41	10.48-18.07	11.74-19.23	12.69-19.37
3-6 Months	11.07-15.72	11.34-16.32	13.09-17.89	13.26-18.05
6-9 Months	11.21 -15.62	10.65-14.27	12.00-16.24	12.85-17.24
9-12 Months	11.78 -16.85	10.12-13.47	11.57-16.46	12.44-16.64
Over 12 Months	12.44- 17.46	12.69-15.66	13.35-17.43	13.84-19.02
Savings Deposits	8.58-15.73	6.89-12.09	7.63-13.84	7.95-14.49
Loans and Advances(Maximum)*	30.93	33.14	34.28	34.60
Inter-bank Rate	8.90	20.60	13.30	16.00
OTHER FINANCIAL INSTITUTIONS				
Kenya Post Office Savings Bank deposits	10.00	6.00	6.00	6.00
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)	8.00-17.50	8.00-.18.50	7.00-25.00	8.00-23.00
Loans	19.00 - 27.00	23.00-33.50	8.10-40.25	8:00-36.50
Building Societies				
Deposits	11.50 - 30.00	4.00-30.00	4.00-28.00	4.00-28.00
Loans	29.00	26.00	31.00	31.00

Source: Central Bank of Kenya

* Loans and advances for less than 3 years

** For all commercial banks consolidated

5.11. The discount rate for Treasury bills which strongly influenced the general trend in interest rates increased from 20.9 per cent in December 1995 to 21.6 per cent in December 1996 having lowered down to 20.9 per cent in June 1996. Secured overnight lending rate by Central Bank to commercial banks increased from 23.5 per cent to 26.9 per cent over the same period while discount rates on all other Government securities increased from 24.5 per cent to

26.9 per cent. On the other hand coupon rates on Treasury bonds have remained at the same level for the last seven years.

5.12. All commercial bank's interest rates registered increases in 1996. The average weighted savings deposits interest rate increased from 9.5 to 11.2 per cent while the interest rate charged on loans and advances for less than three years rose from 33.1 per cent to 34.6 per cent. On the other hand, the inter-bank rate which more than doubled in 1995, decreased from 20.6 per cent in December 1995 to 16.0 per cent in December 1996. On interest rates offered by other financial institutions, the savings interest rate by Kenya Post Office Savings Bank (POSB) remained at the 1995 level of 6.0 per cent. Interest charged on loans granted by Agricultural Finance Corporation has remained at 20.0 per cent for the last four years. Merchant banks' average time deposits interest rates increased from 13.3 per cent in December 1995 to 15.5 per cent in December 1996, while interest on loans decreased from 28.3 per cent to 22.3 per cent over the same period. Building societies' maximum interest rate on time deposits decreased from 30.0 per cent in December 1995 to 28.0 per cent in December 1996,while interest rate on loans increased by 5.0 percentage points to 31.0 per cent in 1996.

5.13. Interest rates adjusted for inflation rate as measured by the Nairobi Consumer Price Index (CPI) are presented in Table 5.7. Although the inflation rate increased from 1.6 per cent in 1995 to 9.0 per cent in 1996, all interest rates except those of POSB on deposits remained positive since the inflation level remained below these interest rates.

TRENDS IN SELECTED REAL INTEREST RATES, 1994 - 1996

Table 5.7 Percentage

		Year	Nominal Interest	Inflation Rate*	Real Interest**
1	Discount Rate for Treasury Bills	1994	17.9	28.8	-10.9
		1995	20.9	1.6	19.3
		1996	21.6	9.0	12.6
2	Advances against Treasury Bills	1994	20.5	28.8	-8.3
		1995	23.5	1.6	21.9
		1996	26.9	9.0	17.9
3	Commercial bank savings deposits (ave)	1994	12.1	28.8	-16.7
		1995	9.5	1.6	7.9
		1996	11.2	9.0	2.2
4	Commercial bank loans and advances (max)	1994	30.9	28.8	2.1
		1995	33.1	1.6	31.5
		1996	34.6	9.0	25.6
5	Inter-Bank Rate	1994	8.9	28.8	-19.9
		1995	20.6	1.6	19.0
		1996	16.0	9.0	7.0
6	POSB deposits***	1994	10.0	28.8	-18.8
		1995	6.0	1.6	4.4
		1996	6.0	9.0	-3.0
	Building society loans (max)	1994	29.0	28.8	0.2
		1995	26.0	28.8	-2.8
		1996	31.0	9.0	22.0

*Taken from Table 4.15

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

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

Central Bank of Kenya - Assets and Liabilities

5.14. Asset and liabilities of the Central Bank are summarised in Table 5.8. The assets and liabilities increased by 4.4 per cent from K£ 5,583 million in 1995 to K£ 5,830 million in 1996 as compared with 27.8 per cent growth in 1995. On the assets side, foreign exchange reserves of the Bank rose by 87.7 per cent mainly due to an almost two fold increase in balances with external banks. Advances and discounts to banks and direct advances and overdrafts to Kenya Government both declined by 7.3 per cent and 34.3 per cent in 1996, respectively.

CENTRAL BANK OF KENYA - ASSETS AND LIABILITIES, 1992 - 1996

Table 5.8 K£million

ASSETS	1992	1993	1994	1995	1996			
					1st Qr	2nd Qr	3rd Qr	4th Qr
1. Foreign Exchange-								
1.1 Balances with External Banks	235.02	1,500.30	1,312.75	1,183.00	1,548.30	2,208.00	2,080.65	2,251.20
1.2 Treasury Bills	1.74	92.29	6.45	3.80	4.65	1.05	1.25	3.10
1 3 Other Investments	33.04	48.80	37.50	43.10	46.10	50.55	42.55	57.05
1 4 Special Drawing Rights	8.73	10.35	3.65	3.55	4.95	3.35	3.40	2.10
TOTAL	278.53	1,651.74	1,360.35	1,233.45	1,604.00	2,262.95	2,127.85	2,313.45
2 Securities issued or Guaranteed by Kenya Government	152.89	1,122.90	-	-	-	-	-	-
3 Advances & Disc to Banks	635.82	574.20	503.60	488.30	498.10	465.80	460.20	452.80
4 Direct Advances & Overdraft to Kenya Government	503.70	10.00	1,037.75	2282.10	1,928.00	1,210.80	1,509.90	1,499.65
5 Other Assets including Kenya Treasury Bills & Bonds	922.31	2,534.80	1,467.00	1,579.25	1,587.10	1,604.00	1,775.45	1,564.50
TOTAL ASSETS	2,493.25	5,893.64	4,368.70	5,583.10	5,617.20	5,543.55	5,873.40	5,830.40
LIABILITIES :								
1 Capital and General Resources Fund	102.88	25.00	29.65	42.95	370.85	87.65	170.45	279.60
2 Currency in Circulation-								
2.1 Notes	981.66	1,216.51	1,432.90	1,667.00	1,588.00	1,578.75	1,584.20	1,776.10
2.2 Coins	21.24	22.35	25.30	32.75	33.00	34.50	37.75	40.80
TOTAL CURRENCY	1,002.90	1,238.86	1,458.20	1,699.75	1,621.00	1,613.25	1,621.95	1,816.90
3 Deposits-								
3.1 Kenya Government	-	1,914.46	-	-	-			-
3.2 Kenya Banks *	283.74	867.75	1,307.60	1,860.30	1,797.55	1,827.10	2,064.60	2,032.70
3.3 External Banks	707.51	1,301.61	967.65	1,119.70	1,137.95	1,138.25	1,110.95	1,014.35
3.4 Other	278.85	277.95	158.75	271.75	299.80	284.55	310.70	296.45
TOTAL	1,270.10	4,361.77	2,434.00	3,251.75	3,235.30	3,249.90	3,486.25	3,343.50
4. Other Liabilities	117.37	268.00	446.85	588.65	390.05	592.75	594.75	390.40
TOTAL LIABILITIES	2,493.25	5,893.63	4,368.70	5,583.10	5,617.20	5,543.55	5,873.40	5,830.40

Source: Central Bank of Kenya

* includes NBFIs

5.15. Under liabilities, currency in circulation increased by 6.9 per cent in 1996, which was mainly attributed to the 6.5 per cent increase in notes. Total deposits increased by 2.8 per cent, from K£ 3,252 million in 1995 to K£ 3,343 million in 1996. Deposits of banks in Kenya increased by 9.3 per cent while those of external banks decreased by 9.4 per cent. Capital and general resources fund which had risen by 45 per cent in 1995, increased more than six times from K£ 43 million in 1995 to K£ 280 million in 1996. Other liabilities decreased substantially from K£ 589 million in 1995 to K£ 390 million in 1996, a decline of 33.7 per cent.

Banks - Credit and Liquidity

5.16. Commercial banks bills, loans and advances are summarised in Table 5.9. Total credit by the commercial banks to the economy increased by 23.9 per cent, from K£ 6,557 million in 1995 to K£ 8,122 million in 1996. Borrowing by the public sector which almost remained at the 1994 level in 1995 increased by 8.2 per cent in 1996. Increase in credit to public sector was largely in credit to other public entities, which rose by 6.1 per cent and accounted for 56.0 per cent of the increase in the public sector borrowing. The share of the public sector in total credit by the commercial banks declined further to 4.3 per cent in 1996 from 4.9 per cent in 1995.

COMMERCIAL BANKS - BILLS,LOANS AND ADVANCES*, 1992-1996

Table 5.9 K£million

	1992 Dec.	1993 Dec.	1994 Dec.	1995 Dec	1996 Dec
PUBLIC SECTOR:					
Central Government	71.21	39.47	56.43	63.53	72.70
Local Government	7.40	10.97	12.46	15.21	17.87
Enterprises, Parastatal bodies and other Public entities	175.69	182.58	256.22	246.83	261.89
TOTAL PUBLIC SECTOR	254.30	233.02	325.11	325.57	352.46
PRIVATE ENTERPRISES:					
Agriculture	412.19	478.79	594.52	723.91	742.99
Mining and Quarrying	18.15	12.17	50.52	76.49	82.14
Manufacturing	581.03	775.47	960.91	1,608.18	1,954.77
Building and Construction	212.42	177.89	210.86	304.58	437.72
Transport,Storage and Communication	115.34	136.25	205.67	329.71	376.58
Trade	491.16	461.75	654.02	1,089.89	1,321.39
Financial Institutions	63.70	94.83	76.89	162.10	157.86
Other Business	982.26	873.90	1,288.66	1,691.51	2,435.43
TOTAL PRIVATE ENTERPRISES	2,876.25	3,011.05	4,042.05	5,986.37	7,508.88
COMMUNITY AND PERSONAL SERVICES (including non-profit making institutions)	93.04	122.33	156.77	244.82	260.93
TOTAL BILLS, LOANS AND ADVANCES	4,523.56	3,366.40	4,523.93	6,556.76	8,122.27

Source: Central Bank of Kenya

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

5.17. Lending to the private sector by commercial banks increased from K£ 6,231 million in 1995 to K£ 7,770 million, an increase of 24.7 per cent. Credit to agriculture, which increased by 21.8 per cent in 1995, only registered an increase of 2.6 per cent in 1996. Credit to manufacturing and building and construction recorded increases of 21.6 per cent and 43.7 per cent, respectively. Lending to trade sector increased by 21.2 per cent while lending to financial institutions decreased by 2.6 per cent. The share of credit to manufacturing and trade sector in total private sector credit in 1996 almost maintained 1995 levels. On the other hand, the share of agriculture in total private sector credit decreased from 11.6 per cent in 1995 to 9.6 per cent in 1996 while that to building and construction increased from 4.9 per cent to 5.6 per cent.

5.18. Table 5.10 summarises the deposit liabilities and the liquid assets of the commercial banks. The deposit liabilities of the commercial banks increased by 31.3 per cent from K£ 7,910 million in 1995 to K£ 10,383 million in 1996. The liquid assets of commercial banks,

which had declined by 8..1 per cent in 1995, increased by 31.6 per cent in 1996, from K£ 3,277 million to K£ 4,311 million. The expansion in liquid assets was mainly in commercial banks' holdings of Treasury bills. These are reflected in the percentage share of Treasury bills held by the commercial banks in the outstanding stock of Treasury bills, which stood at 58.8 per cent. The liquidity ratio, being the ratio of liquid assets to deposits liabilities for commercial banks and NBFIs, averaged 42.0 per cent and 37.0 per cent respectively in 1996. The minimum liquidity ratio for all banking institutions remained fixed at 25 per cent.

COMMERCIAL BANKS - DEPOSIT LIABILITIES AND LIQUID ASSETS, 1993 - 1996

Table 5.10

		Deposit Liabilities K£mn	Liquid Assets'* K£mn	Current Liquidity Ratio*** per cent
1993	December	4,708.29	2,376.58	50
1994	December	6,813.19	3,606.86	53
1995	December	7,909.97	3,276.89	41
1996-				
	January	8,330.35	3,409.93	41
	February	8,611.70	3,502.89	41
	March	8,953.35	3,827.53	43
	April	9,193.35	4,031.61	44
	May	9,531.80	4,063.67	43
	June	9,712.05	4,096.51	42
	July	9,922.04	4,237.29	43
	August	10,072.05	4,237.36	42
	September	9,995.30	4,174.32	42
	October	10,125.77	4,096.81	40
	November	10,200.33	4,210.21	41
	December	10,383.47	4,310.65	42

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 March 1994 the prescribed minimum was fixed at 25 per cent

Non-Bank Financial Institutions

5.19. Total assets and liabilities of Non-bank Financial Institutions (NBFIs) are summarised in Table 5.11. Total assets and liabilities stood at K£ 2,884 million in 1996 compared with K£ 3,340 million in 1995, a decline of 13.6 per cent. Over the period under review, the total assets and liabilities decreased gradually as more NBFIs converted into commercial banks or merged with the parent banks. Under liabilities, deposits of the Central and Local Government declined by 17.2 per cent while those of other public sector increased by 9.6 per cent in 1996. "Other depositors" deposits declined from K£ 2,042 million in 1995 to K£ 1,631 million in 1996 or 20.1 per cent decrease. Other liabilities of the NBFIs declined by 5.9 per cent.

5.20. On assets, cash in hand and balances with banks, which had increased by 48.6 in 1995, declined by 8.1 per cent in 1996 from K£ 649 million to K£ 597 million. Balances with other financial institutions increased by 71.1 per cent while those of associated companies declined by 40.8 per cent. Lending to the public sector in the form of investments, bills, loans and

advances reduced by more than one half, from K£ 365 million in 1995 to K£ 167 million in 1996. Borrowing by private sector decreased from K£ 2,081 million in 1995 to K£ 1,855 million in 1996, a decline of 10.9 per cent. Other assets, which fluctuated over the four quarters of 1996, rose by 3.7 per cent during the year.

ASSETS AND LIABILITIES OF NON-BANK FINANCIAL INSTITUTIONS. 1992 -1996

Table 5.11 K£million

	AS AT END OF							
					1996			
	1992	1993	1994	1995	1st Qr	2nd Qr	3rd Qr	4th Qr
LIABILITIES								
Deposits-								
Central & Local Government	36.37	36.56	29.33	33.95	3260	24.90	28.51	28.12
Other Public Sector	370.88	368.70	342.61	234.32	230.06	251.94	234.44	256.77
Other Depositors	1,675.00	1,924.39	2,481.58	2,041.57	2,072.30	1,866.50	1,783.82	1,630.55
Other Liabilities	756.89	1,078.03	1,029.90	1,030.15	1,011.10	906.18	968.03	968.93
TOTAL LIABILITIES	2,839.14	3,407.68	3,883.42	3,339.99	3,346.06	3,049.52	3,014.80	2,884.37
ASSETS:								
Cash and Banks	275.12	289.05	437.05	649.41	651.20	604.47	547.45	596.90
Other Financial Institutions	171.89	149.85	119.25	32.93	2642	45.33	43.52	56.34
Associated Companies	50.35	44.10	23.01	19.89	13.02	11.58	11.75	11.78
Investments. Bills.								
Loans 4 Advances -								
Public Sector	401.42	949.17	1,071.95	365.31	331.45	219.75	246.56	166.59
Private Sector	1,765.88	1,803.73	2,015.47	2,081.31	2,130.97	2,007.24	1,995.18	1,854.55
Other Assets	174.48	171.78	216.69	191.14	193.00	161.15	170.34	198.21
TOTAL ASSETS	2,839.14	3,407.68	3,883.42	3,339.99	3,346.66	3,649.52	3,014.80	2,884.37

Source: Central Bank of Kenya

Developments in the Financial Sector

Money Market Developments

5.21. At the end of 1996, the banking sector comprised of 50 commercial banks, 19 NBFIs and 2 mortgage finance companies. The number of building societies remained unchanged at four. In 1996 three commercial banks were placed under liquidation by the Deposits Protection Fund. Lastly, as a result of continued adoption of universal banking concepts, 12 NBFIs converted into commercial banks while 6 more merged with their parent commercial banks.

5.22. Market information, which is needed by and guides participants in the money market, became more available in 1996. The Central Bank introduced publication of money market information which includes amount of Treasury bills offered, amounts bid and accepted; average discount and yield rates of each tender; and redemption for the week.

5.23. The year 1996 witnessed the introduction of Repurchase Agreements (REPOs) as an alternative instrument to be used in the money market, especially by the Central Bank to alter reserve levels. REPOs increases the liquidity of the already existing short term instruments especially goverment securities used in the market and hence their marketability. On the other hand, 60 and 270 days Treasury bills were discontinued while the 30, 90 and 180 days were replaced with 28, 91 and 182 days respectively. At the same time, the Central Bank encouraged sale of Treasury bills through the market rather than OMO window with the' aim of creating a secondary market. A window for individuals with tenders of upto K£ 5,000 at the average tender rate was introduced to cater for small investors.

5.24. Conditions for Central Bank lending to commercial banks were relaxed in 1996. Treasury bills were accepted as collateral for either borrowing or discounting regardless of their time to maturity. Borrowing by banks was to be considered even when they had lent in the inter bank market. The base lending and discounting rates were pegged at 5 percentage points above the highest prevailing Treasury bills yield, and was later increased to 6 percentage points.

5.25. In order to improve liquidity conditions in the financial system and hence check on the interest rates, and to enable the banking system have more flexibility in their liquidity management, Lombard borrowing facility for commercial banks was introduced. The facility allows banks to borrow upto 5 per cent of their paid up capital, interest of which was set at 2 percentage points, but later increased to 4 percentage points above the highest prevailing Treasury bills yield. The cash ratio deposit base for both commercial banks and NBFIs was redefined to exclude the deposits they hold in other banks and financial institutions. All these measures taken by the Central bank aim at creating a stable and sound financial system, a condition necessary for economic development.

Capital Market Developments

5.26. In 1996, the capital markets continued to grow steadily as evidenced by the number of public share issues, the amounts of long term funds raised and by the registered increase of activities in the secondary market. The number of listed companies at the Nairobi Stock Exchange (NSE) and registered stockbrokers remained at 56 and 20 respectively. On the other hand, the number of licensed investment advisers rose from 15 in 1995 to 20 in 1996. The Capital Markets Authority (CMA) and NSE continued to administer the Compensation Fund Account established in 1995. The fund aims to protect investors against pecuniary losses arising from equity trading.

5.27. Under the on-going privatisation programme, Government shares worth K£ 192 million, which involved the issuance of 287 million shares in 3 companies, were sold to the public. Another K£ 41 million was raised through the East African Development Bank Corporate Bond, which was the first corporate bond or commercial paper to be issued and listed at the NSE. These developments are reflected in the increased activities at the NSE.

5.28. Shares traded at the NSE increased from 59.4 million in 1995 to 113.6 million in 1996 and the value of shares traded equally increased from K£ 167 million to K£ 198 million. The market capitalisation stood at K£ 4,947 million while the number of deals recorded was 63,303. The NSE Share Index, which stood at 3468.9 in 1995 dropped to 3114.1 at the end of 1996 as a result of reduced share prices.

5.29. The year witnessed the first Venture Capital Fund in Kenya. The Acacia Venture Capital Fund was launched in the market in order to provide investment capital to private sector businesses with high growth potential but without available access to capital markets. The fund is promoted by Commonwealth Development Corporation and capitalised at K£ 50 million.

Insurance Sector Developments

5.30. In 1996, there were 37 licensed and operational insurance companies. These were supported by three re-insurance companies, 114 licensed insurance brokers, one claim settling agent, 15 insurance surveyors, 4 risk managers and approximately 2,700 insurance agents. During the year, two insurance companies merged while the only state owned insurance company, Kenya National Assurance Company was de-registered. The decision was reached when the company failed to meet the solvency margin prescribed by the Insurance Act.

5.31. In order to maintain stability in the sector, keen supervision of both insurance companies and those providing insurance services was maintained. Towards this end, the Government imposed a 5 per cent penalty to brokers on outstanding premium kept for over 60 days. Bank guarantee on brokers was increased and Professional Indemnity Cover limit increased from K£ 0.1 million to K£ 0.2 million.

5.32. To increase efficiency of the players in the insurance industry, the Government introduced Agents Proficiency Examination in 1996. This is to ensure that in future, the industry will be managed professionally. This will improve the business atmosphere and consequently enhance economic development.

CHAPTER 6 - PUBLIC FINANCE

Overview

The Government's budgetary and public expenditure policies have been focussed towards tightening control on expenditure while at the same time improving the quality and sectoral allocation of financial resources. It has also been aimed at allocating more resources for development activities while compressing growth in recurrent expenditure so as to lower the budget deficit.

Overall Results

6.2. During this financial year, development expenditure allocation is K£ 2,308 million compared to K£ 1,380 million in 1995/96. Some of the projects that are being undertaken in 1996/97 include construction of sewerage, construction of dams, control of communicable diseases, parastatal reform and re-organisation and maintenance of roads. Recurrent expenditure is expected to increase minimally from K£ 7,790 million in 1995/96 to K£ 7,839 million in 1996/97 financial year. More funds have also been allocated for goods and services, including non-wage maintenance and operations.

6.3. The budget out-turn for the last five fiscal years is given in Table 6.1. The Government control on expenditure growth, improved revenue collection and implementation of good tax policies are projected to lead to a current account surplus of K£ 37.4 million in 1996/97, but smaller than the expected provisional figure of K£ 436 million in 1995/96. This is partly as a result of improvement in current revenue yields and a modest increase in current expenditure.

6.4. Capital expenditure is likely to grow by 18.2 per cent from K£ 890 million in 1995/96 to K£ 1,053 million in 1996/97. Net lending is expected to grow significantly from a net repayment of K£ 209.7 million to a net lending of K£ 133 million. External grants will also improve from K£ 450 million to K£ 787 million. These changes recorded in the out-turn will result into a lower overall deficit of K£ 23.8 million in 1996/97 compared to K£ 356 million in 1995/96.

6.5. The provisional deficit in 1995/96 exceeded the original estimate due to a rise in expenditure and a shortfall in current revenue collections. This year the deficit of K£ 356.45 million is expected to be financed mainly by domestic borrowing and external loans. The two sources will contribute a total of K£ 224.9 million in 1996/97.

6.6. Analysis of key fiscal trends for the last five fiscal years is given in Table 6.2. The ratio of current surplus as a percentage of current revenue decreased from 6.0 per cent in 1995/96 to 0.5 per cent in 1996/97, due to improvement in current revenue yields and small increases in current expenditure. The ratio of capital expenditure to current expenditure has improved over the last two fiscal years. This is due to improvement in the gross fixed capital formation.

CENTRAL GOVERNMENT OUT-TURN OF REVENUE AND EXPENDITURE*. 1992/93 - 1995/96

Table 6.1 K£million

	1992/93	1993/94	1994/95	1995/96**	1996/97+	Percentage Increases 1992/93 to 1996/97
Current Revenue	3,454.71	5,039.37	6,097.82	7,181.84	7,441.42	115.40
Current Expenditure***	3,884.17	5,912.64	5,888.84	6,745.53	7,404.05	90.62
Current Surplus	-429.46	-873.27	208.98	436.31	37.37	-108.70
Capital Revenue	21.37	12.31	38.62	29.02	502	-76.51
Capital Expenditure***	423.71	566.67	715.17	890.36	1,052.63	148.43
Net Lending***	76.28	35.90	29.52	-209.71	133.36	74.83
External Grants	440.40	458.15	661.45	450.05	787.15	78.74
OVERALL DEFICIT	-467.68	-1,005.38	164.36	234.73	-356.45	-23.78
FINANCING OF DEFICIT:						
External Loans (Net)	318.00	-56.75	-106.50	86.30	136.60	-57.04
Total Domestic Borrowing	751.70	1,212.35	401.90	-113.55	88.30	-88.25
Long-term(net)	66.05	-168.80	-376.70	-355.10	-19.75	-129.90
Short-term(net)	685.70	1,380.95	778.60	241.55	108.05	-84.24
CHANGES IN CASH BALANCES:						
Increase = (-)	-602.02	-150.20	-459.76	-207.48	131.55	-121.85
MEMORANDUM.ITEMS						
Public Debt Redemption	1,672.45	2,461.34	1,579.62	1,463.46	1,453.06	-13.12
(a) External	269.56	1,018.70	944.87	960.33		
(b) Internal	1,402.89	1,442.64	634.75	503.13		

*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

ANALYSIS OF KEY FISCAL TRENDS. 1992/93 - 1996/97

Table 6.2

	1992/93	1993/94	1994/95	1995/96*	1996/97**
1. Current Surplus/Deficit as % of Current Revenue	-12.4	-17.3	3.4	6.0	0.5
2. Current Surplus/Deficit as % of Capital Expenditure plus Net Lending	-85.9	- 145.0	28.0	64.1	3.1
3. Ratio of Capital Expenditure to Current Expenditure	10.9	9.6	12.1	13.2	14.2
4. Overall Deficit as % of Current Revenue	-13.5	-20.0	2.7	3.3	-4.8
5. Overall Deficit as % of Total Expenditure	-7.7	-11.2	2.0	2.6	-3.6
6. External Grants and Loans as % of Capital Expenditure plus Net Lending	151.7	66.6	74.5	78.8	77.9
7. Net Short-Term Borrowing as % of Capital Expenditure plus Net Lending	137.1	229.2	104.6	-35.4	9.1
8. Current Revenue as % of GDP at Current Market Prices	27.0	31.4	32.4	31.1	28.7
9. Total Government Expenditure as % of GDP at Current Market Prices	48.2	55.8	48.6	41.4	39.2
10. Overall Deficit as % of GDP at Current Market Prices	-3.6	-5.6	-3.6	-0.9	-1.4

*Provisional

**Estimates

6.7. A comparison of the budget estimates with actual out-turns is provided in Table 6.3. Actual recurrent revenue has been lower than estimated revenue over the review period except in 1993/94, when actual revenue yield was higher by about K£ 527 million. During the current financial year actual recurrent revenue is expected to be below the target by about K£ 91.8 million. Actual expenditure has consistently been above the budget with 1996/97 being no exception. This year's extra expenditure has been necessitated by drought which has caused the Government to spend more on food supply to famine stricken areas and related activities. More funds are also to be spent on compensation to staff of Kenya National Assurance Company, purchase of additional vehicles, registration of voters and reimbursement to Kenya Ports Authority.

CENTRAL GOVERNMENT

COMPARISON OF BUDGET ESTIMATES WITH ACTUAL OUT-TURNS, 1993/94 - 1996/97

Table 6 3. K£million

	1993/94			1994/95		
	Budget	Actual	Difference	Budget	Actual	Difference
Recurrent Revenue	4,525.04	5,051.68	526.64	7,403.89	6,136.89	-1,267.00
Recurrent Expenditure	6,613.51	7,981.08	1,367.57	6,855.49	6,974.53	11904
Recurrent Balance	-2,088.47	-2,929.40	-840.93	548.40	-837.64	-1,386.04
Development Expenditure + Net Lending	1,004.90	1,062.54	57.64	2,031.58	1,335.74	-695.84
External Financing (Net)**	1,056.00	401.40	-654.60	1,186.65	554.95	-631.70
Balance for Domestic Financing (Net)	2,037.37	-3,590.54	-5,627.90	296.53	-1,546.55	-1,843.08
	1995/96*			1996/97***		
	Budget	Actual	Difference	Budget	Actual	Difference
Recurrent Revenue	7,192.58	7,210.89	18.31	7,538.29	7,446.44	-91.85
Recurrent Expenditure	7,437.07	7,790.52	353.45	7,616.65	7,839.32	222.67
Recurrent Balance	-244.49	-579.63	-335.14	-78.36	-392.88	-314.52
Development Expenditure + Net Lending	1,961.22	1,170.12	-791.10	2,143.35	2,441.84	298.49
External Financing (Net)**	499.55	536.35	36.80	923.75	923.75	0.00
Balance for Domestic Financing (Net)	-1,706.16	-1,908.82	-202.66	-1,297.96	-1,910.97	-613.01

* Provisional

** Includes external grants

*** Estimates

6.8. A detailed breakdown of gross receipts on the recurrent account of the Central Government is given in Table 6.4. Gross receipts are expected to grow by 3.2 per cent from K£ 7,211 million in 1995/96 to K£ 7,446 million in 1996/97. Less revenue is likely to be received from direct taxes, partly due to the upward adjustment on personal tax relief. Indirect taxes are expected to increase by K£ 413 million to K£ 4,146 million in 1996/97. VAT on imports and domestic manufactures, excise duties and import duties maintain their dominant position as the main sources of revenue from indirect taxes. They are expected to increase by 7.3 per cent, 11 per cent and 14.8 per cent, respectively. This increase is attributed in part to the expansion on VAT coverage on goods taxable to retail level, and imposition of 10 per cent excise duty on imported and locally manufactured goods. Since 1993/94, the ratio of direct taxes to indirect taxes has been declining.

6.9. Import duty collection by end-use category showed a mixed performance in each category. Total import duty decreased from K£ 1,202 million in 1995 to K£ 1,021 million in 1996. The major sources of import duty collection by end use category were fuels, transport equipment, machinery, food, drinks and tobacco. While fuel and food, drinks and tobacco category showed substantial growth in revenue yields, the rest did poorer in 1996 compared to the previous years. These could be as result of downward

CENTRAL GOVERNMENT

GROSS RECEIPTS ON RECURRENT ACCOUNT*, 1992/93 - 1996/97

Table 6.4 K£million

	1992/93	1993/94	1994/95	1995/96**	1996/97+
DIRECT TAXATION					
Income Tax	998.52	1,838.36	2,175.29	2,404.12	2,324.88
Other	-	-	-	-	
Total	998.52	1,838.36	2,175.29	2,404.12	2,324.88
INDIRECT TAXATION:					
Sales Tax/VAT on Domestic Manufactures	406.54	651.24	675.00	737.56	737.23
Sales Tax/VAT on imports .	700.60	798.48	551.69	682.63	786.09
Import Duties***	459.15	739.64	929.91	1,058.78	1,175.30
Excise Duties	418.35	556.27	966.61	1,130.59	1,297.40
Export Duties	0.22	0.30	-	-	
Trading Licences	11.28	11.01	18.83	17.47	28.65
Licences and Fees Under Traffic Act	16.26	19.53	21.30	22.97	44.30
Other Taxes. Licences and Duties	59.78	89.38	66.90	83.15	76.94
TOTAL	2,072.18	2,865.85	3,230.24	3,733.15	4,145.91
OTHER REVENUE AND INCOME.					
Compulsory Fees. Fines and Penalties	40.56	76.16	64.83	79.69	88.73
Income From Property	241.86	58.91	155.53	503.62	322.15
Current Transfers	8.74	9.66	28.71	9.82	28.69
Sales of Goods and Services	78.85	101.96	361.99	421.57	507.60
Other	35.37	100.84	119.95	58.90	28.46
TOTAL	405.38	347.47	731.01	1,073.60	975.63
TOTAL	3,476.08	5,051.68	6,136.54	7,210.87	7,446.42
MEMORANDUM ITEM					
Loan Repayments to Government	8.08	29.69	51.70	281.19	104.70

*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

adjustments on duty band rates on equipment, machinery and a range of primary raw materials, and adoption of a combination of both specific and ad-valorem rates on some category of food imports.

CENTRAL GOVERNMENT

IMPORT DUTY COLLECTIONS, 1992 - 1996

Table 6.5 K£million

END-USE CATEGORY	1992	1993	1994	1995	1996*
Food, drinks and tobacco	5.59	17.88	56.35	70.98	104.02
Basic materials	33.41	69.95	77.91	84.28	58.68
Fuels	1.51	102.34	196.13	187.18	221.19
Chemicals	50.83	108.80	115.29	121.18	93.55
Textiles	4.97	27.53	29.24	37.16	18.26
Semi-manufactures	20.49	38.02	45.06	72.85	78.37
Metals	29.34	57.05	73.23	114.57	73.26
Transport Equipment	19.08	80.54	151.45	255.46	173.46
Machinery	47.84	113.25	139.48	208.65	147.76
Miscellaneous commodities	9.63	27.49	39.09	49.87	52.26
TOTAL	222.69	642.85	922.23	1,202.18	1,020.81

Provisional

6.10. Each category of commodities recorded an increase in excise revenue as shown in Table 6.6. Total excise revenue grew by 12.0 per cent from K£ 592 million in 1995 to K£ 664 million in 1996.

CENTRAL GOVERNMENT

EXCISE REVENUE BY COMMODITIES, 1992 - 1996

Table 6.6 K£'000

	1992	1993	1994	1995	1996*
Beer and spirits	194.649	255,923	289,585	332,274	375,221
Sugar	16,150	18,505	-	21	11
Cigarettes	117,651	164,764	193,873	211,033	237,106
Other commodities**	35,832	36,537	38,250	49,002	52,068
TOTAL	364,482	475,729	521,708	592,330	664,406

* Provisional

** Includes transfer adjustments not allocated by commodity

6.11. Additional detailed analysis of financing of capital expenditure and net lending is given in Table 6.7. Capital expenditure is expected to grow by 18.2 per cent from K£ 890 million in 1995/96 to K£ 1,053 million in 1996/97. Improved loan repayments to Government by parastatals is expected to lead to a rise in net lending in 1996/97. Finances to fund the capital expenditure will mainly be sourced from external grants and loans. Capital inflow from these two sources is expected to improve from K£ 86.3 million and K£ 450 million in 1995/96 to K£ 136.6 million and K£ 787 million in 1996/97, respectively. There has been a net out flow in both long-term and short -term domestic borrowing since 1993/94. This reflects the Government policy of reduced domestic borrowing.

CENTRAL GOVERNMENT

FINANCING OF CAPITAL EXPENDITURE AND NET LENDING, 1992/93 -1996/97

Table 6.7 K£million

	1992/93	1993/94	1994/95	1995/96*	1996/97**
EXPENDITURE					
Capital Expenditure	423.71	566.67	715.17	890.36	1,052.63
Net Lending	76.28	35.90	29.52	-209.71	133.36
TOTAL	499.99	602.57	744.69	680.65	1,185.99
FINANCING:					
Surplus on Current Account	-429.46	-873.27	208.98	436.31	37.37
Capital Revenue	21.37	12.31	38.62	29.02	5.02
External Loans (Net)	318.00	-56.75	-106.50	86.30	136.60
External Grants	440.40	458.15	661.45	450.05	787.15
Long-Term Domestic Borrowing (Net)	66.00	-168.80	-376.70	-355.10	-19.75
SHORT TERM BORROWING:					
Cereals and Sugar Finance Corporation (Net)	-	-	-	-	
Treasury Bills (Net)	1,217.50	1,522.60	-1,121.45	-335.10	-41.95
Other Short-Term Borrowing (Net)	-531.85	-141.65	1,900.05	576.65	150.00
Change in Cash Balances(decrease =+)	-602.02	-150.20	-459.76	-207.48	131.55
TOTAL	499.94	602.39	744.69	680.65	1,185.99

* Provisional

** Estimates

Analysis of Government Expenditure

6.12. The Government expenditure on main services by sector is given in Table 6.8. More expenditure is expected in all the services in 1996/97 compared to 1995/96.

Total expenditure on main services will grow by 10.7 per cent, from KÃ9,170 million to KÃ10,148 million respectively. General public administration,education and health related activities are expected to take 20.4 per cent, 17.6 per cent, and 6.8 per cent respectively.

About 28 per cent of the total Government expenditure will go into settling public debt in 1996/97. This compares favourably with 39.0 per cent in 1995/96.

CENTRAL GOVERNMENT EXPENDITURE ON MAIN SERVICES, 1993/94 -1996/97

Table 6.8 K£million

	1993/94			1994/95			1995/96*			1996/97+		
	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	276.55	233.71	510.26	483.40	490.29	973.69	613.43	271.16	884.59	827.54	633.17	1,460.71
External Affairs	118.16	3.42	121.58	1,027.61	5.30	1,032.91	128.00	13.66	141.66	116.54	12.70	129.24
Public Order and Safety	280.56	9.21	289.77	371.14	12.64	383.78	391.16	15.74	406.90	461.44	22.15	483.59
TOTAL	675.27	246.34	921.61	1,882.15	508.23	2,390.38	1,132.59	300.56	1,433.15	1,405.52	668.02	2,073.54
Defence	329.98	12.81	342.79	308.57	6.29	314.86	440.06	11.89	451.95	525.43	17.90	543.33
Education	1,004.32	65.33	1.069.65	1,326.21	87.57	1,413.78	1,491.21	94.94	1,586.15	1,639.29	148.40	1,787.69
Health	229.33	97.73	327.06	295.28	55.50	350.78	370.60	83.86	454.46	414.21	276.86	691.07
Housing and Community Welfare	9.79	27.99	37.78	77.32	78.09	155.41	16.56	83.53	100.09	18.93	62.61	81.54
Social Welfare	52.40	18.26	70.66	2.40	0.00	2.40	82.68	70.66	153.34	95.80	52.83	148.63
ECONOMIC SERVICES:												
General Administration	41.04	87.12	128.16	53.88	51.81	105.69	63.53	58.75	122.28	76.57	141.87	218.44
Agriculture, Forestry and Fishing	160.62	302.88	463.50	184.36	192.25	376.61	216.10	170.53	386.63	229.53	331.79	561.32
Mining,Manufacturing & Construction	59.73	28.38	88.11	74.99	13.94	88.93	70.39	11.23	81.62	94.81	34.10	128.91
Electricity,Gas, Steam and Water	44.30	38.83	83.13	53.37	84.81	138.18	54.88	113.05	167.93	62.85	156.43	21928
Roads	54.75	99.96	154.71	136.61	132.14	268.75	190.73	192.84	383.57	223.33	288.58	511.91
Other Transport & Communications	6.27	0.42	6.69	10.36	94.94	105.30	11.79	184.47	196.26	16.31	118.91	135.22
Other Economic Services**	38.37	0.59	38.96	46.49	0.65	47.14	47.56	3.52	51.08	54.40	10.17	64.57
TOTAL ECONOMIC SERVICES	405.08	558.18	963.26	560.06	570.54	1,130.60	654.98	734.39	1,389.37	757.80	1,081.85	1,839.65
OTHER SERVICES; INCLUDING PUBLIC DEBT	5,274.90	0.00	5,274.90	3,447.34	0.00	3,447.34	3,601.85	0.00	3,601.85	2,982.35	0.00	2,982.35
TOTAL***	7,981.07	1,026.64	9,007.71	7,899.33	1,306.22	9,205.55	7,790.53	1,379.83	9,170.36	7,839.33	2,308.47	10,147.80

* Provisional

** Includes Export Compensation

*** Total as shown in this table minus loan repayment to the Government equals total expenditure in Table 6 9

\+ Preliminary

6.13. As shown in Table 6.9, current expenditure increased by 9.8 per cent from K£ 6,746 million in 1995/96 to K£ 7,404 million in 1996/97. High growth in current expenditure was probably attributed to the substantial increase in expenditure on goods and services and labour costs.

CENTRAL GOVERNMENT

ECONOMIC ANALYSIS OF EXPENDITURE, 1992/93 - 1996/97

Table 6.9 K£million

	1992/93	1993/94	1994/95	1995/96*	1996/97***
CURRENT EXPENDITURE					
CONSUMPTION EXPENDITURE ON GOODS AND SERVICES:					
Labour Costs	800.70	1,064.38	1,170.30	1,319.42	1,424.48
Other Goods and Services	1,345.84	1,061.13	1,255.10	1,603.28	2,611.17
TOTAL	2,146.54	2,125.51	2,425.40	2,922.70	4,035.65
SUBSIDIES**.		009	2.03	0.01	0.02
INTEREST:					
Foreign	203.87	515.53	473.55	533.52	509.24
Domestic	1,188.79	2,222.44	1,294.85	1,466.54	930.88
TRANSFERS TO:					
Households and Unincorporated Enterprises					
including Private Non-profit Institutions	75.39	97.17	247.25	267.54	
Financial and Non-Financial Enterprises		1.55	0.86		
General Government ..	164.61	914.25	1,204.27	1,450.41	1,928.26
Rest of the World	9.14	27.75	24.29	28.37	
Funds	88.05	9.68	216.04	76.47	
TOTAL TRANSFERS	337.19	1,050.40	1,692.71	1,822.79	1,928.26
OTHERS	7.78	0.06	0.05		
1. TOTAL CURRENT EXPENDITURE	3,884.17	5,914.03	5,888.59	6,745.56	7,404.05
2. CAPITAL EXPENDITURE:					
Gross Fixed Capital Formation	384.79	465.30	687.34	812.10	979.14
Capital Transfers	38.92	101.37	27.83	78.26	73.49
TOTAL	423.71	566.67	715.17	890.36	1,052.63
3. NET LENDING:					
Purchase of Equity in Enterprises	3.45	3.45	1.33		136.33
Loans to Households, Enterprises and General Government Agencies	80.91	62.14	79.89	71.48	101.73
Less Loan Repayments to Government	-8.08	-29.69	-51.70	-281.19	-104.70
TOTAL	76.28	35.90	29.52	-209.71	133.36
4 PUBLIC DEBT REDEMPTION	1,672.45	2,461.36	1,579.62	1,463.46	1,453.06
5. Total Expenditure (1+2+3+4)	6,056.61	8,977.96	8,212.90	8,889.67	10,043.10
MEMORANDUM ITEM					
Export Compensation	102.20	.	.		

* Provisional

** Includes Export Compensation

*** Estimates

Interest payments on both external and internal debts are expected to be lower during 1996/97 fiscal year. This will ease the pressure on Government expenditure control measures. Expenditures related to equity purchase will take K£ 136 million in 1996/97. This will be spent on clearing equity purchase debits of K£ 80.4 million, K£ 25 million, K£ 17.2 million and K£ 12.8 million with Kenya Airways, National Bank of Kenya and Kenya Pipeline Company limited, respectively. The loan repayments of K£ 104.7 million mainly came from Tana and Athi River Development Authority and Kenya Ports Authority.

Public debts

6.14. Table 6.10 shows a breakdown of public debt into foreign and internal funded and unfunded debt. Total liability of the Government on domestic and foreign debts minus interest chargeable has decreased from K£ 14,360 million in 1994 to K£ 13,226 million in 1996. Internal unfunded debt made up more than 10.4 per cent of the unfunded debt. The volume of funded debt has been decreasing over the years because of redemption and no more acquisition of new stocks.

CENTRAL GOVERNMENT

PUBLIC DEBT, 1992 - 1996

Table 6.10 K£ million

As at 30th June	Public Debt**								
	Funded			Unfunded			Total		
	External	Internal	Total	External	Internal***	Total	External	Internal	Total
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	13,604.71	2,370.16	15,974.87
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	12,301.35	1,304.31	13,605.66	12,301.35	1,533.70	13,835.05
1996*		229.17	229.17	11,672.90	1,363.69	13,036.59	11,672.90	1,592.86	13,265.76

* Provisional

** Excludes Short Term Borrowing

** Includes Treasury bonds.

6.15. Table 6.11 shows the Government level of indebtedness to donor nations and organisations. The total external outstanding debt stood at K£ 13,036 million in 1996 compared to K£ 13,605 million in 1995. Japan maintained its position as the principal lender to Kenya amongst the bilateral donors, accounting for 40.2 per cent of the outstanding debt. The World Bank affiliate International Development Association (IDA) was the leading contributor in the category of international organisations by giving 74.3 per cent of the total multilateral debt. The total unfunded debt decreased by 4.2 per cent from K£ 13,605 million in 1995 to K£ 13,036 million in 1996 mainly due to a reduction in the volume of outstanding external debt. This was in line with prudent external borrowing policy that the government has been implementing, reduced repayment on guaranteed loans and increased rate of loan redemption. Internal debt accounted for about 10.5 per cent of the total unfunded debt.

6.16. Stocks are long term debt instruments with a maturity period of between five to forty years. The level of stock holding by holders as at 30th June 1996 is shown in Table 6.12. Each holder's share of the stocks, has either declined or remained stable during the last five years, except in 1994 when Central Bank acquired and redeemed more stocks in the same year. Apart from this acquisition by the Central Bank there has never been any other since 1986 when Treasury bonds were introduced. Hence, since 1994, funded debts at book value by holders has shown a steady decline.

CENTRAL GOVERNMENT

SOURCES OF UNFUNDED DEBT, 1992 - 1996

Table 6.11

K£million

Outstanding as at 30th June	1992	1993	1994	1995	1996
EXTERNAL DEBT					
Lending Countries:					
Germany	56.96	111.23	240.97	434.31	350.21
Japan	929.61	2,165.40	1,971.14	2,330.41	2,110.84
France	213.22	661.23	428.02	979.13	831.58
U.S.A	141.79	285.90	-	13.19	6.70
Netherlands	176.16	321.70	279.65	316.98	375.74
Denmark	100.28	185.95	181.72	215.38	184.23
Finland	6.53	9.55	10.04	29.94	25.89
Other	1,445.68	3,341.57	1,280.34	1,775.27	1,366.68
Total	3,070.23	7,082.53	4,391.68	6,094.61	5,251.87
International Organizations					
I.D.A	2,001.46	4,470.40	4,376.93	4,654.13	4,773.96
I.B.R.D	523.96	765.26	500.81	400.63	316.81
African Development Bank	279.43	609.92	498.44	491.66	396.49
O.P.E.C	20.32	45.18	33.10	24.88	54.23
E.E.C	118.00	294.21	254.94	287.91	286.11
I.M.F	-	-	-	-	
Arab League	2.71	5.86	3.36	2.62	2.07
Badea	4.54	40.78	25.59	21.67	28.11
I.F.A.D.	26.25	59.96	63.55	72.73	69.77
C.D.C	7.11	7.59	-	-	
A.D.F	58.97	223.02	254.96	250.51	493.48
Total	3,042.75	6,522.18	6,011.68	6,206.74	6,421.03
Total External	6,112.98	13,604.71	10,403.56	12,301.35	11,672.90
INTERNAL DEBT					
Central Bank of Kenya	10.00	10.00	10.00	10.00	10.00
Other	1,749.50	1,927.56	2,544.13	1,294.31	1,353.69
TOTAL INTERNAL	1,759.50	1,937.56	2,554.13	1,304.31	1,363.69
TOTAL UNFUNDED DEBT	7,872.48	15,542.27	12,957.69	13,605.66	13,036.59

ANALYSIS OF PUBLIC FUNDED DEBT AT BOOK VALUE BY HOLDERS

ON LOCAL REGISTER AS AT 30TH JUNE, 1992 - 1996

Table 6.12

K£million

	1992	1993	1994	1995	1996
PUBLIC BODIES					
National Social Security Fund	211.57	188.08	188.08	155.58	155.58
Central Government	65.36	59.58	60.69	49.51	49.32
Local Government	0.22	0.22	0.22	0.18	0.18
Kenya Post Office Savings Bank	4.37	2.30	2.30	2.30	2.30
Former E. A. Community Institutions*	14.77	8.70	8.70	3.28	3.28
Central Bank	154.41	154.04	1,122.92	0.00	0.00
Other Public Sector	1.10	1.10	1.10	1.10	1.10
OTHER INTERNAL:					
Commercial Banks	5.03	4.99	4.99	4.94	4.94
Insurance Companies	7.47	4.43	4.43	3.48	3.45
Other Companies	9.74	9.08	9.08	8.94	8.94
Private Individuals	0.08	0.08	0.08	0.08	0.08
TOTAL	474.12	432.60	1,402.59	229.39	229.17

*And their successors

Source: Central Bank of Kenya

6.17. Annual debt servicing charges by the Government increased from k£ 3,348 million in 1995 to K£ 3,684 million in 1996. This was due to increase in external loan repayments and higher interest charges on the same. Domestic servicing charges for the same period, decreased from K£ 1,929 million to K£ 1,056 million due to reduced domestic borrowing and low interest payments. The Government net receipts on loan repayments recorded significant growth from K£ 51.7 million in 1995 to

CENTRAL GOVERNMENT
DEBT SERVICING CHARGES', 1992 - 1996

Table 6.13 K£million

Year ending 30th June	ANNUAL DEBT SERVICING CHARGES			INTEREST AND LOAN REPAYMENT RECEIPTS			NET SERVICING CHARGES		
	External	Internal	Total	External	Internal	Total	External	Internal	Total
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	1,418.42	1,929.60	3,348.02		51.70	51.70	1,418.42	1,875.97	3,294.39
1996**	2,626.87	1,056.65	3,683.52		281.19	281.19	2,626.87	775.46	3,402.33

* For breakdown between Interest and repayments, see Table 6 1 and Table 6 9

** Provisional

K£ 281.2 million in 1996. Kenya Posts and Telecommunications repaid to the Government K£ 190 million in 1996, while Kenya Railways and National Housing Corporation paid K£ 77 million and K£ 31 million, respectively. External debt service charges increased from K£ 1,418 million to K£ 2,627 million, while exports of goods and services grew from K£ 7,630 million to K£ 8,677 million. This made the ratio of external debt service charges as a percentage of export of goods and services to increase from 18.6 per cent to 30.3 per cent as shown in Table 6.14.

CENTRAL GOVERNMENT
DEBT SERVICE CHARGES ON EXTERNAL DEBT RELATED TO EXPORT OF GOODS AND SERVICES, 1992 - 1996

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	
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
1996'	2,626.87	8,676.56	30.28

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

* Provisional

Local Authorities

6.18. Table 6.15 shows the total expenditure for local authorities comprising of municipal, town, urban and county councils. The total expenditure for local authorities is expected to increase by 19.6 per cent from K£ 530.6 million in 1995/96 to K£ 634.5 million in 1996/97. The expenditure for Nairobi and other municipalities is expected to rise by 27.2 per cent while towns, urban and county councils is expected to drop by 4.3

per cent. A significant rise in expenditure was noted in Eldoret, Nakuru, Nanyuki and Kericho municipalities.

EXPENDITURE ON LOCAL AUTHORITIES, 1992/93 -1996/97

Table 6.15 K£million

	MUNICIPALITIES				
	Nairobi City Council	Other Municipal Councils	Sub-Total	Town. Urban and County Councils	Total
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	233.88	181.25	415.13	75.43	490.56
1995/96*	198.59	203.58	402.17	128.45	530.62
1996/97**	257.84	253.60	511.44	123.04	634.48

* Provisional

** Estimates

6.19. The details of expenditure of municipal councils on main services are shown on Table 6.16. The total expenditure increased by 27.2 per cent from K£ 402.2 million in 1995/96 to K£ 511.4 million in 1996/97. Moderate increases in expenditure are reflected on water undertakings, housing, and education. The expected expenditure on roads in 1996/97 was K£ 95.7 million as compared to K£ 17.5 million in 1995/96. Expenditure on economic services, declined by 2.4 per cent while social services registered marginal decreases.

6.20. Table 6.17 shows the economic analysis of expenditure for municipal councils. The current expenditure increased by 15.7 per cent from K£ 236.3 million in 1995/96 to K£ 273.3 million in 1996/97. This was attributed to increases in labour costs and other goods and services. The capital expenditure also increased by 44.1 per cent from K£ 165.3 million to K£ 238.2 million over the same period. This was mainly caused by a sharp increase in gross fixed capital formation for some municipalities.

MUNICIPAL COUNCILS: CURRENT AND CAPITAL EXPENDITURE ON MAIN SERVICES. 1992/93 - 1996/97

Table 6.16 K£ million

		1992/93	1993/94	1994/95	1995/96*	1996/97**
	ADMINISTRATION	47.68	78.41	106.52	94.36	135.72
COMMUNITY	Roads	15.59	15.89	85.32	17.53	95.67
SERVICES:	Sanitation	72.91	39.03	51.75	68.84	64.95
	Other	2.62	3.66	3.94	5.76	3.17
	Total	91.12	58.58	141.01	92.13	163.79
SOCIAL	Education	10.30	12.56	18.37	18.43	18.93
SERVICES	Health	18.02	17.80	25.91	33.85	33.98
	Other	1.90	0.63	1.50	4.40	3.73
	Total	30.22	30.99	45.78	56.68	56.64
ECONOMIC	General Administration	6.96	10.79	9.86	18.32	8.88
SERVICES:	Water Undertaking	329.67	80.53	51.73	70.20	75.06
	Housing Estates(including staff housing)	33.80	13.89	13.45	14.65	17.75
	Other	15.82	63.77	46.78	55.86	53.60
	Total	386.25	168.98	121.82	159.03	155.29
	TOTAL EXPENDITURE	555.27	336.96	415.13	402.20	511.44

*Provisional

** Estimates

MUNICIPAL COUNCILS: ECONOMIC ANALYSIS OF EXPENDITURE. 1992/93 - 1996/97

Table 6.17 K£million

	1992/93	1993/94	1994/95	1995/96*	1996/97**
CURRENT EXPENDITURE:					
Labour Cost	70.67	72.46	113.13	143.85	148.59
Other Goods and Services	46.70	81.98	87.62	88.38	119.07
Transfer to Households & Enterprises	0.08	2.19	0.46	0.32	0.36
Transfer to Funds (Current)	0.80	1.02	3.23	3.70	3.72
Interest		0.44		0.66	1.51
Total	118.25	157.65	204.44	236.25	273.25
CAPITAL EXPENDITURE:					
Gross Fixed Capital Formation	425.91	171.36	200.57	149.08	228.87
Loan Repayment**	11.00	5.73	8.53	14.44	7.53
Transfer to Funds (capital)	0.11	1.77	1.59	1.77	1.79
Total	437.02	178.86	210.69	165.29	238.19
TOTAL EXPENDITURE	555.27	336.51	415.13	401.54	511.44

* Provisional

** Includes interest

** Estimates

6.21. Details of economic analysis of revenue for municipal councils given in Table 6.18, show that the current revenue generated K£ 244.8 million in 1995/96 and K£ 261.0 million in 1996/97, giving a modest increase of 6.6 per cent. However, the total revenue increased by 19.8 per cent from K£ 341.8 million in 1995/96 to K£ 409.5 million in 1996/97.

MUNICIPAL COUNCILS: ECONOMIC ANALYSIS OF REVENUE, 1992/93 - 1996/97

Table 6.18 K£million

	1992/93	1993/94	1994/95	1995/96*	1996/97+
CURRENT REVENUE:					
Direct Taxes (Rates**)	51.57	54.95	60.20	70.11	86.50
Indirect Taxes (Licences and cesses)	10.76	8.44	10.80	11.76	16.84
Income from Property	12.92	14.09	21 80	22.14	14.98
Current Transfers	0.01	0.14	0.24	1.93	0.49
Sale of Goods and Services**	89.89	133.97	147.45	138.88	142.23
TOTAL	165.15	211.59	240.49	244.82	261.04
CAPITAL REVENUE:					
Loans Raised	361.62	101.78	132.41	96.42	148.37
Loan Repayment	0.53	0.29	0.52	0.56	0.13
TOTAL	362.15	102.07	132.93	96.98	148.50
TOTAL REVENUE	527.30	313.66	373.42	341.80	409.54

* Provisional

** Paid by households and enterprises

*** Includes service charge.

\+ Estimates

6.22. Table 6.19 shows the economic analysis of expenditure and revenue for town, urban and county councils. The councils are expected to record a decline of 2.0 per cent in current expenditure during 1996/97 fiscal year. Similarly, capital expenditure is expected to drop by 11.9 per cent. Consequently the total expenditure dropped by 4.2 per cent. Indirect taxes, income from property and sale of goods and services remains the main source of revenue, contributing about 93.5 per cent of total revenue in

1996/97 and 89.1 per cent in 1995/96. The total revenue increased by 9.4 per cent from K£ 96.4 million in 1995/96 to K£ 105.4 million in 1996/97.

TOWN, URBAN AND COUNTY COUNCILS:

ECONOMIC ANALYSIS OF EXPENDITURE AND REVENUE, 1992/93 - 1996/97

Table 6.19 K£million

	1992/93	1993/94	1994/95	1995/96*	1996/97+
CURRENT EXPENDITURE:					
Labour Cost	25.76	28.17	39.92	52.23	54.93
Other Goods and Services	14.11	15.28	20.13	41.02	32.48
Transfer to households & Enterprises	0.18	0.09	2.57	0.14	9.73
Transfer to Funds (Current)	0.15	2.36	0.11	5.93	0.23
Interest					
Total	40.20	45.90	62.73	99.32	97.37
CAPITAL EXPENDITURE:					
Gross Fixed Capital Formation	3.64	2.62	12.23	26.99	23.96
Loan Repayments**	0.24	0.36	0.44	0.36	0.83
Transfer to Funds (capital)	0.68	0.80	0.03	1.78	0.88
Total	4.56	3.80	12.70	29.13	25.67
TOTAL EXPENDITURE	44.76	49.70	75.43	128.45	123.04
CURRENT REVENUE:					
Direct Taxes (Rates***)	1.68	3.04	3.13	5.52	6.12
Indirect Taxes (Licences and cesses)	7.76	15.99	17.20	18.39	27.01
Income from Property	1.78	13.56	2.92	31.40	5.09
Current Transfers	0.15	0.42	0.17	0.15	0.26
Sale of Goods and services +	25.97	21.88	43.74	36.08	66.43
Total	37.34	54.89	67.16	91.54	104.91
CAPITAL REVENUE:					
Loans Raised	0.31	0.42	-	4.82	0.50
Loans Repayments	0.00	0.00	-	0.02	
Total	0.31	0.42	0.00	4.84	0.50
TOTAL REVENUE	37.65	55.31	67.16	96.38	105.41

* Provisional

** Includes Interest

*** Paid by households and enterprises

\+ Estimates

CHAPTER 7 - INTERNATIONAL TRADE AND BALANCE OF PAYMENTS

Overview

Major indicators of international trade and balance of payments show a better performance in 1996 than the previous year. The balance of trade deficit, which had widened in 1995 narrowed down in 1996 by 13.0 per cent. On the other hand, the overall balance of payments recorded an exceptionally high surplus. These developments were due to increase in exports and capital inflows.

7.2. The volume of trade grew by 13.5 per cent from K£ 12,625.4 million in 1995 to K£ 14,334.3 million in 1996. Exports grew faster than imports at 21.4 per cent and 8.6 per cent respectively in 1996. Exports increased from K£ 4,867.0 million in 1995 to K£ 5,910.0 million in 1996, while imports increased from K£ 7,758.4 million to K£ 8,424.3 million. These developments caused the trade deficit to narrow significantly during the year under review.

7.3. The favourable balance of payments resulted from good performance in both the current and capital accounts. The current account deficit narrowed to K£ 211.2 million in 1996 compared with K£ 1,030.9 million in 1995. Improvement in net private and short-term capital inflows attracted by high domestic interest rates, which prevailed over the period, strengthened the capital account.

Balance of trade

7.4. The value of international trade in 1996 was relatively higher than in 1995 as shown in Table 7.1 Total domestic exports increased by 22.3 per cent while imports grew by 8.6 per cent. Re-exports performance, which has been impressive since 1992, recorded only 1.4 per cent growth in 1996. The relatively good performance of exports is attributed to the effects of the various export promotion policies in place and the continued high demand for Kenya's exports in African countries. The significant growth in exports and the relatively low rate of increase in imports resulted in the trade deficit narrowing by 13.0 per cent from K£ 2,891.5 million in 1995 to K£ 2,514.3 million in 1996.

BALANCE OF TRADE, 1992 - 1996

Table 7.1 K£million

		1992	1993	1994	1995	1996*
EXPORTS	(f. o. b):					
	Domestic Exports	1,708.08	3,625.21	4,170.72	4,656.19	5,696.30
	Re-exports	34.18	5304	111.41	210.76	213.70
	Total	1,742.26	3,678.25	4,282.13	4,866.95	5,910.00
IMPORTS	(c. i. f) :					
	Commercial	2,828.85	4,845.06	5,556.16	7,495.49	8,144.22
	Government	126.01	211.36	197.83	262.93	280.09
	TOTAL	2,954.86	5,056.42	5,753.99	7,758.42	8,424.31
BALANCE OF TRADE		-1,212.60	-1,378.17	-1,471.86	-2,891.47	-2,514.31

* Provisional

7.5. The increase in export earnings resulted from a rise in value of major exports such as coffee, tea and horticultural products. Export prices increased by 6.1 per cent in 1996, while quantities increased by 14.3 per cent.

Price Changes

7.6. Table 7.2 shows export and import price indices by Standard International Trade Classification (SITC) groups. The indices for all the groups, which have been rising over the previous years, continued with the same trend in 1996. Generally, the price increases in 1996 were lower compared to the previous years. This may be attributed to the relatively stable Kenya shilling against currencies of Kenya's major trading partners.

PRICE INDICES, 1992 - 1996

Table 7.2 1982 =100

	1992	1993	1994	1995	1996
EXPORTS:					
Food and live animals	240	475	534	558	530
Beverages and tobacco	327	737	401	390	632
Crude materials, inedible	260	465	561	510	625
Mineral fuels	207	276	297	310	383
Animal and vegetable oils and fats	325	344	727	316	229
Chemicals	264	516	491	480	529
Manufactured goods	265	458	497	600	677
Machinery and transport equipment	404	436	204	222	496
Miscellaneous manufactured articles	431	527	488	644	514
All Exports	244	438	450	489	519
Non-oil Exports	254	483	486	530	549
IMPORTS:					
Food and live animals	331	551	369	487	408
Beverages and tobacco	456	821	677	636	828
Crude materials, inedible	300	480	472	472	488
Mineral fuels	211	309	257	273	358
Animals and vegetable oils and fats	327	527	571	743	728
Chemicals	444	776	743	603	637
Manufactured goods	371	613	634	669	573
Machinery and transport equipment	341	569	589	629	767
Miscellaneous manufactured articles	318	565	492	641	676
All imports	307	486	445	513	560
Non-oil Imports	359	594	536	550	577

7.7. The price index of all exports grew by 6.1 per cent in 1996, lower than 8.7 per cent in 1995, while non-oil exports index increased marginally by 3.6 per cent in 1996. The largest price increase was in machinery and transport equipment which more than doubled. Price index for animal and vegetable oils and fats declined substantially by 27.5 per cent due to reduction by half of export prices of fatty acids and oils in 1996. An increase of 93.0 per cent in export prices of cigarettes was the main cause of the 62.1 per cent rise in price index for beverages and tobacco. Export prices of cement went up substantially which partially accounted for the moderate rise in export price index of manufactured goods.

7.8. Price index for all imports rose by 9.2 per cent in 1996 compared to 15.3 per cent increase in 1995, while non-oil import price index grew marginally by 4.9 per cent in 1996. Major increases were recorded in import price index for mineral fuels and machinery and transport equipment, which increased by 31.1 per cent and 21.9 per cent respectively.

Terms of Trade

7.9. Terms of trade as measured by the ratio of export price index to import price index of all items fell by 2.0 percentage points in 1996 as indicated in Table 7.3. The deterioration in the terms of trade was attributed to the increase in import prices of beverages and tobacco, animal and vegetable oils and fats, and machinery and transport equipment.

TERMS OF TRADE, 1992- 1996

Table 7.3 1982=100

	1992	1993	1994	1995	1996
All Items	79	90	101	95	93
Non-oil Items	71	81	91	96	95

Volume Changes

7.10. Changes in the volume of trade as measured by exports and imports quantum indices are detailed in Table 7.4. The overall index for all exports increased by 14.3 per cent while that of non-oil exports rose by 15.5 per cent in 1996. The indices for all categories of exports rose except for beverages and tobacco, crude materials (inedible), manufactured goods, machinery and transport equipment. The export quantum index for food and live animals increased by over a third mainly due to substantial increases in export quantities of coffee and tea. Increases were also recorded in the volume of animal and vegetable oils and fats exports, which grew by 38.0 per cent. The quantum index for beverage and tobacco however went down by 31.3 per cent mainly due to a reduction by a half in export quantities of cigarettes. The index for machinery and transport equipment, which has been rising since 1990, declined sharply by 64.7 per cent in 1996.

7.11. The quantum indices for both non-oil imports and all imports remained at 1995 levels although indices of various categories presented mixed performances. Quantum index for imports of food and live animals, improved remarkably by 121.7 per cent as a result of increased imports of wheat, rice and sugar. Other substantial increases were recorded in miscellaneous manufactured articles by 20.5 per cent. Oils and fats grew moderately by 12.9 per cent.

7.12. Table 7.6 shows further breakdown of quantities of principal export commodities. The export quantities of the three leading export commodities namely tea, coffee and horticulture increased substantially in 1996. With the exception of soda ash, animal feeds, sisal, wool and fluorspar, all the other principal exports recorded growth in quantities.

QUANTUM-INDICES, 1992 - 1996

Table 7.4 1982 =100

	1992	1993	1994	1995	1996
EXPORTS:					
Food and live animals	134	142	132	151	200
Beverages and tobacco	565	723	1,823	1,618	1,112
Crude materials, inedible-	125	97	133	178	170
Mineral fuels	80	89	67	59	74
Animal and vegetable oils and fats	428	1,088	3,617	6,694	9,237
Chemicals	131	165	267	354	383
Manufactured goods	180	290	310	308	308
Machinery and transport equipment	67	110	394	578	204
Miscellaneous manufactured articles .	118	358	1,067	530	809
All Exports	126	148	167	175	200
Non-oil Exports	141	164	196	207	239
IMPORTS:					
Food and live animals .	211	136	560	157	348
Beverages and tobacco	85	121	118	186	122
Crude materials, inedible	194	179	177	232	224
Mineral fuels	91	123	110	113	115
Animals and vegetable oils and fats	176	138	176	194	219
Chemicals	115	131	124	231	230
Manufactured goods	99	114	114	193	219
Machinery and transport equipment	92	84	111	179	142
Miscellaneous manufactured articles	112	118	153	166	200
All imports	107	116	144	168	167
Non-oil Imports	114	113	159	216	216

Composition of Exports

7.13. Table 7.5 shows composition of exports by Broad Economic Category (BEC). Kenya's export earnings, continues to be generated mainly from exports of primary agricultural products including coffee, tea and horticulture. Food and beverages contributed 52.9 per cent of the total export earnings, while non-food industrial supplies made up 26.1 per cent. The share of consumer goods not elsewhere specified and of fuel and lubricants stood at 13.1 per cent and 6.6 per cent respectively.

7.14. Export earnings from food and beverages rose by 26.5 per cent from K£ 2,381.0 million in 1995 to K£ 3,011.4 in 1996, mainly due to increase in exports of both primary and processed household consumption goods. Non-food industrial supplies increased by 18.5 per cent from K£ 1,252.6 million in 1995 to K£ 1,484.6 million in 1996. In this category, export earnings from primary goods more than doubled while processed non-food industrial supplies dropped sharply by 38.5 per cent from K£ 880.2 million to K£ 541.4 million. Earnings from fuel and lubricants increased by more than a half from K£ 244.9 million in 1995 to K£ 378.0 million in 1996. Consumer goods not elsewhere specified grew by 8.3 per cent in 1996.

TOTAL EXPORTS* BY BROAD ECONOMIC CATEGORY, 1992 - 1996

Table 7.5 K£million

	1992	1993	1994	1995	1996**
1 FOOD AND BEVERAGES	929.12	1,986.10	2,147.65	2,381.03	3,011.41
Primary	758.14	1,608.13	1,632.07	1,775.41	2,172.72
For Industry	210.51	559.74	656.12	722.03	831.12
For Household Consumption	547.63	1,048.38	975.95	1,053.38	1,341.60
Processed	170.98	377.97	515.58	605.62	838.69
For Industry	10.14	21.91	79.46	180.34	234.21
For Household Consumption	160.84	356.06	436.12	425.28	604.48
2. INDUSTRIAL SUPPLIES (Non-Food)	371.51	877.68	1,099.54	1,252.58	1,484.61
Primary	127.99	224.60	248.96	372.33	943.24
Processed	243.52	653.08	850.58	880.25	541.37
3 FUEL AND LUBRICANTS	246.50	353.85	272.54	244.98	377.99
Primary	0.02	0.01	0.02	0.02	0.02
Processed	246.48	353.84	272.52	244.96	377.97
Motor Spirit	34.09	57.04	41.31	72.06	112.09
Other	212.39	296.80	231.21	172.90	265.88
4 MACHINERY & OTHER CAPITAL EQUIPMENT	13.76	23.43	37.30	64.47	50.96
Machinery & Other Capital Equipment	12.14	18.74	31.40	34.68	28.88
Parts and Accessories	1.63	4.69	5.90	29.79	22.09
5 TRANSPORT EQUIPMENT	8.06	30.59	47.00	24.88	26.14
Passenger Motor Vehicles	0.08	12.42	19.45	2.12	2.61
Other	1.44	8.34	10.82	8.72	6.09
For Industry	1.39	8.31	10.44	8.11	5.67
Non-Industrial	0.05	0.03	0.38	0.61	0.42
Parts and Accessories	6.54	9.83	16.73	14.04	17.44
6 CONSUMER GOODS NOT ELSEWHERE SPECIFIED	139.13	353.56	566.56	688.21	745.18
Durable	2.07	5.04	8.39	9.98	21.21
Semi-Durable	35.76	115.17	199.18	215.68	374.14
Non-Durable	101.31	233.35	358.99	462.55	349.82
7. GOODS NOT ELSEWHERE SPECIFIED		-	0.13	0.03	0.00
TOTAL	1,708.08	3,625.21	4,170.72	4,656.18	5,696.30
PERCENTAGE SHARES					
1. Food and Beverages	54.40	54.79	51.49	51.14	52.87
2 Industrial Supplies (Non-Food)	21.75	24.21	29.36	26.90	26.06
3. Fuel and Lubricants	14.43	9.76	6.54	5.26	6.64
4 Machinery and other Capital Equipment	0.81	0.65	0.90	1.38	0.89
5. Transport Equipment	0.47	0.84	1.13	0.53	0.46
6. Consumer Goods not elsewhere specified	8.14	9.75	13.58	14.78	13.08
7. Goods not elsewhere specified	-	-		0.00	0.00
TOTAL	100.00	100.00	100.00	100.00	100.00

* Excluding Re-exports

** Provisional

QUANTITIES OF PRINCIPAL EXPORTS, 1992- 1996

Table4.17

Commodity	unit	1992	1993	1994	1995	1996*
Coffee	Tonnes	78,147	88,356	79,679	88,519	116,731
Tea		166,518	188,435	174,926	217,937	262,146
Petroleum Products	Mn Lt	769	723	540	446	567
Pyrethrum Products	Tonnes	241	749	399	215	717
Meat products		401	740	911	1,068	1,175
Sisal		32,026	27,000	25,354	25,188	21,672
Hides and Skins		410	748	2,704	2,218	2,301
Soda Ash		163,521	215,024	178,312	205,676	197,021
Fluorspar		66,538	71,040	62,202	64,434	37,764
Cement		392,144	522,125	595,777	501,014	662,036
Maize(raw)		417	111	1,685	154,291	221,478
Horticulture**		154,112	265,305	165,481	228,576	304,461
Butter and ghee		75	100	70	175	1,594
Cotton(raw)					962	
Wool		983	399	301	347	295
Animal feeds		14,219	13,361	12,269	11,008	2,116

* Provisional

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

Negligible

Export Prices

7.15. Details of changes in unit prices of selected commodities are presented in Table 7.7. Coffee and horticulture recorded price declines of 12.7 per cent and 3.7 per cent respectively, while tea recorded a price increase of 4.9 per cent in 1996.

EXPORT PRICES, 1992 - 1996

Table 7.7 KSh./Unit

Commodity	Unit of Quantity	1992	1993	1994	1995	1996 *
Coffee, unroasted	Kg.	52.81	124.93	164.01	163.21	142.47
Tea	Kg.	57.04	99.10	96.51	82.54	86.61
Petroleum Products	1,000 Lt.	6,130.00	9,291.15	9,391.63	9,819.66	12,386.86
Maize(raw)	100 Kg.	3,631.22	5,501.11	1,007.83	1,173.58	903.15
Meat and meat products	Kg.	104.70	151.20	117.17	83.17	93.29
Pyrethrum Extract	Kg.	3,035.78	5,368.33	6,409.33	5,070.68	5,676.54
Sisal	100 Kg.	1,089.04	2,657.00	2,612.62	2,635.00	3,757.16
Hides and Skins(undressed)	Kg.	46.07	160.78	105.00	131.22	100.76
Wattle extract	Kg.	24.63	47.67	39.51	35.44	39.25
Soda Ash	100 Kg.	333.35	571.38	544.95	501.17	586.26
Fluorspar	100Kg.	212.11	360.63	376.93	400.86	947.91
Cement	100Kg.	124.60	249.10	274.12	322.82	384.31
Horticulture	Kg.	27.15	29.42	50.14	46.49	44.77
Wool	Kg.	29.06	27.64	66.44	78.46	94.22
Animal feeds	100Kg.	282.86	404.30	535.16	391.76	545.91
Cotton(raw)	Kg.	60.00	94.34	-	79.89	375.00
Butter and ghee	Kg.	49.55	59.53	53.82	130.89	74.79
Wattle bark	100Kg.	-	-	3,620.57	710.84	1,176.21

*Provisional

7.16. Changes in quantity, value and prices of selected exports are summarised in Table 7.8. In value terms, agricultural commodities continued to dominate export earnings. Tea was the largest export earner with an export value of K£ 1,135.2 million, followed by coffee with value of K£ 821.4 million, and horticulture of K£ 681.6 million. Other export commodities that recorded considerable growth in earnings were cement; fluorspar; and sisal, although, their total contributions to the value of total exports is not substantial. The increase in values was attributed to increases in export prices in 1996. Overall, total value of domestic exports went up by 22.3 per cent in 1996.

EXPORT CHANGE IN VALUE, QUANTITY AND PRICE*, 1995- 1996

Table 7.8

Commodity	VALUE K£'000			PERCENTAGE CHANGE IN		
	1995	1996**	Changes	Value	Quantity	Price
Coffee, unroasted	722,132.4	821,360.2	99,227.8	13.74	30.29	-12.71
Tea	899,472.9	1,135,227.9	235,755.0	26.21	20.29	4.93
Petroleum products	219,060.0	350,909.9	131,849.9	60.19	26.99	26.14
Meat and meat products	4,442.7	5,481.3	1,038.6	23.38	9.99	12.17
Pyrethrum extract	66,369.4	79,960.0	13,590.6	20.48	7.62	11.95
Sisal	29,413.8	40,712.8	11,299.0	38.41	13.96	42.55
Hides and skins (undressed)	14,554.6	11,593.2	-2,961.4	-20.35	3.73	-23.21
Wattle extract	10,762.3	14,660.0	3,897.7	36.22	23.00	10.75
Soda ash	51,539.8	57,753.3	6,213.5	12.06	-4.21	16.98
Fluorspar	12,914.4	17,898.3	4,983.9	38.59	41.39	136.47
Cement	80,869.6	127,215.2	46,345.6	57.31	32.14	19.05
Horticulture	531,293.6	681,567.7	150,274.1	28.28	-33.20	-3.80
Animal feeds	2,156.3	577.7	-1,578.6	-73.20	-80.78	39.35
Cotton (raw)	3,842.3	0.2	-3,842.1	-99.99	-100.00	369.40
Wood carvings	10,923.6	12,039.7	1,116.1	10.22	34.14	-17.83
Metal scrap	8,393.9	8,8302	436.3	5.20	-18.77	29.53
All other Commodities	1,988,041.7	2,218,828.4	230,786.7	11.61		
TOTAL	4,656,183.3	5,696,298.7	1,040,115.4	22.34		

* Excluding Re-exports

** Provisional

Composition of Imports

7.17. Imports classified by Broad Economic Category are detailed in Table 7.9. The value of total imports went up by 8.6 per cent in 1996 compared to 34.8 per cent increase in 1995. Non-food industrial supplies continue to have the largest share of total imports. In 1996, its share of total imports was 36.6 per cent, a decline from 39.2 per cent in 1995. There were notable rises in imports of food and beverages by 84.5 per cent as well as fuel and lubricants by 34.6 per cent. Imports of machinery and other capital equipment decreased by 39.1 per cent while parts and accessories increased by 110.4 per cent. The value of imports of passenger vehicles went up by 53.3 per cent, while other vehicles declined by 6.8 per cent.

7.18. Analysis in Table 7.10 reveal that imports of industrial machinery, motor vehicles and chassis, crude petroleum and refined petroleum products continue to absorb the bulk of Kenya's foreign exchange. In 1996 their total import share was 63.3 per cent of the total payments for selected imports, representing 40.8 per cent of total import bill. Notable increases in imports were in wheat and fertilisers. Import values of fertilisers doubled and wheat almost tripled, while that of motor vehicles and chassis declined by 15.3 per cent.

TOTAL IMPORTS BY BROAD ECONOMIC CATEGORY, 1992 - 1996

Table 7.9 K£million

	1992	1993	1994	1995	1996
1. FOOD AND BEVERAGES	225.07	315.61	577.83	351.13	647.84
Primary	49.42	169.81	146.89	152.00	343.09
For Industry	47.13	163.75	138.21	134.95	326.05
For Household Consumption	2.29	6.06	8.68	17.05	17.04
Processed	175.65	145.80	430.94	199.13	304.75
For Industry	107.44	84.81	303.60	113.89	142.95
For Household Consumption	68.21	60.99	127.34	85.24	161.80
2.INDUSTRIAL SUPPLIES (Non-Food)	1,109.97	1,922.24	2,265.32	3,042.52	3,083.57
Primary	173.71	99.96	382.27	112.71	213.45
Processed	936.26	1,822.28	1,883.05	2,929.81	2,870.13
3. FUEL AND LUBRICANTS	627.59	1,254.44	929.14	1,006.78	1,355.48
Primary	563.64	966.69	729.07	590.33	700.36
Processed	63.95	287.75	200.07	416.45	655.12
Motor Spirit	12.28	75.95	31.92	75.43	127.42
Other	51.67	211.80	168.15	341.02	527.70
4. MACHINERY AND OTHER CAPITAL EQUIPMENT	599.65	739.42	883.43	1,493.80	1,529.68
Machinery and Other Capital Equipment	453.15	533.38	622.81	1,079.01	656.97
Parts and Accessories	146.50	206.04	260.62	414.79	872.71
5. TRANSPORT EQUIPMENT	237.98	461.80	705.96	1,318.81	1,214.92
Passenger Motor Vehicles	79.36	122.34	222.02	394.94	605.46
Other	92.57	197.26	299.14	611.73	569.89
Industrial	82.28	181.90	267.44	578.60	543.48
Non-Industrial	10.29	15.36	31.69	33.13	26.41
Parts and Accessories	66.05	142.20	184.80	312.14	39.57
6. CONSUMER GOODS NOT ELSEWHERE SPECIFIED	149.07	357.89	385.08	533.55	575.42
Durable	20.68	42.88	53.99	110.08	174.86
Semi-Durable	22.50	32.75	46.25	99.64	265.00
Non-Durable	105.90	282.26	284.84	323.83	135.56
7. GOODS NOT ELSEWHERE SPECIFIED	5.53	5.02	7.23	11.82	17.39
TOTAL	2,954.86	5,056.42	5,753.99	7,758.41	8,424.31
PERCENTAGE SHARES					
1. Food and Beverages	7.62	6.24	10.04	4.53	7.69
2. Industrial Supplies (Non-Food)	37.56	38.02	39.37	39.22	36.60
3. Fuel and Lubricants	21.24	24.81	16.15	12.98	16.09
4. Machinery and other Capital Equipment	20.29	14.62	15.35	19.25	18.16
5. Transport Equipment	8.05	9.13	12.27	17.00	14.42
6. Consumer Goods not elsewhere specified	5.05	7.08	6.69	6.88	6.83
7. Goods not elsewhere specified	0.19	0.10	0.13	0.15	0.21
TOTAL	100.00	100.00	100.00	100.00	100.00

* Provisional

Direction of Trade

7.19. African countries continued to be the major destination of Kenya's exports for three consecutive years as indicated in Table 7.11. In 1996, value of exports to Africa and European Union (EU) accounted for 79.7 per cent of the total exports. The share of exports to European Union expanded from 32.0 per cent in 1995 to 33.0 per cent in 1996 while exports to Africa narrowed from 48.8 per cent to 46.7 per cent. Exports to the Far East and Middle East accounted for 10.3 per cent and 3.3 per cent respectively. Most

destinations of Kenya's exports recorded significant growth.

SELECTED IMPORTS, 1992 - 1995

Table 7.10 K£million

	1992	1993	1994	1995	1996*
Crude Petroleum	549.39	946.53	720.38	579.63	675.20
Industrial Machinery (including Electrical)	506.35	653.28	811.93	1,303.21	1,323.22
Iron and Steel	182.87	300.93	310.58	513.10	481.68
Motor Vehicle and Chassis	144.51	276.29	475.76	932.98	790.10
Petroleum Products refined	62.49	284.88	197.26	419.62	648.18
Artificial Resins and Plastic Materials, and Cellulose Esters and Ethers	108.98	194.60	213.24	462.80	364.07
Pharmaceauticals	96.95	273.55	173.63	237.38	257.84
Fertilizers	75.13	166.60	170.60	120.56	241.37
Agricultural Machinery and Tractors	37.09	53.97	49.17	88.61	88.91
Wheat	34.09	152.61	125.88	116.97	318.88
Paper and Paper Products	48.03	75.35	80.27	234.51	204.96
Rice	28.46	23.30	69.05	22.44	34.94

* Provisional

7.20. Table 7.12 shows sources of Kenya's imports. European Union continues to be the leading source of Kenya's imports. In value terms, EU accounted for 37.7 per cent of total imports in 1996, a decline of 3.8 percentage points from 1995. Imports from the Far East and Australia and the Middle East accounted for 25.6 per cent and 16.3 per cent, respectively. Imports from African countries accounted for 9.6 per cent of the total imports with South Africa contributing 79.3 per cent. Major imports from South Africa were motor spirit, gas oil, semi-finished iron and steel products and coal. Imports from the Middle East increased substantially by 36.5 per cent from K£ 1,007.0 million in 1995 to K£ 1,374.4 million in 1996, mainly as a result of increase in imports of refined petroleum products from the United Arab Emirates, Saudi Arabia and Bahrain.

7.21. Table 7.13 summarises trade within the Common Market for Eastern and Southern Africa (COMESA) and the rest of Africa. Within COMESA, Uganda and Tanzania continue to be Kenya's major trading partners absorbing 42.4 per cent and 33.7 per cent respectively of Kenya's total exports to the COMESA region. Major commodities exported to Uganda were motor spirit, cement, wheat and sugar, while those to Tanzania were iron products, beer, sugar, soaps and medicaments. Major exports to Ethiopia were iron, steel and perfumes. Exports to Zaire increased substantially by 31.7 per cent from K£-79.3 million in 1995 to K£ 104.4 million in 1996.

7.22. During the year under review, there was substantial increase of exports to Uganda and Tanzania by 24.3 per cent and 20.2 per cent respectively. Exports to Ethiopia and Rwanda went down by 30.9 per cent and 27.3 per cent respectively. South Africa, Egypt and Somalia jointly accounted for 88.2 per cent of Kenya's total exports to non-COMESA countries. With the exception of South Africa, imports from the rest of Africa were generally low. Although the value of imports from African countries maintained a rising trend, Kenya still enjoys a favourable balance of trade.

DESTINATION OF TOTAL EXPORTS*. 1992 - 1996

Table 7.11 K£million

		1992	1993	1994	1995	1996**
EUROPEAN	United Kingdom	319.22	590.18	496.61	487.73	616.98
UNION:	Germany, Federal Rep	113.32	267.78	332.67	369.44	441.02
	Italy	55.51	66.23	78.82	80.25	103.04
	France	46.23	72.93	82.11	91.94	99.07
	Netherlands	70.94	145.69	182.01	214.59	319.14
	Other	86.09	177.40	193.28	311.75	373.99
	TOTAL	691.31	1,320.21	1,365.50	1,555.76	1,953.24
Other Western Europe, Total		53.36	131.22	112.77	40.17	60.17
Eastern Europe, Total		0.97	6.65	7.05	5.31	15.40
U S A		63.29	137.18	146.83	131.66	158.82
CANADA		11.49	29.81	28.92	31.02	32.40
AFRICA:	Tanzania	80.99	270.48	454.78	631.02	758.25
	Uganda	122.84	325.98	544.27	766.70	953.18
	Zambia	5.76	8.52	8.90	9.17	10.37
	Other	259.90	669.48	901.11	969.88	1,039.21
	TOTAL	469.49	1,274.46	1,909.06	2,376.77	2,761.01
MIDDLE	Saudi Arabia	11.91	26.28	16.57	27.30	21.71
EAST:	United Arab Emirates	4.69	16.02	13.45	33.44	26.59
	Iran	0.82	0.02	03.9	12.05	63.13
	Other	33.14	62.65	43.92	43.02	86.26
	TOTAL	50.56	104.97	74.33	115.81	197.69
FAR EAST	Australia	6.63	12.83	16.22	11.61	20.59
AND	Japan	23.77	33.39	33.30	32.89	47.86
AUSTRALIA:	India	11.25	29.57	25.73	34.56	36.44
	China(Mainland)	3.13	4.01	2.12	3.86	2.79
	Other	191.47	367.09	407.15	447.61	502.11
	TOTAL	236.25	446.89	484.52	530.53	609.79
ALL OTHER COUNTRIES		11.84	29.79	24.17	35.64	36.33
Aircraft and Ships Stores .		153.70	197.07	128.98	44.34	85.15
	ALL EXPORTS	1,742.26	3,678.25	4,282.13	4,866.95	5,910.00

* Excluding gold and currency but including Re-Exports

** Provisional.

ORIGIN OF TOTAL IMPORTS, 1992 - 1996

Table 7.12 K£million

		1992	1993	1994	1995	1996*
EUROPEAN	United Kingdom	338.37	602.38	757.63	980.51	1,113.23
UNION:	Germany,Federal Rep	199.66	361.52	357.56	528.62	512.28
	France	154.95	212.45	232.22	348.72	412.89
	Italy	87.83	228.09	175.33	456.99	274.68
	Netherlands	75.23	123.16	163.93	222.06	239.21
	Other	139.39	218.90	249.69	682.19	622.10
	TOTAL	995.43	1,746.50	1,936.36	3,219.09	3,174.39
Other Western Europe, Total		124.82	177.05	214.25	132.51	179.35
Eastern Europe, Total		18.18	38.63	65.57	69.73	104.51
U.S.A		243.43	293.40	381.60	323.06	440.10
CANADA		21.30	40.17	26.55	31.98	89.61
AFRICA:	Tanzania	14.45	24.44	54.54	31.10	46.40
	Uganda	7.77	15.98	9.29	8.03	1.48
	Zambia	15.65	17.64	7.12	8.96	13.21
	Other	56.19	63.57	719.97	653.37	743.86
	TOTAL	94.06	121.63	790.92	701.46	804.95
MIDDLE	United Arab Emirates	482.08	759.07	643.63	520.33	693.12
EAST:	Saudi Arabia	71.51	233.85	136.46	282.23	423.49
	Iran	53.16	61.89	48.12	26.83	6.08
	Other	37.85	97.23	57.56	177.63	251.73
	TOTAL	644.60	1,152.04	885.77	1,007.02	1,374.42
FAR EAST	Japan	278.49	383.01	496.77	852.93	625.41
AND	Australia	10.53	12.84	17.30	24.22	82.33
AUSTRALIA	India	85.55	136.47	217.07	416.14	480.64
	China(Mainland)	29.36	68.69	76.40	159.61	145.30
	Other	272.02	347.96	585.93	651.96	820.46
	TOTAL	675.95	948.97	1,393.47	2,104.86	2,154.14
ALL OTHER COUNTRIES		137.09	538.00	59.50	168.71	102.84
Parcel Post and Special Transactions		-	-	-	-	
	TOTAL	2,954.86	5,056.42	5,753.99	7,758.42	8,424.31

*Provisional

TRADE WITH AFRICAN COUNTRIES, 1992-1996

Table 7.13 K£'000

	EXPORTS					IMPORTS				
	1992	1993	1994	1995	1996*	1992	1993	1994	1995	1996*
COMESA										
Angola	434	68	67	170	2,214	3	104	62	.	
Burundi	10,875	22,294	32,728	22,692	22,344	1,104	2,305	1,401	2,308	158
Comoros	6,960	15,158	7,959	5,556	8,821	26	.	.	220	
Eritrea	.		.	.	3,906	.	.	.	.	
Ethiopia	18,581	84,521	103,682	168,454	116,391	136	72	480	174	144
Lesotho	271	6	15	100	60	13	.	2	163	20
Madagascar	1,677	1,582	1,720	1,342	7,989	152	31	160	71	861
Malawi	2,421	6,295	7,267	7,756	15,227	54	2,500	661	562	87
Mauritius	9,847	27,731	24,818	22,190	28,734	1,624	8,822	2,482	5,606	8,088
Mozambique	506	1,610	1,223	4,133	12,713	37	200	44	80	
Namibia	23	39	37	336	207	12	1	232	93	952
Rwanda	22,468	68,217	249,934	161,281	117,220	30	115	85	263	276
Sudan	20,382	82,320	72,624	61,760	70,986	2,531	3	115	124	71
Swaziland	268	138	58	23	57	14,377	356	145	958	149
Tanzania	80,985	270,477	454,776	631,021	758,254	14,448	24,440	54,536	31,100	46,399
Uganda	122,844	325,976	544,267	766,703	953,177	7,765	15,985	9,292	8,032	1,485
Zaire	13,086	28,760	68,799	79,279	104,350	1,189	3,328	3,989	4,378	1,959
Zambia	5,763	8,516	8,905	9,173	10,372	15,647	17,642	7,117	8,957	13,208
Zimbabwe	14,086	11,150	12,561	6,555	16,540	25,671	41,610	64,403	11,300	13,753
Total Comesa	331,477	954,858	1,591,440	1,948,524	2,249,561	84,819	117,514	145,206	74,389	87,608
Djibouti	5,914	9,797	15,722	3,687	4,671	10	9	89	261	688
Somalia	49,124	117,543	125,941	94,398	117,066	226	48	267	869	364
Seycelles	1,388	6,397	6,212	6,625	11,171	1	61	53	2,877	150
Egypt	66,901	156,548	126,525	149,030	214,776	169	880	4,258	13,191	18,043
Algeria & Libya	32	122	192	315	1,959	.	9	27	23	50,056
Ghana & Nigeria	6,485	7,593	5,071	9,053	15,901	1,016	1,224	2,183	3,421	4,013
Reunion	5,445	5,676	6,147	15,881	13,496	1	.	.	96	65
South Africa	.	.	21,412	135,302	119,239	.	.	621,564	601,354	638,631
All Other African Countries	2,726	15,926	10,400	13,953	13,174	7,823	1,884	17,273	4,975	5,328
TOTAL	138,015	319,602	317,622	428,244	511,452	9,246	4,115	645,714	627,067	717,339
TOTAL AFRICA	469,492	1,274,460	1,909,062	2,376,768	2,761,013	94,065	121,629	790,920	701,456	804,947
Percentage of all Exports/Imports 27	35	45	49	47	3	2	14	9	10	

* Provisional

** The Common Market (or 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

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

Balance of Payments

7.23. The overall balance of payments position recorded a surplus of K£ 1,163.0 million in 1996 compared with a deficit of K£ 368.9 million in 1995. The favourable upturn resulted from good performance in both the current and capital accounts. The increase in current account stemmed mainly from better performance in exports and moderate increases in services. An improvement in the net private and short-term capital inflows resulted in an increase of K£ 1044.9 million in the capital account.

7.24. As shown in Table 7.14, the current account recorded a deficit of K£ 211.2 million in 1996 compared with a deficit of K£ 1030.9 million in 1995. The merchandise account improved from a deficit of K£ 1,964.8 million in 1995 to a deficit of K£ 1,512.4 million in 1996. The official foreign reserves increased by K£ 1,081.5 million in 1996 compared with a decrease of K£ 140.9 million in 1995.

7.25. Table 7.15 shows that exports rose by K£ 1,000.5 million in 1996 compared with K£ 671.5 million in 1995 while the import bill increased by K£ 548.1 million in 1996 compared with K£ 1,851.0 million in 1995. Net service earnings increased by K£ 48.8 million, a reversal from the declines recorded in 1995 and 1994. Grants increased by K£ 318.5 million in 1996 compared with K£ 525.8 million in 1995.

7.26. Net official capital inflows declined by K£ 5.0 million. The long term capital inflows combined with movements in the current account resulted in a surplus in the basic balance of K£ 818.4 million in 1996 compared with a deficit of K£ 780.2 million in 1995.

KENYA BALANCE OF PAYMENTS, 1994-1996

Table 7.14 *K£million*

	1994			1995			1996*		
	Debits/ Assets	Credits/ liabilities	Net	Debits/ Assets	Credits/ liabilities	Net	Debits/ Assets	Credits/ liabilities	Net
A.-CURRENT.ACCOUNT									
1. Merchandise (f.o.b)	4,936.21	4,150.89	Dr 785.32	6,787.22	4,822.42	Dr 1,964.80	7,335.32	5,822.92	Dr 1,512.40
2. Shipment	790.25	152.49	Dr 637.76	1,086.59	295.73	Dr 790.86	1,174.33	262.55	Dr 911.78
3. Other Transportation	279.59	670.62	391.03	296.38	635.10	338.72	298.84	770.21	471.37
4. Foreign Travel	319.03	1,404.80	1,085.77	372.43	1,249.64	877.21	477.13	1,279.65	802.52
5. International Investment Income	1,075.01	58.60	Dr 1,016.41	901.38	65.95	Dr 835.43	691.72	61.24	Dr 630.48
6. Other goods, services and income : Government	241.33	848.12	606.79	298.94	415.66	116.72	314.18	394.29	80.11
7. Other goods, services & income Private	294.36	184.32	Dr 110.04	266.51	211.27	Dr 55.24	258.81	146.94	Dr 111.87
8. Unrequited transfers-Government	7.03	351.52	344.49	5.81	238.92	233.11	4.67	370.30	365.63
9. Unrequited transfers-Private	171.12	583.63	412.51	112.29	1,162.00	1,049.71	12.04	1,247.76	1,235.72
TOTAL CURRENT ACCOUNT	8,113.93	8,404.99	291.06	10,127.55	9,096.69	Dr 1030.86	10,567.04	10,355.86	Dr 211.18
of which: Visible Balance	4,936.21	4,150.89	Dr 785.32	6,787.22	4,822.42	Dr 1,964.80	7,335.32	5,822.92	Dr 1,512.40
Invisible Balance	3,177.72	4,254.10	1,076.38	3,340.33	4,274.27	933.94	3,231.72	4,532.94	1,301.22
B -CAPITAL ACCOUNT									
10. Government Long-term		Dr 317.49	Dr 317.49	904.66	889.90	Dr 14.76	1,039.93	1,054.20	14.27
11. Private Long-term	0.17	Dr 120.47	Dr 120.64	149.64	129.22	Dr 20.42	128.81	112.08	Dr 16.73
12. Parastatals Long-term		Dr 285.85	Dr 285.85	298.51	151.40	Dr 147.11	251.29	70.15	Dr 181.14
13. Short-term		688.70	688.70	0.00	819.70	819.70	0.00	1,865.87	1,865.87
TOTAL CAPITAL ACCOUNT	0.17	Dr 35.11	Dr 35.28	1,352.81	1,990.22	637.41	1,420.03	3,102.30	1,682.27
C. -ERRORS AND OMISSIONS			9.05			24.54			Dr 308.07
D -OVERALL BALANCE			264.83			Dr 368.91			1,163.02
E -MONETARY MOVEMENTS									
14. Change in reserves'*	448.67		Dr 448.67	cr 420.53		420.53	1,081.52	Dr	Dr 1,081.52
15. Transactions with I M F		46.64	46.64		Dr 93.72	Dr 93.72		119.37	Dr 119.37
16. Change in other liabilities		137.20	137.20		42.10	42.10		37.87	37.87
TOTAL MONETARY MOVEMENTS	448.67	183.84	Dr 264.83	cr 420.53	Dr 51.62	368.91	1,081.52	Dr 81.50	Dr 1,163.02

* *Provisional*

** Reserves up to 1995 *are defined to include Commercial* Banks *foreign assets.*
Revised

CHANGES IN KENYA BALANCE OF PAYMENTS MAGNITUDES*, 1994 - 1996

Table 7.15 K£million

	1994	1995	1996
1. Exports (f o b.)**	+712.57	+671.53	+1,000.50
2. Imports(f.o.b)**	+607.05	+1,851.01	+548.10
3. Services(net)	-160.18	-668.26	+48.75
4. Transfers (net)	+57.90	+525.82	+318.53
5. Change on current account	+3.24	-1,321.92	+819.68
6. Private long term capital (net)	+95.00	+100.22	+3.69
7. Public long term capital (net)	-759.53	+441.47	-5.00
8. Change on basic balance (net balance on lines 5-7)	+851.29	-780.23	+818.37
9. Short term capital, errors and omissions (net)	+167.98	+135.55	+724.50
10. Net change on all above items (Monetary movements)	-1,019.27	-633.74	+ 1,531.93

* 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

International Liquidity

7.27. Details of the foreign reserves of the Central Monetary Authorities and movements of the foreign exchange position are shown in Table 7.16. Total net foreign reserves held by the Central Bank of Kenya which stood at K£ 1,232.1 million, in December 1995 rose to K£ 2,311.6 million in December 1996, the highest ever recorded. The upsurge in the level of the foreign assets can be attributed to the continued effects of foreign exchange liberalisation policy, which has attracted substantial short-term capital inflows. Total liability of the banking system decreased to K£ 1358.2 million in 1996 from K£ 1480.7 million in 1995. The largest decline was in the use of Fund Credit, which fell by 11.4 per cent to K£ 926.3 million. Liabilities, other than to International Monetary Fund (IMF), which stood at K£ 1.4 million at the end of 1995, increased to k£ 1.9 million at the of end 1996. Central Bank SDR holdings stood at K£ 2.1 million in 1996 compared to K£ 3.6 million in 1996.

7.28. Table 7.17 details end of year exchange rate of Kenya shilling vis-a-vis other selected world currencies. The shilling, which depreciated against major currencies in 1995 made a significant turn-around and appreciated against them except the Sterling Pound. This is reflected in weighted trade index, which decreased by 7.4 per cent from 551.6, in 1995 to 510.7 in 1996. On average the Kenya shilling appreciated against all the selected currencies by 8.0 per cent.

7.29. From Table 7.17, it can be observed that the performance of the shilling varied against each currency. The Shilling depreciated by 7.5 per cent against the Pound Sterling. It appreciated by 1.6 per cent against the U.S. Dollar; 9.2 per cent against the German Mark; 12.9 percent against the Japanese Yen and 7.9 per cent against the French Franc. As a result of these developments, the shilling appreciated against the SDR by 5.3 per cent to exchange at Ksh. 79 to the SDR in December 1996 from Ksh. 83 to the SDR in December 1995.

CENTRAL MONETARY AUTHORITIES:FOREIGN EXCHANGE RESERVES, 1992 - 1996

Table 7.16 K£millior

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
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	3.55	1,229.90	1.35	1,232.10	2.00	1,234.10	829.03	777.86	51.17	153.79
1996										
January	14.80	1,297.05	3.25	1,308.60	2.00	1,310.60	861.65	808.46	53.19	159.84
February	5.00	1,286.70	3.70	1,288.00	2.00	1,290.00	855.04	802.26	52.78	158.62
March	4.95	1,599.05	3.05	1,600.95	2.00	1,602.95	848.75	796.36	52.39	157.45
April	4.90	1,724.20	1.00	1,728.10	1.49	1,729.59	843.33	791.27	52.06	156.44
May	3.40	1,974.20	1.00	1,976.60	1.27	1,977.87	836.82	785.16	51.66	155.24
June	3.35	2,259.60	1.10	2,261.85	1.27	2,263.12	825.90	774.91	50.99	153.21
July	16.85	2,259.70	1.65	2,274.90	1.10	2,276.00	833.86	782.39	51.47	154.69
August	3.45	2,289.30	0.85	2,291.90	1.03	2,292.93	828.12	777.00	51.12	153.62
September	3.40	2,274.45	1.15	2,276.70	1.02	2,277.72	806.91	757.09	49.82	149.69
October	3.35	2,261.50	0.95	2,263.90	3.13	2,267.03	797.93	748.65	49.28	148.97
November	2.00	2,292.65	1.00	2,293.65	3.06	2,296.71				148.02
December	2.10	2,311.35	1.85	2,311.60	2.89	2,314.49	787.29	738.68	48.61	146.05

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, 1991 - 1996

Table 7.17

CURRENCY	MEAN RATES IN KENYA SHILLINGS					
	31st Dec. 1991	31st Dec 1992	31st Dec. 1993	31st Dec 1994	31st Dec 1995	31st Dec 1996
1 US Dollar	28.0740	36.2160	68.1630	44.8390	55.9390	55.0211
1 Pound Sterling	52.4280	54.7050	100.9160	69.9490	86.5590	93.0495
1 Deutsche Mark	18.4860	22.3810	39.2980	28.8890	38.9300	35.3431
1 French Franc	5.4100	6.5680	11.5670	8.3730	11.4070	10.5053
1 Swiss Franc	20.7110	24.7210	46.0560	34.1350	48.5040	40.8195
1 Dutch Guilder	16.4010	19.9240	35.1270	25.7780	34.7650	31.5221
1 Swedish Kroner	5.0600	5.1240	8.1930	6.0300	8.3910	7.9967
1 Norwegian Kroner	4.6970	5.2350	9.0710	6.6010	8.8160	8.5385
1 Zambian Kwacha**	0.3140	0.1020	0.1030	0.0650		
1 Austrian Schilling	2.6270	3.1910	5.5940	4.1150	5.5430	5.0433
1 Belgian Franc	0.8970	1.0900	1.8990	1.4080	1.8950	1.7239
1 Danish Kronor	4.7520	5.7930	10.0770	7.3660	10.0710	9.1951
1 Canadian Dollar	24.2460	28.5530	51.3080	31.9310	41.0900	
1 Finish Marka	6.7880	6.9230	11.7800	9.4470	12.8130	11.8523
1 Australian Dollar	21.3310	24.9710	46.1740	34.5420		43.8243
100 Japanese Yen	22.3520	29.0660	60.9140	44.9530	54.3800	47.3897
100 Italian Lira	2.4410	2.4550	3.9880	2.7660	3.5480	3.6003
1 Indian Rupee	1.0850	1.3990	2.1730	1.4340	1.6090	1.5391
1 Pakistan Rupee		1.3970		1.4420		1.3818
100 Burundi Francs**	14.6910	15.3710	25.8500	18.1700		
100 Rwanda Francs**	23.4360	24.7600	46.7400	32.3200		1.2211
Overall Weighted Index* 1982=100	282.1000	314.6000	600.0000	419.8300	551.5600	510.7150

* Trade weighted Fisher's Ideal index

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

CHAPTER 8 - AGRICULTURE

Overview

The agricultural sector recorded a growth of 4.4 per cent in 1996. The observed positive growth for the third consecutive year is consistent with the renewed growth of the economy, which began in 1994. This performance was largely attributed to the continued stability of the Kenyan economy, coupled with increased output of coffee, tea, sugar cane, wheat, and horticultural produce. For the first time, Kenya became the leading exporter of tea in the world, surpassing India and Sri Lanka. Inadequate rainfall during the long and short rains season in most parts of the country resulted in lower production of food crops such as maize and beans. As a result, maize and beans prices skyrocketed in sharp contrast to the prices prevailing during the bumper harvest of the same period in 1995. Despite removal of duty on agricultural inputs, farmers still experienced increasing prices of agricultural inputs resulting in less use of the inputs. Quantity of marketed milk declined from 350 million litres to 257 million litres, while prices paid to farmers by K.C.C declined from Kshs 14.00 to Kshs 11.40 for a litre of milk. Tea auction prices increased while coffee prices decreased during the year under review in comparison to 1995.

8.2. Agricultural output and value added in 1996 at current prices as indicated in Table 8.1, were K£ 6,778.6 million and K£ 6,233.0 million which represented 6.5 per cent and 7.9 per cent increases, respectively. Output and value added at constant prices, increased by 2.9 per cent and 4.4 percent, respectively in 1996.

AGRICULTURAL OUTPUT AND INPUT, 1992 - 1996**

Table 8.1 K£million

	1992	1993	1994	1995	1996*
AT CURRENT PRICES-					
Total Output	3,332.79	4,602.73	5,870.12	6,367.15	6,778.60
Less Inputs	316.78	434.43	578.02	589.52	545.60
Value Added	3,016.01	4,168.30	5,292.10	5,777.63	6,233.00
AT CONSTANT (1982) PRICES-					
Total Output	1,269.57	1,220.78	1,254.50	1,316.10	1,353.67
Less inputs	134.70	132.29	135.21	142.74	128.32
Value Added	1,134.83	1,088.49	1,11929	1.173.36	1,225.35

* Provisional

** Output and input figures adjusted

Marketed Production

8.3. As shown in Table 8.2, the value of marketed production rose from K£ 2,969.4 million in 1995 to K£ 3,183.1 million in 1996. This is attributed to increased production of agricultural commodities such as coffee, tea, sugar cane and sisal. Increased demand for tea in the world market resulted in 22.5 per cent increase in tea revenue in 1996. Value of centrally marketed livestock and livestock products increased from K£ 634.8 million in 1995 to K£ 642.6 million in 1996 largely due to availability of animals for slaughter as a result of adverse weather conditions in the second half of the year. The value of cereals marketed increased marginally by 0.2 per cent in 1996 compared to 1995. The high inputs cost, low rainfall coupled with poor maize prices following the glut in 1995 resulted in reduced maize output and hence the decline in the volume of centrally marketed maize in 1996.

RECORDED MARKETED PRODUCTION AT CURRENT PRICES, 1992 - 1996

Table 8.2 K£million

	1992	1993	1994	1995	1996*
CEREALS-					
Maize	76.9	98.0	134.2	160.4	155.9
Wheat	35.3	20.6	63.1	81.6	105.7
Others	40.8	41.7	75.8	59.8	40.9
Total	153.0	160.2	273.1	301.8	302.5
TEMPORARY INDUSTRIAL CROPS-					
Sugar-cane	115.2	158.6	256.8	341.2	356.3
Pyrethrum	19.0	19.9	27.9	22.1	16.7
Others	20.8	19.7	29.1	30.4	75.5
Total	155.1	198.1	313.8	393.7	448.5
OTHER TEMPORARY CROPS	8.0	8.0	10.1	10.1	13.0
PERMANENT CROPS-					
Coffee	218.3	384.8	587.9	764.5	717.9
Tea	446.7	993.4	915.0	829.8	1,016.8
Sisal	16.7	16.9	18.8	26.7	27.3
Others	4.1	9.5	10.3	8.0	14.5
Total	685.8	1,404.6	1,532.0	1,629.0	1,776.5
TOTAL CROPS	1,001.8	1,771.0	2,129.0	2,334.6	2.540.5
LIVESTOCK AND PRODUCTS-					
Cattle and Calves	207.1	235.2	252.7	302.6	363.1
Dairy Produce	63.8	97.2	161.5	253.8	193.2
Others	49.3	57.8	68.1	78.4	86.3
Total	320.2	390.2	482.3	634.8	642.6
GRAND TOTAL	1,322.0	2,161.1	2,611.3	2,969.4	3,183.1

*Provisional

8.4. The quantum index for total gross marketed production, rose from 131.0 in 1995 to 140.5 in 1996 in response to increased volumes of commodities purchased. The price index for cereals registered an upward trend compared to 1995, as a result of an increase in maize and wheat prices. The livestock and livestock products quantum index rose from 105.5 in 1995 to 126.7 in 1996. The adverse weather, which prevailed in 1996, led to an increase in supply of livestock for slaughter as shown in Table 8.3.

VOLUME AND PRICE INDICES OF SALES TO MARKETING BOARDS, 1992 -1996

Table 8.3 1982=100

		1992	1993	1994	1995	1996*
QUANTUM INDICES-	Cereals	59.9	41.4	56.3	65.1	54.6
	Temporary Industrial Crops	91.4	93.1	81.7	93.3	104.0
	Permanent Crops	137.3	142.3	142.1	165.0	175.0
	TOTAL CROPS	117.4	116.3	121.4	137.2	143.9
	Livestock and Products	79.5	82.0	88.1	105.5	126.7
TOTAL GROSS MARKETED PRODUCTION		109.3	107.4	113.5	131.0	140.5
PRICE INDICES-	Cereals	396.9	587.0	814.5	764.5	923.2
	Temporary Industrial Crops	290.4	364.1	649.8	665.2	646.4
	Permanent Crops	205.9	396.0	474.5	472.1	456.0
	TOTAL CROPS	250.9	423.3	521.0	503.9	563.7
	Livestock and Products	276.7	321.5	409.6	457.7	393.9
TOTAL GROSS MARKETED PRODUCTION		256.0	399.8	495.3	527.5	533.7

Provisional

Data on livestock is from slaughter houses

8.5. In the year under review, the average gross commodity prices to farmers experienced no major changes as reflected in Table 8.4. While prices of coffee dropped by 12.9 per cent, the average price for tea increased by 16.5 per cent. The poor short rain's harvest in 1995 and the general drought conditions in 1996 led to an increase in maize prices of 31.9 per cent. Kenya Co-operative Creameries (KCC) reduced milk producer prices by 21.4 per cent from Kshs 14.50 in 1995 to Kshs 11.40 per litre in 1996. However, the milk handled through alternative outlets realised relatively higher prices resulting in an overall producer price of Kshs 12.50 per litre. The producer prices of sugarcane and pyrethrum remained unchanged.

AVERAGE GROSS COMMODITY PRICES* TO FARMERS,1992 -1996

Table 8.4 KSh. per stated unit

	UNIT	1992	1993	1994	1995	1996**
Coffee	100kg	4,936.60	9,886.00	14,427.80	15,966.00	13,913.60
Tea		4,750.00	9,241.45	8,738.40	6,786.80	7,908.00
Sisal		980.00	989.00	1,100.00	1,915.00	1,915.00
Sugar-cane	Tonne	630.00	826.00	1,553.00	1,553.00	1,553.00
Pyrethrum(extract equivalent)	Kg	1,800.00	1,800.00	2,175.00	3,600.00	3,600.00
Seed Cotton	100Kg	990.00	1,323.00	1,913.50	1,720.00	2,136.00
Maize		474.70	810.40	950.00	800.00	1,055.00
Wheat		560.26	565.00	1,200.00	1,300.00	1,563.00
Beef (third grade)		2,600.00	2,710.00	3,000.00	3,300.00	3,400.00
Bacon Pigs		3,916.84	5,465.60	5,964.00	6,500.00	6,600.00
Milk	100 litres	580.00	780.00	1,250.00	1,450.00	1,250.00

* 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. Table 8.5 shows the sale to marketing boards of agricultural produce from large and small farms. The value of output from large and small farms increased by 4.0 per cent and 5.9 per cent respectively to stand at K£ 993.13 million for large farms and K£ 2,189.97 million for small farms. The share of marketed output from small farms rose marginally from 68.4 per cent in 1995 to 68.8 per cent in 1996.

SALE TO MARKETING BOARDS FROM LARGE AND SMALL FARMS. 1992-1996

Table 8.5

YEAR	LARGE FARMS		SMALL FARMS		TOTAL		PERCENTAGE SHARE OF SMALL FARMS
	K£ mn.	Annual Percentage change	K£ mn	Annual Percentage change	K£ mn.	Annual Percentage change	
1992	496.21	1.36	821.83	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
1996*	993.13	3.99	2,189.97	5.94	3,183.10	7.20	68.80

*Provisional

8.7. Agricultural input use as reflected by the quantum index in Table 8.6, declined from 127.8 in 1995 to 125.8 in 1996, while the price index went up by 12.6 per cent. There was less usage of fertilisers, manufactured feeds, purchased seeds and other material inputs due to their increased cost. All the inputs recorded increased prices despite the stability of the Kenya shilling against other trading currencies.

AGRICULTURAL INPUT INDICES', 1992 -1996

Table 8.6 1982=100

	1992	1993	1994	1995	1996**
QUANTUM INDICES-					
Fertilizers	93.9	88.4	94.4	128.0	115.2
Fuel and Power	109.9	112.9	116.8	121.8	129.1
Bags	99.7	101.7	101.3	104.5	110.9
Manufactured Feeds	265.2	266.9	271.7	342.0	273.6
Purchased Seeds	115.7	110.2	120.4	131.3	128.2
Other Material Inputs	96.9	96.3	99.9	101.6	100.3
Total Material Input	124.5	123.9	125.3	128.4	127.2
Service Inputs	110.6	106.9	112.1	113.2	120.8
TOTAL INPUTS	122.8	122.1	124.0	127.8	125.8
PRICE INDICES-					
Fertilizers	233.6	310.1	227.2	218.6	232.8
Fuel and Power	303.6	459.2	576.4	641.7	730.6
Bags	197.9	241.8	294.9	283.6	301.6
Manufactured Feeds	254.5	328.3	578.3	540.6	621.7
Purchased Seeds	336.6	576.9	848.5	830.6	937.4
Other Material Inputs	201.1	257.4	313.9	350.0	378.9
TOTAL MATERIAL INPUT	244.5	349.8	460.4	435.5	489.9
SERVICE INPUTS	164.9	185.0	207.7	220.1	230.4
TOTAL INPUTS	235.1	328.4	427.5	413.0	465.2

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

**Provisional

8.8. As can be seen in Table 8.7, the total value of inputs consumed declined marginally by 0.6 per cent from K£ 367.57 million in 1995 to K£ 365.30 million in 1996. Only service inputs increased by 7.6 per cent. The reduction in use of farm inputs was as a result of their high cost including the low returns the farmers received for some of the commodities.

PURCHASED AGRICULTURAL INPUTS'. 1992 - 1996

Table 8.7 K£million

	1992	1993	1994	1995	1996**
MATERIAL INPUTS-					
Fertilizers	38.48	49.57	52.16	53.25	52.20
Other Agricultural Chemicals	12.39	14.04	14.01	14.58	15.21
Livestock Drugs and Medicines	18.73	22.24	23.00	23.90	25.60
Fuel and Power	45.04	92.69	112.79	136.03	146.91
Bags	13.87	14.64	15.81	16.81	17.82
Manufactured Feeds	33.78	36.67	39.05	41.35	38.00
Purchased Seeds	34.76	39.46	45.14	50.25	46.20
Other Material Inputs	9.36	10.24	10.55	11.14	11.70
Total	206.41	279.55	312.51	347.31	343.50
SERVICE INPUTS	16.26	18.24	19.01	20.26	21.80
TOTAL INPUTS	222.67	297.79	331.52	367.57	365.30

* Except labour

** Provisional

8.9. As shown in Table 8.8, the general index of agricultural output prices increased by 4.1 per cent in 1996 compared to 1995. In the same period, the price index for purchased inputs rose by 12.6 per cent resulting in a decline in the agricultural sector terms of trade from 87.6 in 1995 to 86.4 per cent in 1996.

PRICE AND TERMS OF TRADE INDICES FOR AGRICULTURE, 1992- 1996

Table 8.8 1982=100

	1992	1993	1994	1995	1996*
General Index of Agricultural Output Prices**	236.2	324.2	380.7	442.7	460.7
PRICE PAID-					
Purchased Inputs	235.1	328.4	427.5	413.0	465.2
Index of Purchased Consumer Goods-Rural Areas	284.8	430.3	565.5	572.2	632.3
INDICES OF PRICES PAID	263.9	372.2	438.6	505.3	523.7
Agricultural Sector terms of Trade	89.5	87.1	86.8	87.6	86.4

*Provisional

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

8.10. Table 8.9. Shows the estimated production of selected agricultural commodities based on Crop Forecast Survey. All the food crops covered by the survey registered reduced production attributed to poor and erratic rains in 1996. Maize, beans and potatoes recorded respective declines of 26.1 per cent, 56.6 per cent and 46.6 per cent.

ESTIMATED PRODUCTION OF SELECTED AGRICULTURAL COMMODITIES IN AGRICULTURAL YEARS, 1992/93 - 1996/97

(Based on Crop Forecast Surveys)

Table 8.9 million bags

crop	1992/93	1993/94	1994/95	1995/96	1996/97*
Maize	24.56	18.87	29.12	26.33	19.45
Beans	2.39	1.25	2.82	2.42	1.05
Potatoes	2.26	1.99	2.51	2.90	1.55
Sorghum	0.95	0.86	1.05	0.84	0.84
Millet	0.45	0.39	0.47	0.44	0.40

* Provisional.

8.11. Prices of maize, beans, potatoes, sorghum and millet from selected rural markets are indicated in Table 8.10. As a result of the overall decline in food crop production in 1996, food prices rose steadily from March 1996 in almost all the regions of the country. The September prices were even higher than the corresponding period in 1995. These price changes were particularly significant for maize in Eastern, Nyanza and Western provinces indicating the severity of food unavailability in these areas.

RURAL MARKET PRICES FOR SELECTED FOOD CROPS

BY PROVINCE, 1993 -1996

Table 8.10 KSh. per Kg.

CROP	Province	1993		1994		1995		1996	
		March	Sep-tember	March	Sep-tember	March	Sep-tember	March	Sep-tember
Maize	Coast	10.20	13.50	19.50	18.32	18.18	23.40	20.45	23.77
	Eastern	8.18	12.33	11.08	12.58	7.35	6.91	8.73	12.21
	Central	7.78	12.16	17.41	13.08	8.84	8.37	8.04	11.90
	Rift Valley	9.00	11.50	14.50	10.12	8.19	7.64	7.70	11.63
	Nyanza	6.90	10.36	14.73	8.92	8.39	6.83	8.49	10.93
	Western	8.18	10.41	13.54	8.55	7.88	6.74	8.31	13.13
Beans	Coast	30.30	28.88	28.13	40.00	25.00	33.93	32.57	37.91
	Eastern	12.58	22.75	23.04	24.02	17.74	16.00	18.02	31.11
	Central	15.44	27.03	33.31	27.04	24.36	25.06	21.45	28.56
	Rift Valley	20.29	23.95	34.98	26.23	28.48	22.92	23.08	24.16
	Nyanza	13.65	21.70	38.77	26.02	31.25	27.89	20.79	28.64
	Western	16.10	22.70	29.16	30.94	28.41	21.97	20.67	18.54
Potatoes	Coast	15.20	18.00	22.40	20.00	24.29	25.62	21.44	22.14
	Eastern	6.75	8.10	12.04	8.78	12.11	11.03	12.86	22.29
	Central	6.00	7.20	12.23	7.34	9.72	12.55	10.03	10.82
	Rift Valley	4.75	8.25	11.03	7.21	10.99	8.53	12.88	12.98
	Nyanza	5.55	10.20	14.86	6.74	11.85	11.41	9.67	10.65
	Western	9.30	9.85	16.74	9.28	20.00	12.60	11.58	12.52
Sorghum	Eastern	9.38	11.55	19.68	11.56	9.37	8.62	7.21	17.10
	Nyanza	6.25	11.15	18.50	10.64	8.14	7.09	8.29	10.02
	Western	7.66	10.75	15.10	10.06	8.10	8.08	8.51	15.51
Millet	Eastern	11.35	14.55	20.89	19.56	11.71	12.42	10.54	18.13
	Rift Valley	11.65	13.25	21.74	17.66	16.43	16.65	19.26	21.74
	Nyanza	9.65	17.05	19.56	19.55	20.23	17.03	20.62	25.54
	Western	10.85	12.25	17.00	20.31	13.85	13.96	18.66	25.02

Production by crop

8.12. Due to unfavourable weather as a result of below average precipitation, there was a decline in production of maize, beans and other food crops except wheat. Increased wheat production arose from increased area under wheat in the year under review.

8.13. Maize: - Maize production declined in 1996 largely due to decreased acreage under the crop as a result of low farm gate prices in 1995. Reduced use of fertiliser and high quality seeds, as a result of high input prices coupled with irregular rains at sowing time, also adversely affected the crop yield. Farm gate prices of maize increased to over Kshs. 1,055 per 90Kg bag in response to reduced supplies. The National Cereals and Produce Board (NCPB) continued with its policy of maintaining strategic reserves and also offering alternative market for the farmers' maize.

8.14. Wheat: - Wheat production as shown in Table 8.12 increased by 5.0 per cent from 128.6 thousand tonnes to 135.0 thousand tonnes. This production was however far much below the domestic requirements, which necessitated importation of 485.9 thousand tonnes of the cereal. The expanded acreage under wheat in 1996 without a corresponding expansion in wheat yields could be attributed to the draught, which prevailed in the second half of the year. Total production and imports of wheat rose by 26.2 per cent in the year under review.

SALE OF SOME MAJOR CROPS TO MARKETING BOARDS, 1992 - 1996

Table 15.10

CROP	UNIT	1992	1993	1994	1995	1996*
Maize++	'000 tonnes	324.1	241.8	316.0	401.0	295.5
Wheat*		125.9	73.1	105.2	125.5	130.0
Rice paddy +		14.2	11.4	13.5	14.6	15.9
Cotton+		2.8	2.5	1.8	0.2	0.5
Coffee		88.4	77.8	81.5	95.8	103.2
Tea		188.1	211.1	209.4	244.5	257.2
Sisal		34.1	35.1	33.9	27.8	28.1
Sugar-cane+	mn. tonnes	3.7	3.8	3.3	4.0	4.1
Pyrethrum (Extract Equivalent)	tonnes	211.6	220.5	172.2	122.8	93.0

* Provisional

* No purchases of paddy, wheat, cotton and sugar cane by boards

** Includes maize purchases by NCPB and millers.

8.15. Coffee: - In 1996, coffee deliveries to the Coffee Board of Kenya was at 103.2 thousands tonnes. This was an increase of 7.7 per cent compared to 95.8 thousand tonnes

PRODUCTION AND IMPORTS OF WHEAT, 1992 - 1996

Table 8.12 '000 Tonnes

YEAR	PRODUCTION*	IMPORTS	TOTAL
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
1996**	135.0	486.9	621.9

* Includes retention for seed

** Provisional

delivered in 1995. The average price per tonne was K£ 6,957 in 1996 compared to K£ 7,983 in 1995 representing a 12.9 per cent price decline. The marginal increase in production may be attributed to improved crop husbandry due to good and regular payments to farmers. Coffee production by smallholders decreased by 9.1 per cent while production by estates rose by 22.3 per cent. The decline in small holder coffee production may be associated with poor rainfall coupled with uncertainties surrounding the ongoing coffee sub-sector liberalisation.

PRODUCTION. AREA, AND AVERAGE YIELD OF COFFEE BY TYPE OF GROWER. 1991/92 - 1995/96

Table 8.13

	1991/92	1992/93	1993/94	1994/95	1995/96*
AREA (Ha) '000-					
Co-operatives	116.7	120.2	120.5	120.5	122.7
Estates	37.1	38.0	38.2	40.0	38.4
TOTAL	153.8	158.2	158.7	160.5	161.1
Production (tonnes) '000-					
Co-operatives	51.0	42.4	41.3	62.6	56.9
Estates	34.3	32.7	38.6	32.8	40.1
TOTAL	85.3	75.1	79.9	95.4	97.0
Average yield (kg /Ha)-					
Co-operatives	440.0	352.7	342.7	510.0	463.7
Estates	925.1	860.5	1,012.6	852.0	1,045.0

Provisional.

8.16. The average coffee yield per hectare decreased by 9.1 per cent for the smallholders while that of the estates went up by 22.7 per cent. The area under coffee for estates decreased by 4.1 per cent while that of the smallholders rose marginally by 1.8 per cent in 1996.

8.17. Tea: - Overall tea production rose by 5.2 per cent from 244.53 thousand metric tonnes in 1995 to stand at 257.16 thousand metric tonnes in 1996. This is explained by favourable weather conditions in the tea growing areas, timely application of fertiliser and improved international tea prices. Improvements in feeder roads in the tea zones also facilitated efficient delivery of the crop to the factories, thus ensuring minimum loss.

PRODUCTION, AREA AND AVERAGE YIELD OF TEA BY TYPE OF GROWER. 1992 - 1996

Table 8.14

	1992	1993	1994	1995	1996*
AREA (Ha)'000					
Smallholder	72.16	73.11	73.84	78.96	81.16
Estates	31.34	31.75	32.07	32.36	32.52
Total	103.50	104.86	105.91	111.32	113.68
PRODUCTION (Tonnes)'000					
Smallholder	99.81	112.53	119.08	138.95	144.07
Estates	88.26	98.63	90.34	105.58	113.09
Total	188.07	211.16	209.42	244.53	257.16
AVERAGE YIELD (Kg/Ha)					
Smallholder	1,729.80	1,942.42	1,776.29	1,996.12	1,775.13
Estates	3,033.40	3,339.10	3,013.39	3,403.61	4,092.56

* Provisionsal

8.18. Tea registered for export by the Tea Board of Kenya reached 244.2 thousand metric tonnes valued at K£ 1.08 billion. For the first time, Kenya became the world's largest exporter of tea, ahead of Sri Lanka and India. Despite good international tea prices, the strengthening of the Kenya shilling against major world currencies implied lower returns in shilling terms to the tea farmers. Tea production in 1997 however is expected to decline due to the dry weather that prevailed in the first quarter of the year.

8.19. The area under tea for small holders increased from 79.0 thousand hectares in 1995 to 81.2 thousand hectares in 1996 while the area under tea for estates increased marginally in 1996. The average yield per hectare for tea decreased from Kg 1,996.1 in 1995 to Kg 1,775.1

in 1996 for the smallholders; while that of the estates went up from Kg 3,403.6 in 1995 to Kg 4,092.6 in 1996.

8.20. Cotton: - Cotton production was estimated at 500 tonnes in 1996 up from 200 tonnes in 1995. The price per bale rose by 24.2 per cent to stand at Ksh. 2,136 in 1996 compared to Kshs. 1,720 in 1995. The country's cotton industry continues to experience problems as a result of liberalisation, which has encouraged competition from cheap imported textiles including second hand clothes thereby discouraging the quick revival of the sub sector.

8.21. Sugar cane: - The total sugar cane production increased by 2.2 per cent from 4,034.9 thousand tonnes in 1995 to 4,122.0 thousand tonnes in 1996, as shown in Table 8.15. The depressed growth in production could be as a result of the delayed payments to farmers for the cane and unfavourable weather conditions, which prevailed in the sugar growing areas for most of the year. Competition between locally produced and imported sugar became even stiffer as a result of diversion of sugar destined for neighbouring countries to local markets.

SUGAR CANE PRODUCTION BY TYPE OF GROWER. 1992 -1996

Table 8.15 '000 tonnes

TYPE OF GROWER	1992	1993	1994	1995	1996*
Factory Estates	638.0	608.4	387.9	467.9	476.0
Large Farms	147.1	195.4	258.1	283.8	269.9
Small-Holders	2,613.8	2,784.1	2,336.5	2,639.2	2,696.2
Co-operative Societies	115.2	90.5	206.9	331.9	339.1
Settlement Schemes	142.5	161.0	118.7	312.1	316.8
TOTAL	3,656.6	3,839.4	3,308.1	4,034.9	4,122.0

* Provisional

8.22. As shown in Table 8.16, sugar exports went up from 17.2 thousand tonnes in 1995 to 24.5 thousand tonnes in 1996. A total of 226.67 thousand tonnes of sugar was imported in 1996 compared to 244.4 thousand tonnes imported in 1995.

PRODUCTION, IMPORTS AND CONSUMPTION OF SUGAR 1992 -1996**

Table 8.16 '000 Tonnes

YEAR	PRODUCTION	IMPORTS	CONSUMPTION	EXPORTS
	371.79	153.17	524.96	
1993	385.21	184.79	570.00	-
1994	303.87	256.13	560.06	-
1995	384.20	24.40	560.00	17.20
1996*	389.00	65.80	570.00	24.50

* Provisional

** Source: Kenya Sugar Authority

8.23 Horticulture: - Fresh horticultural produce exports increased by 18.0 per cent from 71.8 thousand tonnes in 1995 to 84.8 thousand tonnes in 1996, earning the country a total of K£ 385.0 million in foreign exchange. This remarkable growth of the sector is attributed to efforts of the private sector, especially the Export Promotion Council (EPC) in conjunction with Government agencies.

EXPORTS OF FRESH HORTICULTURAL PRODUCE, 1992- 1996.

Table 8.17

YEAR	VOLUME '000 Tonnes	VALUE K£million
1992	62.3	125.8
1993	62.4	233.6
1994	65.2	246.8
1995	71.1	320.0
1996**	84.8	385.0

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

** Provisional

8.24. The growth in cut flowers recorded a 20.0 per cent increase over the previous year in terms of export volumes. Export of mangoes to the Middle East almost doubled from 2,277 tonnes in 1995 to 4,245 tonnes in 1996. This was as a result of successful crop husbandry programme.

8.25. The major constraints in horticultural development remain the supply of high quality seeds, especially beans, slow VAT refunds, and poor infrastructure while the Export Promotion Programs Office needs to be streamlined for effective delivery of horticultural produce. Duty on cold storage equipment necessary for some of the projects continues to be a dis-incentive. However, with liberalisation, export firms involved in production can now bring in seeds supplied by clients or seed firms. Further with the establishment of the Plant Breeder Rights Office, the supply of good seeds and plants is expected to improve.

8.26. Pyrethrum: - While the price of pyrethrum (extract equivalent) remained at the 1995 levels, production was estimated at 93 thousand tonnes which is 24.3 per cent lower than in 1995. Poor weather conditions coupled, with no change in producer prices for pyrethrum in the year under review, contributed significantly to the observed decline.

8.27. Sisal: - The output of sisal was estimated at 28.1 thousand tonnes in 1996 compared to 27.8 thousand tonnes in 1995. This was a marginal increase of 1.1 per cent. The domestic sisal industry continued its slump due to competition from synthetic products and low international demand for sisal products.

Irrigation

8.28. Agricultural production for seven irrigation schemes is set out in Table 8.18. Total paddy production in 1996 increased by 4.0 per cent, this being attributed to both Mwea and Ahero irrigation schemes. The gross value of output in all the irrigation schemes increased by 31.0 per cent from K£ 16,988 thousand in 1995 to K£ 22,247 thousand in 1996.

PROGRESS AND PRODUCTION AT SEVEN IRRIGATION SCHEME AREAS, 1991/92 -1995/96

Table 15.10

	1991/92	1992/93	1993/94	1994/95	1995/96'
MWEA-					
Area cropped-Hectares	5,815	5,846	5,882	5,878	5.901
Plot-holders-Number	3,240	3,240	3,242	3,242	3.243
Gross value of output-K£'000	8,083	7,388	11,845	13,842	17.640
Payments to plot-holders-K£'000	4,066	4,585	6,684	7,134	11.540
ALL (7) SCHEME AREAS-					
Area cropped-Hectares	9,867	8,635	8,910	8,957	9.039
Plot-holders-Number	7,676	7,099	7,109	7,269	7.243
Gross value of output-K£'000	10,103	10,385	15,986	16,988	22.247
Payments to plot-holders-K£'000	5,079	6,302	8,127	8,143	13.896
CROPS PRODUCED - Tonnes					
Mwea-Paddy	29,274	23,448	24,205	24,892	25.987
Ahero-Paddy	2,800	1,990	2,712	1,993	2.054
W.Kano-Paddy	2,546	2,303	2,997	1,726	1.645
Bunyala - Paddy	1,000	1,045	1,073	917	920
Total Paddy	35,620	28,786	30,987	29,528	30.606
West Kano - Sugar-cane		-	-	-	
Tana-Cotton	.		.		.
Bura-Cotton	926	-			
Pekera-Onions	1,152	1,914	997	1,298	889
-Chillies	157	226	160	122	
-Cotton	-	117	75	120	208
-Water Melon	-	524	264	344	303
-Paw-paw	.	220	265	343	129

*Provisional

Soya beans were introduced into Mwea irrigation scheme in the year under review and its gross value was K£ 37 thousands. Payment to plot holders increased by 71.0 per cent in 1996 compared to 1995 mainly due to the rise in payments to plot holders registered in Mwea irrigation scheme.

Livestock and Livestock products

8.29. Intake and sale of livestock and dairy products are presented in Table 8.19. The total intake of milk from both the Kenya Co-operative Creameries (KCC) and the private firms

PRODUCTION AND SALE OF LIVESTOCK AND DAIRY PRODUCTS, 1992 - 1996

Table 8.19

	UNIT	1992	1993	1994	1995	1996*
Recorded Milk Production**	Mn. Litres	220	249	258	350	257
KENYA CO-OPERATIVE CREAMERIES						
Milk Processed						
Wholemilk and cream	Mn Litres	207	234	204	175	165
Butter and ghee	Tonnes	3,143	2,394	2,409	3,131	2,327
Cheese		172	220	126	141	193
Dried wholemilk powder		656	784	2,237	2,480	973
Dried skim-milk powder		3,015	1,961	2,120	3,101	2,349
Other products	-	1.056	20	218	208	349
Livestock slaughtered						
Cattle and Calves	'000 Head	921	980	991	1,067	1,219
Sheep and Goats	"	1,278	1,280	1,310	1,327	1,407
Pigs		81	88	91	91	98
KENYA MEAT COMMISSION						
Intake of						
Cattle and Calves	000 Head	25	-	-	-	-
Sheep and Goats	"	-		-	-	

* Provisional

** Including sale licensed by the Kenya Dairy Board

registered by the Kenya Dairy Board (KB) decreased by 26.6 per cent from 350 million litres in 1995 to 257 million litres in 1996. Processed whole milk and cream decreased from 175 million litres in 1995 to 165 million litres in 1996 while butter and ghee also decreased by 25.7 per cent from 3.131 tonnes in 1995 to 2,327 tonnes in 1996. Dried skim milk powder registered a decrease of 24.3 per cent from 3,101 tonnes in 1995 to 2,349 tonnes in 1996 due to the decline in milk intake as a result of adverse weather.

8.30. The number of animals slaughtered during 1996 is also presented in Table 8.19. The total number showed an upward trend in all the categories, Pigs in particular recorded an increase of 7.7 per cent due to increased local and export demand.

Agricultural training

8.31. Table 8.20 shows enrolments in agricultural training institutions. Enrolment in Embu Institute of Agriculture dropped by 50.0 per cent in 1996 compared to 1995. This is because the institution is in the process of being converted into a staff training college and most buildings are currently being renovated. While the available capacity at Kilifi Institute stands at 200 students per year, only 186 students enrolled in 1996. The perceived under-enrolment may be explained by lack of guaranteed employment after course completion. There was no significant change in enrolment in Athi River Meat and Naivasha Dairy training centres in 1996.

ENROLMENT IN AGRICULTURAL TRAINING INSTITUTIONS*, 1992-1996

Table 8.20 Number

	1992	1993	1994	1995	1996**
DIPLOMA LEVEL					
Bukura Institute of Agriculture	105	102	114	110	110
CERTIFICATE LEVEL-					
Bukura Institute of Agriculture	400	.	.	.	.
Embu Institute of Agriculture	200	201	200	130	100
Kilifi Institute of Agiculture	200	200	200	167	186
Animal Health & Industry Training Institutes-					
Kabete	322	157	181	110	107
Nyahururu	116	111	109	70	72
Ndomba	322	272	269	200	108
SHORT-TERM VOCATIONAL COURSES-					
Naivasha Dairy Training School	156	119	71	69	60
Athi River M.T. School	64	71	53	50	51

*Institutions under the Ministries of Agriculture and Livestock Development

**Provisional

Co-operatives

8.32. Table 8.21 presents the number of Co-operative Societies and Unions by type. The total number of societies increased from 6,867 in 1995 to 7,500 in 1996 reflecting an increase of 9.2 per cent. The number of agricultural societies increased by 6.2 per cent from 3,080 in 1995 to 3,270 in 1996 while the non-agricultural societies increased by 11.9 per cent.

NUMBER OF SOCIETIES AND UNIONS BY TYPE, 1992 -1996

Table 8.21 Number

TYPE OF SOCIETY	1992	1993	1994	1995	1996
Coffee	211	213	213	215	222
Sugar-cane	91	91	91	90	95
Pyrethrum	56	56	56	57	62
Cotton	82	82	82	78	79
Dairy	197	207	210	267	291
Multi-produce	1,038	1,111	1123	1,131	1236
Farm Purchase	212	221	221	429	456
Fisheries	66	67	68	69	71
Other Agricultural Societies	556	599	619	744	758
TOTAL	2,509	2,647	2,683	3,080	3,270
Savings and Credit	2,470	2,616	2668	2,810	3031
Other Non-Agricultural Societies	778	818	848	896	1116
TOTAL	3,248	3,434	3,516	3,706	4,147
Unions	76	76	77	81	83
TOTAL	5,833	6,157	6,276	6,867	7,500

SALE OF SELECTED AGRICULTURAL PRODUCE BY CO-OPERATIVE AND THEIR CONTRIBUTION TO GROSS FARM REVENUE'.1992 -1996

Table 8.22

YEAR	COFFEE	SUGAR-CANE	PYRETHRUM	COTTON	DAIRY PRODUCTS	TOTAL
	Sale K£million					
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
1996**	346.65	14.80	5.95	0.24	139.10	506.74
	Percentage Share					
1992	54.75	6.51	49.63	89.29	73.25	1395
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	34.92	14.27	17.07
1996**	48.30	4.20	35.60	47.10	72.00	15.92

*Marketed Production in Table 8.2

** Provisional

8.33. Table 8.22 shows the selected agricultural produce by co-operatives and their contribution to gross farm revenue. The value of coffee sales by the co-operative societies dropped from K£412.9 million to K£346.65 million, a decrease of 16.0 per cent. The share of coffee, sugar cane, pyrethrum and cotton marketed through co-operatives declined in 1996, while the share of dairy products increased. The total co-operatives share contribution of the total marketed production declined from 17.1 percent in 1995 to 15.9 per cent in 1996.

CHAPTER 9 - ENVIRONMENT AND NATURAL RESOURCES

Overview

During 1996, Kenya continued to witness deforestation, soil erosion, depletion of mineral resources and increased domestic and industrial pollution coupled with diminished biodiversity. These factors led to reduced production in the three sub-sectors of fisheries, forestry and mining in 1996 when compared to 1995.

The quantity of fresh water and marine fish landed went down by 5.3 per cent from 193.9 thousand tonnes recorded in 1995 to 183.7 thousand tonnes in 1996. Similarly, area under forest plantation decreased by 0.3 per cent to stand at 159.6 thousand hectares while the quantity of mineral production dropped by 5.8 per cent to record 439.7 thousand tonnes over the same period. However, the value of both fish landed and mineral production went up by 11.6 per cent and 54.7 per cent from K£ 260.2 million and K£ 92.3 million in 1995 to K£ 290.3 million and K£ 142.8 million respectively in 1996. This was mainly due to the relatively high fish prices induced by a reduction in supply and the improved export prices for the two major mineral exports of soda ash and fluorspar.

The Government policy in terms of providing clean drinking water is shifting towards small low cost community based water projects that will in future be initiated and managed by local communities. Through this strategy and in line with its cost sharing policy, the implementation of new projects will continue to be mainly on harambee basis.

The Government's strict financial management policy coupled with reduced donor funding resulted in a drop in the level of development expenditure on water supplies and other related services from K£ 214.4 million to K£ 195.8 million during the period under review.

Water Supplies

9.2. The Ministry of Land Reclamation, Regional and Water Development continued to pursue the goal of providing all Kenyans with safe drinking water within reasonable distance by the year 2010. In 1996, a total of 187 bore holes were drilled. Nairobi had 20, Rift Valley 37, Central 22, Eastern 52, Nyanza 53 and North Eastern 3. Western and Coast did not have any recorded bore holes drilled over the same period. Individuals, companies and communities owned most of these boreholes. North Eastern province had the highest concentration of bore holes per district with an average of 20.3,while Eastern province has the lowest average with about 2.7 per district.

9.3. During the period under review, 358 water purification points were recorded in the country spread over 57 districts in the 8 Provinces. Central province had 37 points. Coast 35, Eastern 30, North Eastern 61, Nyanza 35, Rift Valley 129 and Western 31.

9.4. Some of the major water projects that continued to be developed in 1996 include Kwale water and Sanitation Project that is jointly funded by the Kenyan and Swedish Governments, with a 1996/97 budget of KShs. 13.4 million; Community Management of Water Supplies Project with a budget of Kshs. 6.3 million in 1996/97 that is jointly funded by the Government and CIDA; Tharaka water and Sanitation Project in Tharaka Nithi district. In addition, a joint Kenya-Swedish Project with a 1996/97 budget of Kshs. 42 million was on-going while the Finland Western water supply programme that started in 1981 and which focuses on community development of water supplies in Nyanza and Western provinces had a 1996/97 budget of Kshs. 54 million. The Kenya Netherlands Rural Domestic Water Supply and Sanitation Project in parts of Nyanza province which is in its third phase of implementation continued its activities in 1996.

9.5. The expenditure on water development continued to fall for the second consecutive year as shown in Table 9.1. The data reveals a significant drop of 8.7 per cent in overall expenditure on water supplies and related services from K£ 214.4 million to K£ 195.8 million between 1995/96 and 1996/97 financial years. This was largely attributed to strict financial management policy and relative reduction in donor funding for most projects over the period.

DEVELOPMENT EXPENDITURE ON WATER
SUPPLIES AND RELATED SERVICES, 1982/93 - 1996/97

Table 9.1 K£'000

	1992/93	1993/94	1994/95	1995/96	1996/97*
Water Development	5,986	8,620	43,098	34,554	29,551
Training of Water Development Staff	156	137	2,710	2,899	775
Rural Water Supplies	16,387	15,732	18,834	24,921	25,773
Self-Help Water Supplies**	79	53	164	196	60
County Council and Urban Water supplies	3,547	5,391	4,441	5,085	6,323
Misclleneoue and Special Water	5,848	6,023	3,580	4,279	5,950
Regional and Irrigation Development	-	-	32,864	35,794	19,520
Water Conservation and Pipeline Corporation	40,944	52,408	106,747	106,704	107,828
TOTAL	72,947	88,364	212,438	214,432	195,780

Sources: Ministry of Land Reclamation Regional and Water Development, National Water Conservation and Pipeline Corporation

* Provisional

** Includes contributions by the Ministry of Land Reclamation, Regional and Water Development

9.6. Most affected by reduced donor funds was the training of water development staff. The Appropriations In Aid (AIA) of this item dropped drastically by 82.8 per cent from K£ 2.9 million in 1995/96 to K£ 500 thousands in 1996/97. The gross expenditure on training dropped from K£ 2.9 million in 1995/% to K£ 0.8 million in 1996/97.

9.7. Also adversely affected by the drop in AIA was Regional Irrigation and Water Development whose expenditure commitment dropped by 55.1 per cent from K£ 23.4 million in 1995/96 to K£ 10.5 million in 1996/97. The gross expenditure dropped from K£ 35.8 million in 1995/96 to K£ 19.5 million in 1996/97 financial year. Self-help water supplies depicted a similar trend where

Gross Development Expenditure dropped from K£ 0.2 million to K£ 0.1 million.

9.8. There was however, a marginal increase in rural water supplies expenditure, which recorded a growth of 3.6 per cent from K£ 24.9 million in 1995/96 to K£ 25.8 million in 1996/97. County council and urban water supplies recorded a growth of 23.5 per cent from K£ 5.1 million in 1995/96 to K£ 6.3 million in 1996/97. Others that showed increases in expenditure include Water and Conservation Pipeline Corporation with a growth of 1.1 per cent and Miscellaneous and special water programmes with a growth of 39.1 per cent respectively.

Fisheries

9.9. The Fisheries sector contributes to foreign exchange earnings, increased rural incomes and improved nutrition. Developing this sector involves promoting capture of fish in lakes, rivers, dams and the ocean whereas aquaculture is encouraged on farmland. The sector has a potential of 552,000 metric tonnes of fish annually but presently only 184,000 metric tonnes are .being produced. Marine fishing alone has a capacity of producing 260,000 metric tonnes but is presently producing 6,000 metric tonnes. This is mainly attributed to the low level of technology applied in the fishing industry and probably due to over-fishing the shoreline near deep-sea fishing. Fish farming has a potential of producing 50,000 metric tonnes of fish annually, but only 1.108 metric tonnes were realised in 1996.

9.10. In 1996, the fisheries sector continued to show a disappointing trend in performance as Table 9.2 shows. The quantity of fish landed decreased by 5.3 per cent from 193.9 thousand tonnes in 1995 to 183.7 thousand tonnes in 1996. Lake Victoria accounts for over 90 per cent of all fish landed from inland fresh water lakes in the country. However, the continued presence of water hyacinth in the lake has reduced fishing activities. The rest of the inland lakes are threatened by extinction due to receding and silting as witnessed in Lakes Turkana and Jipe. Marine fish landing increased from 4,665 tonnes in 1995 to 4,915 tonnes in 1996. Crustaceans landed also improved from 455 tonnes to 461 tonnes, while other marine species increased from 874 tonnes to 887 tonnes in 1995 and 1996 respectively.

9.11. The value of fish landed increased by 11.6 per cent to K£ 290.4 million in 1996 from K£ 260.2 million in 1995. The reduced supply in fresh water fish particularly from Lake Victoria, which is in high demand led to increased prices of landed fish. This, coupled with a mild inflation recorded in 1996 explains the increase in the value of fish landed.

9.12. The transfer of technology to the fishermen and fish farmers through training in modern non-destructive methods and licensing of foreign vessels mainly as joint ventures with locals are some of the strategies adopted for increased sector development. This transfer of skills and technology will eventually benefit Kenyans and foreign exchange earnings will be enhanced.

QUANTITY AND VALUE OF FISH LANDED, 1992 - 1996

Table 15.10

	1992	1993	1994	1995	1996 *
Quantities - Tonnes:					
Freshwater fish-					
Lake Victoria	151,216	174,829	193,652	181,888	171,419
Lake Turkana	1,543	871	1,125	2,332	2,380
Lake Naivasha	238	109	75	84	96
Lake Baringo	255	37	7	126	131
Lake Jipe	112	101	117	150	162
Fish Farming	1,017	1,014	1,119	1,083	1,108
Other areas	1,676	1,895	1,866	2,231	2,112
TOTAL	156,057	178,856	197,961	187,894	177,408
Marine fish	6,276	3,823	4,138	4,665	4,915
Crustaceans	573	373	554	455	461
Other marine products	345	141	312	874	887
GRAND TOTAL	163,251	183,193	202,965	193,888	183,671
Value - K£'000:					
Freshwater fish	162,277	180,446	185,927	242,772	271,496
Marine fish	5,914	4,807	9,088	10,570	11,717
Crustaceans	3,108	2,829	3,370	3,120	3,264
Other marine products	850	202	211	3,748	3,806
TOTAL	172,149	188,284	198,596	280,210	290,283

Provisional

Source : Fisheries Department

Forestry

9.13 The Government is committed to ensuring that the country maintains an adequate forest cover for environmental control. However, due to increased burning and clearing of forest cover for cultivation, the area under forests has been on a declining trend. Presently, an average of 500 hectares of forest land is being lost annually.

9.14 Tables 9.3 and 9.4 show that forest cover declined marginally by 0.3 per cent from 160 thousands in 1995 to 159.6 thousands hectares in 1996. Indigenous softwood declined by 50 per cent while hardwood increased by about 68.8 per cent between 1995 and 1996.

FOREST PLANTATION AREA, 1992 - 1996

Table 9.3

000 Hectares

Type of Forest	1992	1993	1994	1995	1996*
Indigenous softwood	8.6	5.7	4.5	2.8	1.4
Indigenous hardwood	8.1	7.7	7.8	7.7	13.0
Exotic softwoods-					
Cypress	74.5	74.3	71.8	72.9	73.6
Pines	54.2	53.3	53.6	53.9	53.4
Exotic hardwoods-					
Timber	5.1	6.8	6.9	9.2	6.0
Fuel	9.0	11.8	10.4	13.5	12.2
TOTAL AREA	159.5	159.6	155.0	160.0	159.6

*Provisional

Source : Ministry of Environment and National Resources

CHANGES IN PLANTATION AREA, 1962-1996

Table 9.4 '000 Hectares

	1992	1993	1994	1995	1996*
Previous Plantation Area	164.9	159.5	159.6	155.0	160.0
Area Planted	3.6	4.2	3.6	8.0	0.2
Total	166.5	103.7	163.2	163.0	160.2
Area Clear felled	9.0	4.1	8.2	3.0	0.6
Total Area	150.5	159.6	155.0	160.0	159.6

*Provisional

Source : Ministry of Environment and Natural Resources

During the same period, exotic softwood plantations increased by 200 hectares while exotic hardwood plantations declined by about 20 per cent. Overall, 400 hectares of plantation forests were lost between 1995 and 1996. This resulted from increased clear felling relative to New Forest plantation establishment over the same period. About 200 hectares of New Forest plantation cover were established in 1996.

9.15. Table 9.5 presents recorded sales of forest products. It is notable that the sale of forest products drastically declined in 1996 from the previous year's sales. The sale of timber in 1996 was 212.4 thousand cubic metres as compared to 692.0 thousand cubic metres in 1995. This may be attributed to the Government ban of the use of power saws for wood felling. Manual tree felling could not satisfy the industrial requirements. This increased the prices of sawn timber and reduced the sales volume. Sales of power and telegraph poles declined from 37.9 million to 14.6 million in 1996. The decline in sales of pulp wood and paper production that started in 1992 continued, but at a faster rate in 1996. The sale of this product fell by 30.8 per cent to stand at 136.8 stacked cubic metres. This is attributed to the temporary closure of Pan Paper Mills, the largest industrial wood consumer in the country. Fuel wood and charcoal recorded a decline in sales from 33.6 thousand in 1995 to 30.0 thousand stacked cubic metres in 1996.

RECORDED SALE OF FOREST PRODUCTS, 1992 - 1996

Table 9.5

Forest Product	1992	1993	1994	1995	1996*
Timber - '000 true cu. metres-					
Soft wood	545.0	569.9	625.1	685.7	193.7
Hsrdwood	4.0	5.0	5.0	6.3	8.7
TOTAL	549.0	574.9	630.1	692.0	212.4
'000 stacked cu. metres-					
Peels/Veener logs/Plywoods	82.0	103.8	110.0	139.3	142.0
Pulpwood/Paper production	321.0	263.0	228.0	197.7	136.8
Fuelwood /Charcoal	37.0	35.0	34.3	33.6	30.0
Power 4Telegraph Poles Numbers	34,765.0	35,808.0	36,831.0	37,935.0	14,632.8

* Provisional

Source : Ministry of Environment and Natural Resources.

Mining

9.16. The Mining industry contributes to the country's economic development through employment, income generation and foreign exchange earnings. The Government in its efforts to optimally utilise its mineral resources is in the process of mapping all mineral areas. Though the Government in its strategy of liberalisation of the economy is leaving the exploitation of mineral resources to the private sector, it is expected to play a crucial role in regulating mining activities including the enforcement of physical and social environmental standards.

9.17. In 1996, the Government started the process of rehabilitation and reclamation of mined out land areas in order to restore them to alternative productive uses. Rehabilitation of disused mines and quarries in the Rift Valley and Eastern Provinces has started and similar work in other provinces is expected to commence in the near future. In mineral exploration, geophysical investigations were undertaken at Chang'ombe area, Kwale District for lead and zinc mineralisation. At Nambale and Port Victoria areas of Busia District, exploration for magnetite continued.

9.18 Table 9.6 indicates that there was a decrease of 5.8 per cent in mineral production from 466.6 thousand tonnes in 1995 to 439.7 thousand tonnes in 1996. This may be attributed to a reduction in the production of salt from 73.5 thousand tonnes in 1995 to 41.0 thousand tonnes in 1996, while production of minor minerals was 70.9 thousand tonnes and 60.8 thousand tonnes in 1995 and 1996 respectively. Limestone production increased by 7.8 per cent from 29.6 thousand tonnes in 1995 to 31.9 thousand tonnes in 1996. This was as a result of increasing demand for limestone in cement manufacture. Similarly, the production of soda ash rose from 218.5 thousand tonnes to 223.0 thousand tonnes in 1996. This was as a result of increasing demand for the product especially for glass manufacture. There was an increase in the production of fluorspar whose export volumes increased by 11.8 per cent from 74.2 thousand tonnes to 83.0 thousand tonnes in 1996.

9.19. Table 9.7 shows the average export price of soda ash and fluorspar. The export price of soda ash increased by 10.2 per cent from K£ 333 per tonne in 1995 to K£ 367 per tonne in 1996. Fluorspar export prices also increased by 42.6 per cent from K£ 176 per tonne in 1995 to K£ 251 per tonne in 1996. The value of soda ash which accounts for about 60 per cent of mineral exports increased from K£ 69.7 million in 1995 to K£ 85.1 million in 1996 as a result of favourable prices. Fluorspar also showed a favourable trend in value, rising from K£ 13.1 million in 1995 to K£ 20.8 million in 1996.

Wildlife Conservation

9.20. Wildlife is an important resource, which contributes significantly to the tourism sector. The Government through Kenya Wildlife Service (K.W.S.) and the Department of Resource Surveys and Remote Sensing (D.R.S.R.S.) continued to carry out wildlife surveys to generate essential data relating to populations and their spatial distribution for improved wildlife management and

conservation purposes.

QUANTITY AND VALUE OF MINERAL PRODUCTION, 1992 - 1996

Table 9.6

Mineral	1992	1993	1994	1995	1996*
Quantities - Tonnes:					
Minerals-					
Soda Ash	181,330	216,890	224,200	218,450	223,000
Fluorspar	80,360	78,725	89,155	74,230	83,000
Salt	72,494	74,669	75,757	73,484	41,000
Limestone Products**	30,656	30,349	30,469	29,574	31,935
Other	40,150	40,553	40,934	70,883	60,766
TOTAL	404,990	441,186	460 515	466 621	439 701
Value - K£000:					
Soda Ash***	48,425	69,514	88,299	69,652	85,100
Fluorspar***	8,117	14,000	13,422	13,076	20,816
Salt	4,426	5,400	5,644	5,475	1,543
Limestone Products	1,449	1,536	1,483	1,439	1,509
Other	2,029	2,090	2,129	2,658	33,846
TOTAL	64,446	92,540	110,977	92,300	142,814

Source Department of Mines and Geology

* Provisional

** Excluding limestone used as input into cement product

*** Including Export Value

AVERAGE EXPORT PRICES OF SODA ASH AND FLUORSPAR, 1992 -1996

Table 9.7 K£ per tonne

Mineral	1992	1993	1994	1995	1996*
Soda Ash	235.29	375.95	421.17	333.00	367.00
Fluorspar	108.46	181.73	191.91	176.00	251.00

* Provisional

9.21. Data from DRSRS indicate stability in wildlife numbers for various species of animals in Kenyan rangelands as shown in Table 9.8. The population of Warthogs showed a marginal decrease in number from 19.1 thousand in 1995 to 19.0 thousand in 1996. The population of warthogs had hit a low level of 18.0 thousand in 1994 as compared to 27.1 thousand in 1991. It is evident that the declining number of warthogs witnessed since 1991 was reversed in 1995 and is stabilising in 1996. The population of wildebeests increased from 115.5 thousand in 1994 to 173.1 thousand in 1996, a scenario which was attributed to favourable climatic conditions and a massive migration from Serengeti. Other animals such as buffaloes, zebras, onyx, eland, waterbucks, kudus, gazelles, and ostrich continued with the rising trend, which started in 1991. Though the elephant population did not depict any increase, the general trend in population increase in the other wildlife species may be an indication of the Government's continued success in its management and conservation efforts of the wildlife resources.

9.22. In 1996, the Government along with the private sector, international bodies, regional bodies and NGOs continued to strengthen the wildlife management and conservation. Much of the

wildlife population is located outside the protected areas. The increasing human population in hitherto wildlife occupied areas has been exerting pressure on the land as food demand and human settlement in rangelands compete with conservation needs. Important wildlife areas are threatened with land sub-division, agricultural expansion and unplanned development of tourist facilities which has increasingly brought about the wildlife-human conflict.

WILDLIFE POPULATION IN THE KENYA RANGELANDS, 1992 -1996

Table 9.8 '000 Number

SPECIES	1992	1993	1994	1995	1996*
Elephant	19.2	20.0	21.1	21.2	21.2
Buffalo	51.1	33.2	35.4	35.8	36.0
Giraffe	59.3	58.7	55.1	52.2	52.2
B. Zebra	197.0	212.7	198.2	208.2	208.3
G. Zebra	7.2	6.0	6.3	5.1	5.1
Topi	107.7	103.5	98.7	90.0	90.1
Kongoni	26.0	23.5	24.6	25.0	25.0
Wildebeest	120.1	186.4	115.5	173.0	173.1
Oryx	35.6	34.2	34.6	34.2	34.3
Eland	32.5	16.7	20.7	19.0	19.1
H Hartbeest	2.6	2.2	1.8	0.9	1.6
Waterbuck	6.7	6.1	6.0	6.1	6.2
Kudus	14.1	13.2	11.3	11.8	11.9
Gerenuk	24.4	24.3	22.1	22.3	22.3
Impala	110.8	85.7	90.4	102.0	102.0
G Gazelle	188.0	113.3	121.9	122.1	122.2
T. Gazelle	89.2	53.5	64.1	65.1	65.2
Warthog	21.9	21.8	18.0	19.1	19.0
Ostrich	36.7	36.2	34.1	34.0	34.2

Source:DRSRS

* Provisional

Refuse Management

9.23. The management of both solid and liquid waste disposal is an important human welfare indicator. The government has been managing refuse disposal through the local authorities particularly in the urban areas while in the rural areas, individuals have been encouraged to develop their own waste disposal facilities such as pit latrines. Most urban centres have serious refuse disposal problems. This can be attributed to the rural urban influx where the local authorities are unable to cope with the increasing demands. Information on wise refuse disposal that can substantially reduce the volume of solid waste disposal is lacking. This problem is particularly serious in the big towns where the private sector and individuals have not adequately participated in refuse collection and disposal as only about 10 per cent of total solid waste for example was collected in 1996. To date, the NYS trucks are still assisting in the work though only about 3 of them are presently working full time. In 1996, the city council initiated efforts to acquire 5 more trucks that will be committed to garbage collection. Through this effort the council was able to improve garbage collection from the previous 20.0 per cent to 45.0 per cent of the solid wastes.

9.24. The Government has directed the Nairobi City Council and other local authorities to work out modalities of privatising refuse collection activities with a view to making the management of waste disposal more efficient and effective. The City Council with assistance from the Japanese Government is carrying out a pilot project by privatising garbage collection in the Central Business District of the city. This process if successful is expected to be extended to other urban centres. In Mombasa private companies offered garbage collection services for a fee of between Ksh.940 and Ksh. 1,250 per month hence assisting the cash strapped Mombasa Municipal Council in refuse management.

9.25. Table 9.9 indicates that as the demand for a clean environment continual to gain momentum, the Nairobi City Council has steadily been increasing its commitment towards a clean environment since 1992/93. The expenditure on health increased by about 82 per cent from K£ 6.0 million in 1992/93 to K£ 10.9 million in 1996/97 financial year. Between 1995/96 and 1996/97 financial years, expenditure increased by 8 per cent from K£ 10.1 million to K£ 10.9 million. This increase in expenditure can be attributed to increased concern about the state of the city particularly after the International Conference on Housing and Human Settlements (HABITAT 11) held in Istanbul, Turkey in June 1996.

EXPENDITURE ON PUBLIC HEALTH BY THE NAIROBI CITY COUNCIL, 1992/93 - 1996/97

Table 9.9 K£ '000

	1992/93	1993/94	1994/95	1995/96	1996/97*
Cleaning and Administration	4,455.8	5,074.9	1,330.8	1,362.8	1,630.5
Cleaning - General	796.5	906.8	6,349.8	6,120.0	6,749.9
Refusal Removal	739.5	841.9	1,117.2	2,577.8	2,512.4
Conservancy	3.3	3.8	74.6	14.3	159
Total	5,995.1	6,827.4	8,872.4	10,074.9	10,908.7

Source: Nairobi City Council

*Provisional

9.26. In 1996, the trends in refuse collection in urban centres especially in Nairobi changed as a result of a number of adopted strategies. The Government assisted the Nairobi City Council in waste disposal by availing 20 Trucks from the National Youth Service (NYS) which assisted in this task. These trucks, together with the 15 that the council had were able to improve garbage collection from the previous 20 per cent to about 45 per cent of the solid wastes. As a result of the increase in the fleet of trucks the council was handling over the period, expenditure on cleaning and administration and refuse collection increased accordingly from K£ 1.4 million and K£ 2.5 million to K£ 1.6 million and K£ 2.6 million between 1995/96 and 1996/97 financial years respectively.

Resources Management and Monitoring

9.27. In 1996, the Government continued to give special attention to environmental management activities. The Office of the Vice-President and Ministry of Planning and National Development in conjunction with the Ministry of Environment and Natural resources, African centre for

Technology Studies and UNDP and in liaison with other stakeholders developed a Capacity 21 Project Proposal on the integration of Environment in development. Further efforts in capacity building for environment were witnessed as the National Environment Secretariat (NES) in collaboration with IUCN and GEF/UNDP/FAO Biodiversity conservation programme continued with its sensitisation effort of government officers in environmental Economics and Accounting through a series of seminars. Efforts to develop the second GEF Regional Biodiversity project were also initiated under the auspices of NES.

9.28. The National Standing Wetlands Committee continued with its pursuit of the goal to develop a wetlands policy for the country. As a follow-up to the review of sectoral laws in the public sector workshop that was held in 1995, a NGOs workshop was held in 1996 in Naivasha. The Committee, with the assistance of Kenya Wildlife Service (KWS) who are the custodians of the Ramsar Convention on the protection of wetlands of international importance continued to solicit ideas from all stakeholders with a view to coming up with a comprehensive policy on wetlands.

9.29. The East African wildlife Society (EAWS) continued with its efforts in the promotion of wildlife and environmental conservation activities. In 1996, the society continual with the publication of Swara magazine that covered conservation issues on Rift valley lakes. These included the conservation of Dugongs, flamingos, primates, Masai Mara heritage, roan antelopes and giraffe rescue in Amboseli. EAWS also published a newsletter named Conservation Monitor that deals with the issue of wetlands and the need for conservation. The society also continued with the youth awareness programme by supporting the youth to participate in Habitat II conference in Istanbul, Turkey. In addition, the society continued to support work in the conservation and sustainable management of the Tana Delta wetlands and the remaining patches of Taita Hills forests and associated biodiversity. The society participated in the Hirola trans-location from Ijara (Garissa) to Tsavo East National Park. The society is presently focusing on post capture release measures for the same.

9.30. UNESCO also continued with its active participation in environmental activities in 1996. One of the activities that it initiated during this period was "Environment and Development in Coastal Regions Small Islands" (CSI) whose objective is to design methods of integrating planning and management of coastal regions for sustainable development. The organisation spent US$ 18,000 in 1996 for this purpose on contracting scientists to undertake pilot studies in various countries.

9.31. The organisation also participated in the conservation of terrestrial ecosystems and the management and conservation of their resources. This included the strengthening of scientific knowledge of biodiversity and ecological processes and dissemination of scientific information. Further efforts included the monitoring and taking of inventory of the country's Biodiversity Protected Areas in East Africa, which is expected to be completed by late 1997. Through UNESCO co-ordination, indigenous knowledge of biodiversity conservation is expected to be utilised in conservation of the biosphere especially in the Amboseli National Park.

9.32. Presently, the country is in the process of ratifying the International Convention to Combat Desertification flCCD), which was adopted in 1996. An Inter-Ministerial Sub-Corninittee on desertification is already in place and is working towards developing a National Action Programme (NAP) on Desertification. The proposed establishment of a National Desertification Fund (NDF) will also assist communities in dry lands to develop their own methods of drought control.

9.33. A Sessional Paper on Environment and Development was drafted in 1996 under the Ministry of Environment and Natural Resources. Some of the relevant issues addressed by the sessional paper include environmental legislation, environmental guidelines and environmental standards. Further monitoring efforts will continue to be undertaken to ensure that environmental standards in on-going projects are maintained.

CHAPTER 10 - ENERGY

Overview

In 1996, the Organisation of Petroleum Exporting Countries (OPEC) held international energy conferences aimed at harmonising relationships between producers and consumers of petroleum products. OPEC, which possesses three-quarters of the World's petroleum oil reserves and around 40 per cent of natural gas, maintained the production ceiling of 24.52 million barrels per day set some years ago. The prices of OPEC's selected Reference Basket of Crudes ranged between US $ 17.90 per barrel and $ 23.51 per barrel in the year 1996.

10.2. In the domestic petroleum energy sector, prices of petroleum products continued to be unstable, since the liberalisation of the petroleum sub-sector in October 1994. The rapid price changes of petroleum products were attributed to changes in government taxes on petroleum products; changes in global prices of crude oil and refined petroleum products; and moderate fluctuation of the local currency relative to international convertible currencies. Imports of crude oil declined, while those of refined petroleum products increased substantially.

10.3. During the year the country's installed electricity capacity went down marginally, due to mechanical problems experienced at Kindaruma hydroelectric station. The country continued experiencing electricity rationing and power blackouts throughout the year. The Government awarded contracts to two firms to produce power under an independent power supply arrangement to supplement the existing grid. The two projects are expected to commence by mid 1997. The Government also established Kenya Power Company (KPC), as an independent entity, which will be in charge of generating electricity while Kenya Power and Lighting Company (KPLC) will be responsible for electricity distribution.

Petroleum

10.4. Petroleum is a major source of energy in the country used in domestic, institutional and commercial establishments. Since Kenya has no proven oil reserves it relies entirely on imports of both crude and refined products.

10.5. Table 10.1, shows the quantity and value of imports and exports of petroleum products. The overall quantity imported declined marginally by 0.9 per cent, from 2,429.4 thousand tonnes in 1995 to 2,408.1 thousand tonnes in 1996. Crude oil imported declined by 15.9 per cent while imports of refined petroleum fuels rose substantially by 33.9 per cent, from 719.7 thousand tonnes, to 963.9 thousand tonnes in 1996. The decline in imported crude oil and rise in imports of refined petroleum fuels was attributed to technical constraints in the local refinery and high cost of refining crude oil locally. Despite marginal decline in total petroleum imports, the oil import bill went up by 25.3 per cent. This was attributed to fluctuations of Kenya currency against major world trading currencies coupled with changes in the global prices of petroleum.

QUANTITY AND VALUE OF IMPORTS AND EXPORTS OF PETROLEUM PRODUCTS, 1992 - 1996*

Table 10.1

	Quantity ('000 Tonnes)					Value (K£ Mn)				
	1992	1993	1994	1995	1996**	1992	1993	1994	1995	1996**
IMPORTS:										
Crude Petroleum	2,235.26	2,274.24	2,173.16	1,680.33	1,412.95	549.39	946.53	720.38	579.63	675.20
Petroleum Fuels	92.97	311.07	314.27	719.73	963.85	34.68	230.80	143.11	334.70	471.55
Lubricating Oils	34.43	41.58	16.45	24.81	30.92	24.31	45.19	25.20	31.88	44.30
Lubricating Greases	0.08	0.47	0.85	4.54	0.39	0.33	2.14	2.17	6.50	2.26
TOTAL	2,362.74	2,627.36	2,504.73	2,429.41	2,408.11	608.71	1,224.66	890.86	952.71	1,193.31
EXPORTS:										
Petroleum Fuels	642.84	600.73	447.34	367.10	450.80	209.86	336.34	254.00	218.27	369.67
Lubricating Oils	6.40	6.55	6.31	8.71	8.41	9.34	15.90	15.93	20.49	22.58
Lubricating Greases	0.19	0.24	0.20	0.28	0.26	0.37	0.63	0.98	0.11	1.01
TOTAL	649.43	607.52	453.85	376.09	459.47	219.57	352.87	270.91	238.87	393.26
NET BALANCE	1,713.31	2,019.84	2,050.88	2,053.32	1,948.64	389.14	871.79	619.95	713.84	800.05

*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 to neighbouring countries which started declining in 1993 improved in 1996 with a record increase of 22.2 per cent. Subsequently, export earnings from petroleum products went up from K£ 238.9 million in 1995 to K£ 393.3 million in 1996. Increase of exports to the neighbouring countries was attributed to high demand in those countries due to international refugee assistance activity to the Great Lakes region.

10.7. Crude oil intake at the refinery, which has been declining since 1993 recorded a further drop in 1996 as shown in Table 10.2. The downward trend in the refinery intake was attributed to rising operating costs due to inherent refinery inefficiencies and limited crude oil processing capacity (The refinery processes 160,000 tonnes of crude oil per month). As a result of these constraints the domestic oil marketers relied more on imported refined petroleum products to meet ever increasing domestic demand. The crude oil intake declined by 3.9 per cent compared to a decline of 10.9 per cent in 1995. Murban crude oil from United Arab Emirates continued to dominate crude oil intake at the refinery although the intake declined marginally. The quantity of Zakum crude oil went up by 3.0 per cent in 1996 compared to 1995. Other types of crude oil which registered increased refinery intake were Iranian Heavy, from 23.4 thousand tonnes in 1995 to 56.3 thousand tonnes in 1996 and Kuwait, from 59.7 thousand tonnes in 1995 to 68.0 thousand tonnes in 1996. After some years of absence, Iranian light and Marib light were imported and processed at the refinery in 1996.

CRUDE OIL INTAKE AT THE REFINERY BY TYPE, 1992 -

Table 10.2 '000 Tonnes

Crude intake	A.P.I. Gravity	1992	1993	1994	1995	1996*
Arabian Light	33.4	-	111.8	-	-	
Arabian Medium	31.0	-	50.0	-	-	-
Arabian Heavy	27.9	-	-	-	29.3	-
Arabian Light Berri .	-	-	-	-	-	
Iranian Light	33.9	-	50.1		-	1.0
Iranian Medium	-	-	-	.	-	-
Iranian Heavy	.	267.2	127.9	176.9	23.4	56.3
Qatar'Marine	36.7	-	-	-	-	-
Qatar Durkhan	41.2	-	-	-	-	-
Kuwait	32.0	-	-	-	59.7	68.0
Zakum	40.1	230.4	325.3	81.0	638.7	657.6
Murban	39.6	1,732.7	1,304.3	1,719.5	835.0	834.1
Dubai	32.4	-	-	-	-	
Reconstituted crude** .	-	-	122.8	80.5	244.0	
Oman	-	-	-	-	-	
Marib Light	-	-	-	-	-	144.2
Slop	-	0.3	-	•	2.0	
TOTAL	-	2,230.6	2,092.2	2,057.9	1,832.1	1,761.2

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

10.8. Due to the downward trend in crude oil intake at the refinery, output of finished petroleum products also fell in 1996. Total refinery output declined by 3.6 per cent, from 1,826.7 thousand tonnes in 1995 to 1,761.3 thousand tonnes in 1996 as shown in Table 10.3. Despite an overall decline in output of finished products, increases were registered in motor gasoline premium (15.8 per cent), jet fuel (1.6 per cent), export residues (37 per cent) and

refinery usage (10.9 per cent). Notable declines were recorded in the output of motor gasoline regular (13.1 per cent), light diesel oil (11.8 per cent), and fuel oil (17.1 per cent). Bitumen output went down by 51.5 per cent due to slowdown in road construction in the country. Liquefied Petroleum Gas (LPG) an important urban and peri-urban household fuel declined by 16.8 per cent; this led to frequent cooking gas shortages in 1996.

FINISHED PETROLEUM PRODUCTS**, 1992 - 1996

Table 10.3 '000 Tonnes

	1992	1993	1994	1995	1996*
OUTPUT-					
Liquefied petroleum gas	28.3	27.4	29.5	32.2	26.8
Motor gasoline premium	161.0	153.0	164.4	152.1	176.2
Motor gasoline regular	186.9	176.4	164.1	153.0	132.9
Illuminating kerosene and Jet/turbo fuel	454.7	425.9	421.1	374.4	380.4
Light diesel oil	553.8	500.3	516.2	446.8	394.1
Heavy diesel oil and Marine diesel oil	26.4	29.2	22.4	28.5	28.1
Fuel oil	437.3	499.6	491.4	387.7	321.5
Export residues	233.4	164.1	138.2	139.1	190.6
Bitumen	26.5	9.4	19.6	26.2	12.7
Intermediates	3.0	5.6	-5.7	-6.0	-4.8
Refinery usage	119.4	101.3	96.7	92.7	102.8
THROUGHPUT=TOTAL OUTPUT	2,230.7	2,092.2	2,057.9	1,826.7	1,761.3

* Provisional

** Excludes lubricants

10.9. Table 10.4 shows the supply and demand balance of petroleum products, i he total domestic demand except that for refinery usage went up by 8.1 per cent, from 2,159.2 thousand tonnes in 1995 to 2,333.3 thousand tonnes in 1996. Total demand, including that for export also registered an increase of 10.2 per cent from 2,526.3 thousand tonnes in 1995 to 2,784.1 thousand tonnes in 1996. Increases in demand were recorded in motor spirit (5.4 per cent), jet turbo fuel (2.5 per cent), illuminating kerosene (4.4 per cent), light diesel oil (7.2 per cent) heavy diesel (13.2 per cent), and fuel oil (22.1 per cent). The demand for aviation spirit fell by a significant 19.3 per cent in 1996. The supply side of the balance sheet on the other hand, shows increasing use of imported refined petroleum products in 1996.

PETROLEUM SUPPLY AND DEMAND BALANCE, 1992- 1996

Table 10.4 '000 Tonnes

	1992	1993	1994	1995	1996*
DEMAND-					
Liquefied petroleum gas	27.4	25.1	28.4	31.2	31.2
Motor spirit (premium and regular)	346.8	352.0	352.2	378.7	399.3
Aviation spirit	7.7	8.5	7.2	5.7	4.6
Jet/turbo fuel	312.5	342.8	474.4	433.7	444.6
Illuminating kerosene	175.1	164.8	173.1	243.1	253.8
Light diesel oil	571.1	554.2	539.8	603.1	646.3
Heavy diesel oil	27.9	23.0	24.3	23.5	26.6
Fuel oil	370.9	355.9	409.4	347.5	424.2
TOTAL	1,839.4	1,826.3	2,008.8	2,066.5	2,230.5
Refinery usage	119.4	101.9	96.7	92.7	102.8
TOTAL DOMESTIC DEMAND	1,958.8	1,928.2	2,105.5	2,159.2	2.333.3
Exports of petroleum fuels	642.8	600.7	447.3	367.1	450.8
TOTAL DEMAND**	2,601.6	2,528.9	2,552.8	2,526.3	2,784.1
SUPPLY-					
Imports:					
Crude oil	2,235.3	2,274.2	2,173.2	1,680.3	1.412.9
Petroleum fuels	93.0	50.1	314.3	719.7	963.9
TOTAL	2,328.3	2,585.3	2,487.5	2,400.0	2,376.8
Adjustment***	273.4	56.6	65.3	126.3	407.3
TOTAL SUPPLY**	2,601.7	2,641.9	2,552.8	2,526.3	2,784.1

*Provisional

**Difference is due to rounding

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

10.10. Domestic sale of petroleum fuels by consumer category is depicted in Table 10.5. The overall consumption of petroleum products continued rising, a trend started in 1994. The total consumption in 1996 went up by 7.9 per cent compared to an increase of 2.9 per cent in 1995. Road transport continued to dominate in the consumption of petroleum fuels followed by aviation, industrial and commercial sectors. During the year consumption by road transport recorded an increase of 4.1 per cent, while sales to aviation, industrial and commercial sectors went up by 2.5 per cent and 4.1 per cent, respectively. Other notable increases in sales of petroleum products were recorded in agriculture (21.4 per cent), rail transport (29.3 per cent), tourism (52.4 per cent) and power generation (28.9 per cent). Increase in sales to power generation was attributed to rehabilitation of Kipevu thermal station. Sales to marine transport declined by 15.6 per cent, while those to public sector declined by 7.5 per cent, probably due to Government effort to cut down on expenditure.

NET DOMESTIC SALE OF PETROLEUM FUELS BY CONSUMER CATEGORY, 1992 - 1996

Table 10.5 000 Tonnes

User	1992	1993	1994	1995	1996*
Agriculture	64.9	70.7	83.9	81.9	99.4
Retail pump outlets & road transport	977.4	870.0	880.1	1,027.1	1,069.7
Rail transport	30.6	32.5	18.2	15.7	20.3
Tourism**	12.5	12.3	12.7	8.4	12.8
Marine (excl Naval Forces)	139.7	165.9	137.2	55.1	46.5
Aviation (excl. Government)	314.2	355.0	475.8	434.8	445.8
Power Generation	38.2	41.5	58.4	94.9	122.3
Industrial, Commercial and Other	453.5	407.9	442.8	408.9	425.8
Government	45.3	36.3	36.9	37.2	34.4
Balancing Item	-236.8	-165.9	-137.1	-97.5	-46.5
TOTAL	1,839.5	1,826.2	2,008.9	2,066.5	2,230.5

*Provisional

**Comprises sales to tour operator

10.11. All wholesale prices of petroleum products increased in 1996 compared to those of 1995. Petroleum products which registered a significant increase in wholesale price in 1996 over those of 1995 are light diesel oil (33.5 per cent), fuel oil (31.5 per cent), industrial diesel oil (28.7 per cent), regular motor gasoline (24.0 per cent), premium motor gasoline (20.6) and illuminating kerosene (13.8 per cent). When the current wholesale prices are compared with those of 1973, the prices of all petroleum products went up tremendously by more than ten times.

WHOLESALE PRICES* OF PETROLEUM PRODUCTS AT MOMBASA, 1973, 1993 - 1996

Table 10.6 KSh. per tonne

	30.9.73	10.6.93	17.6.94	21.12.95	Oct, 96**	Ratio 1996/73 per cent
Liquefied petroleum gas	2,060	23,855	24,454	25,200	25,956	1,222.7
Premium motor gasoline	1,551	34,178	35,386	37,906	45,712	2,947.3
Regular motor gasoline	1,468	34,250	35,488	37,632	46.661	3,178.5
Illuminating Kerosene	736	17,963	16,534	17,247	19,634	2,667.7
Light diesel oil	892	23,549	24,004	23,813	31,788	3,563.7
Industrial diesel oil	471	19,809	21,915	18,896	24,326	5.164.8
Fuel oil	334	15,433	15,537	13,970	18,364	5,498.2

* Including duties and VAT.

** Estimates

10.12. Retail prices increased in step with increases in wholesale prices as shown in Table 10.7. At the end of 1996, premium/gasohol retail price increased by 17.6 per cent, from Kshs.30.16 by end of 1995 to Kshs.35.43 by end of 1996. Regular retail price went up by 17.0 per cent, while Gas oil retail price rose by 23.6 per cent. The overall price changes were attributed to complete deregulation of the oil industry; changes in taxes on petroleum products; changes in global prices of crude oil and petroleum products and fluctuations of the local currency relative to international convertible currencies used to denominate oil prices.

NAIROBI RETAIL PRICES, 1993- 1996

Table 10.7

KSh per litre

Date	MOTOR SPIRIT		Gas Oil
	Premium/Gasohol	Regular	
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
21.10.94	28.34	27.28	21.00
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
Jan'96	30.23	29.47	22.74
Feb' 96	32.82	31.86	25.17
June, 96	33.81	32.82	26.29
July, 96	34.03	32.98	26.55
Aug' 96	34.08	33.04	26.65
Dec'96	35.43	34.38	28.10

Electricity

10.13. Electrical power is an important source of energy. Kenya derives its electricity from hydro, thermal and geothermal sources. It is used in the domestic, industrial and commercial sectors of the economy.

10.14. The country's installed capacity and generation is shown in Table 10.8. The total installed capacity went down marginally from 808.7 MW in 1995 to 805.0 MW in 1996, as a result of a fall of hydro-based installed capacity by 0.7 per cent. The decline in installed capacity in hydro-electricity was attributed to reduction of the installed capacity in Kindaruma dam (from 44 MW in 1995 to 40 MW in 1996) probably due to mechanical problems. The installed capacity of geothermal electricity remained the same during the year under review while that of thermal electricity capacity went up marginally.

INSTALLED CAPACITY AND GENERATION OF ELECTRICITY. 1992 - 1996

Table 10.8

	INSTALLED CAPACITY •MW**				GENERATION * GWH **			
	Hydro	Ther-mal Oil	Geo-ther-mal	Total	Hydro	Ther-mal Oil	Geo-thermal	Total
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
1996+	599.5	160.5	45.0	805.0	3,183.0	467.1	390.0	4,040.1

* Includes estimates for industrial establishment with generation capacity

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

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

\+ Provisional

10.15. Total electricity generation rose by 7.8 per cent in 1996. Hydro based electricity generation increased by 1.9 per cent, while thermal based electricity generation went up significantly by 39.7 per cent, due to rehabilitation of Kipevu thermal station. Similarly, geothermal based electricity generation rose by 34.5 per cent. It should be noted that two geothermal wells were completed, one in Central Olkaria and the other in North West Olkaria during the year under review. However, power from these wells has not been connected to the national grid.

10.16. Demand for electricity increased from 3,289 KWH in 1995 to 3,478 KWH in 1996, a 5.7 per cent increase as shown in Table 10.9. Although the country experienced power rationing throughout the year, sales of electricity to large commercial and industrial establishments went up by 9.2 per cent. Sales to domestic and small commercial establishments rose by 2.2 per cent attributable to increase in number of small scale enterprises (Jua Kali) and construction of residential buildings in urban and peri-urban areas. The, rural demand for electricity increased from 125 million KWH in 1995 to 138 million KWH in 1996. Notable decline in electricity demand was registered in off-peak (19.4 per cent) and street lighting (36.8 per cent). The decline in electricity sales during off-peak hours is attributed to rationing of electricity during off-peak period. While imports of electricity from Uganda declined by 13.4 per cent, electricity transmission losses went up from 636 million KWH in 1995 to 660 KWH in 1996.

ELECTRICITY ENERGY SUPPLY AND DEMAND BALANCE, 1992 - 1996

Table 10.9 Million KWH

	1992	1993	1994	1995	1996*
DEMAND-					
Domestic and Small Commercial	877	927	977	1,026	1,049
Large Commercial and Industrial	1,835	1,915	1,955	1,995	2,179
Off-peak	104	115	125	124	100
Street Lighting	14	13	10	19	12
Rural Electrification	85	104	138	125	138
TOTAL	2,915	3,074	3,205	3,289	3,478
Transmission losses and unallocated demand	540	595	598	636	660
TOTAL DEMAND = TOTAL SUPPLY	3,455	3,669	3,803	3,967	4,138
of which imports from Uganda	240	273	264	172	149
Net generation	3,215	3,396	3,539	3,795	3,989

* Provisional.

PRODUCTION, TRADE AND CONSUMPTION OF ENERGY** EXPRESSED IN TERMS OF PRIMARY SOURCES, 1992 - 1996

Table 10.10 '000 Tonnes Oil Equivalent

	1992	1993	1994	1995	1996*
COAL AND COKE CONSUMPTION	98.6	87.8	76.0	96.6	89.2
Imports of crude oil	2,235.3	2,274.2	2,173.2	1,680.3	1,412.9
Net exports of petroleum	-669.4	-504.5	-228.7	259.9	410.3
Stock changes and balancing item	273.4	56.6	65.3	126.3	407.3
TOTAL CONSUMPTION OF LIQUID FUELS	1,839.3	1,826.3	2,009.8	2,066.5	2,319.7
HYDRO AND GEOTHERMAL ENERGY:-					
Local production of hydro power	671.0	718.3	736.3	749.5	763.9
Local production of geothermal power	65.3	65.3	82.6	69.6	93.6
Imports of hydro power	57.6	65.5	53.4	44.9	35.8
TOTAL CONSUMPTION OF HYDRO AND GEOTHERMAL ENERGY	793.9	849.1	872.3	864.0	893.3
TOTAL LOCAL ENERGY PRODUCTION	736.3	783.6	788.3	819.1	857.5
TOTAL NET IMPORTS	1,722.1	2,106.1	2,082.9	1,562.1	1,445.7
TOTAL ENERGY CONSUMPTION .	2,731.8	2,763.1	2,947.1	3,028.8	3,213.0
LOCAL PRODUCTION AS PERCENTAGE OF TOTAL	27.0	28.4	27.1	27.1	26.7
PER CAPITA CONSUMPTION IN TERMS OF KILOGRAMS OF OIL EQUIVALENT	104.1	110.5	110.1	110.1	113.7

* Provisional

** Modern sector only; fuelwood and charcoal are excluded

Total Energy Supply and Demand

10.17. Total energy supply and demand is presented in Table 10.10. Total net energy imports accounted for 45.0 per cent of total energy consumed in 1996. Imports of hydro power declined by 20.3 per cent due to Government commitment to reduce dependency on imported energy. Local production as a percentage of total energy declined by 0.4 per cent points in 1996 over that of 1995. Coal and coke consumption used in the production of cement went down by 9.3 per cent. Total energy consumption went up by 6.1 per cent while, per capita consumption in terms of kilograms of oil equivalent increased by 3.3 per cent.

Rural Electricity Programme

10.18. A consultancy firm from Belgium that was appointed for the National Rural Electrification master plan study, are expected to complete the study in 1997. The Kenya Power and Lighting Company continued with the implementation of the programme using the limited locally available funds. About Ksh. 162 million was spent on some 135 schemes which are at various stages of implementation.

Developments in the Electricity Sub - Sector

10.19. The prevailing generation capacity shortage will continue to affect the quality of customer service especially in the face of additional requirement for supply to meet the growing demand. The Government through the KPLC sent tender documents in February 1996 to a short list of fifteen Independent Power Producers (IPP) inviting proposals for the development of stop gap generating plants under (IPP) arrangement. Two firms were awarded contracts for installation of 44.5 MW diesel and 43 MW gas turbine power plants. The diesel plant is being constructed at Nairobi South while work on a gas turbine is going on at Kipevu. Power purchase agreements were signed with the two firms in September 1996 and the projects are expected to be operational by mid 1997.

10.20. The Government is still seeking for funds to finance long term power projects. The Government of Japan has indicated interest in funding Sondu/Minu hydro power project. International Development Association (IDA), Kreditanstaltfur Wrederawtbau (KFW) and the European Investment Bank (EIB) are expected to co-finance Olkaria North East (Olkaria II) power station, which is expected to commence in 1997.

10.21. In order to improve operational efficiency and attract private investment, the Government in consultation with the World Bank decided to restructure the power industry companies, namely, the Kenya Power and Lighting Company Ltd (KPLC), the Kenya Power Company (KPC) and the Tana River Development Company limited (TRDC). This will separate power generation from the transmission and distribution functions. The generating assets owned by the multipurpose authorities will be transferred to (KPC) while distribution and transmission of electricity will be done by (KPLC).

Wood Fuel Resources

Wood is an important source of cooking fuel in both rural and urban areas. According to welfare survey of 1994 results, about 93.5 per cent of rural households use firewood as main source of cooking fuel, while 30.3 per cent of urban households use charcoal for cooking. The government and Non-Government Organisations have drawn up programmes aimed at developing and using efficient jikos, wood stoves, charcoal kilns and encouraging use of alternative sources of energy. Farmers have been, through public information and education programmes, encouraged to adopt farm tree planting, increase the supply of tree seedlings and promote agro-forestry.

Other Sources of Energy

Bio-waste, biogas, wind energy and solar power constitute alternative sources of energy in Kenya. Solar energy is becoming increasingly important and various public and private institutions are using solar for lighting.

CHAPTER 11- MANUFACTURING

Overview

Real output growth of manufacturing production slowed down slightly to 3.7 per cent in 1996 compared to the 3.9 per cent growth reported in 1995. Inadequate rains, power rationing, adverse effects of basic infrastructure constraints, rises in manufacturing processing costs attributed to high prices of petroleum products and other key inputs, and prevailing high interest rates in 1996, led to lower capacity utilisation of manufacturing establishments in Food processing, Beverages and Tobacco industries. Similarly, continued trade liberalisation led to increased competition from imported low cost manufactured products, with detrimental effects on the growth of textiles, safety matches, and razor blades industries. Sluggish household income growth in the past year, as a consequence of bad weather conditions, resulted in reduced aggregate demand for domestic manufactured goods.

11.2. The stable value of the Kenya shilling against the major trading foreign currencies, helped buoy the manufacturing sector from further decline by facilitating easy importation of raw materials, machinery and spare-parts. Similarly aggressive marketing strategies by local manufacturers also assisted in breaking the fall. In addition, various tax incentives announced in the 1995/96 annual Budget helped to improve output of the domestic motor vehicle assembly industry. Exemption of key manufactured food staples from Value Added Tax (V.A.T) ameliorated the food-processing sector from further decline. Although the real manufacturing growth output of 3.7 per cent was well below the targeted 7.9 per cent industrial growth of the Eighth National Development Plan 1997-2001, various macro-economic reform measures were announced late 1996 geared towards full industrial transformation of the economy, by the year 2020.

Employment

11.3. Total employment in the manufacturing sector grew at a rate of 2.8 per cent, slower than the 3.7 per cent of 1995. In 1996, total employment in the sector was 210,500 persons compared to 204,790 persons and 197,546 for 1995 and 1994 respectively. The slower growth in manufacturing employment in 1996; was attributed to staff retrenchment.

Manufacturing Sales and Stocks

11.4. Provisional data on Business Expectations Enquiry (BEE) shows that sides of manufactured goods in 1996 was K£ 14,689 million significantly above the revised K£10,413 million recorded in 1995. The value of stocks held by the manufacturing firms by the end of December 1996 was K£6,172 million, 27.1 per cent above the K£4,856 million in 1995. The significant increases in value of sales in 1996 was attributed to rising inflationary pressures noted in 1996, compared to 1995.

Industrial Output

11.5. Estimates of values of output, intermediate consumption and wages paid in the manufacturing sector for the period 1992 - 1996, at current prices are shown in Table 11.1. On average, the value of output and intermediate consumption values at current prices have been rising at rates of 24.9 per cent* and 25.8 per cent per annum, respectively due to

inflation and consistently high imported input prices.

Private sector structural reforms, in form of staff retrenchment schemes have led to reduced manufacturing labour costs leading to higher operating surpluses. Consequently, this has contributed to upward movements in manufacturing value added.

MANUFACTURING SECTOR - OUTPUT , WAGE AND PRODUCT, AT CURRENT PRICES, 1992 - 1996

Table 11.1 K£million

YEAR	Value of Output	Intermediate Consumption	Value Added	Total Wages Paid
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
1996*	28,819.80	26,311.10	2,552.20	958.15

* Provisional

Quantum Indices

11.6. Indices of real manufactured output, for the period 1992 to 1996 are presented in Table 11.2. The Table shows that the Kenyan manufacturing sector recorded mixed economic performance in 1996. The Meat and Dairy, Grain Milling, Beverages and Tobacco industries recorded declines in output of 20.5 per cent, 12.7 per cent and 11.3 per cent respectively.

QUANTUM INDEX OF MANUFACTURING PRODUCTION, 1992- 1996

Table 11.2 1976 = 100

INDUSTRY	1992	1993	1994	1995	1996*	Percentage Change 1996/1995
Meat and Dairy Products	94.0	95.8	87.0	112.3	89.3	-20.5
Canned Vegetables, Fish, Oils and Fats	338.9	384.4	275.0	291.5	306.8	5.2
Grain Mills Products	170.5	154.8	204.8	242.8	211.9	-12.7
Bakery Products	172.9	178.5	274.5	299.3	359.6	20.1
Sugar and Confectionery	195.7	198.3	156.8	196.6	196.6	0.0
Miscellaneous Foods	236.7	220.0	226.9	231.7	256.2	10.6
Food Manufacturing	168.3	168.2	167.7	194.3	197.2	1.5
Beverages	245.0	243.4	225.2	235.8	212.1	-10.1
Tobacco	192.8	194.8	196.0	212.5	171.3	-19.4
Beverages and Tobacco	235.7	234.6	219.3	230.8	204.6	-11.3
Textiles	218.5	252.0	186.9	136.5	136.7	0.1
Clothing	320.6	292.4	183.9	153.0	149.5	-2.3
Leather and Footwear	97.1	87.9	96.8	65.7	68.2	3.8
Wood and Cork Products	74.0	73.7	76.0	73.4	73 9	0.7
Furniture and Fixtures	46.8	49.6	50.6	52.5	57.9	10.3
Paper and Paper Products	257.7	180.5	155.6	153.0	182.5	19.3
Printing and Publishing	411.2	411.2	424.8	451.6	465.1	3.0
Basic Industrial Chemicals	234.0	244.6	213.0	209.0	211.3	1.1
Petroleum and Other Chemicals	481.8	469.2	453.6	492.0	538.3	9.4
Rubber Products	630.3	622.4	613.7	621.0	641.2	3.3
Plastic Products	323.7	357.2	362.6	384.7	403.2	4.8
Clay and Glass Products	575.2	1,199.0	1,770.6	2,099.9	2,394.8	14.0
Non-Metallic Mineral Products	205.7	201.5	211.7	209.6	217.4	3.7
Metallic Products	183.8	184.2	205.0	206.8	237.2	14.7
Non-Electrical Machinery	95.3	94.6	100.3	78.1	108.7	39.2
Electrical Equipment	251.5	224.5	226.2	253.7	271.7	7.1
Transport Equipment	603.7	541.2	571.4	529.0	662.3	25.2
Miscellaneous Manufactures	442.9	442.9	442.9	472.3	637.9	35.1
TOTAL MANUFACTURING	245.4	249.9	254.6	263.9	273.6	3.7

On the positive side, significant output gains were recorded in the miscellaneous manufactures, transport equipment, petroleum and other chemicals, plastics, and furniture and fixtures industries.

11.7. The adversity of drought to the manufacturing sector was particularly significant in a decelerated growth, of 1.5 per cent in 1996 of the Food processing sub-sector, compared with growth of 15.9 per cent in 1995. Notable declines were registered in meat and dairy products, and the grain milling sub-sectors. While output from the domestic sugar industry remained relatively unchanged, there were notable increases in production of bakery products, and miscellaneous food processing.

11.8. After recording substantial growth of 29.1 per cent in 1995, the meat and dairy products industry registered a negative growth of 20.5 per cent in 1996..Several factors were attributed to the decline of the sub-sector. First, prolonged rain shortages in the prime agricultural areas resulted in reduced milk intake at the Kenya Co-operative Creameries (KCC) and other major milk processing plants in the country. Secondly, the liberalisation of the milk industry has led to diversion of unprocessed milk to off-farm household milk consumers. Output of processed liquid milk in 1996 was 163 million litres, 24.2 per cent below the 215 million produced in 1995. While production of butter fell by 40 per cent compared to that of 1995, the output of cheese rose by 16.0 per cent in 1996. In the same period the output of milk based baby foods rose by 33.8 per cent. Estimated data on processed meat from private abattoirs show that in 1996, production of beef and that of slaughtered sheep, lamb and goats rose by 12.8 per cent and 10.5 |)er cent respectively. Similarly, output of sausages and processed chicken increased by 13.4 per cent and 5.9 per cent respectively in the period under review. The output of hides and skins in 1996 was 172 thousand units compared to 153 thousand units in 1995.

11.9. Intensive competition in the Canned Vegetables, Fish, Oil and Fats Industry, coupled with aggressive marketing strategies and expanded regional markets, led to sustained growth of the sub-sector. However, effects of drought experienced in 1996 constrained output growth rate of the sub-sector. The sub-sector grew by 5.3 per cent in 1996 slightly lower than the 6.0 per cent registered in 1995. Output of edible fats and margarine in 1996 was 104,819 metric tonnes, 2.2 per cent above the 102,563 tonnes in 1995. While the manufacture of edible oils rose significantly, the output of preserved and prepared fish fell. Production of canned fruits fell marginally from 288 thousand produced in 1995 to 287 thousand metric tonnes in 1996. Output of canned vegetables similarly decreased by 26.0 per cent. Production of jams and marmalades increased by 9.1 per cent, while that of fruit and vegetable juices rose by 45 per cent.

11.10. Domestic supply constraints of cereals attributed to a poor crop season in 1996 coupled with a worldwide shortage of wheat led to poor performance of the domestic grain milling industry. As shown in Table 11.3, production of maize meal in 1996 was 267 thousand metric tonnes, 15.0 per cent below the 314 thousand that was recorded in 1995.

PRODUCTION OF GRAIN MILLING PRODUCTS, 1992- 1996

Table 11.3 '000 tonnes

YEAR	COMMODITY		
	Sifted Maizemeal	Wheat Flour	Rice
1992	119.6	222 4	18.1
1993	168.1	143.1	13.6
1994	2332	191.4	11.0
1995	313.7	237.0	15.0
1996*	266.7	227.2	10.9

* Provisional

Similarly, production of wheat flour in 1996 was 227 thousand metric tonnes, 4.2 per cent below the 237 thousand output of previous year 1995. Output of rice and maize germ fell by 44 per cent and 7.7 per cent respectively. Increasing household demand for bakery products, however, led to significant rises in output of bread, cakes, scones and biscuits. In 1996, output of bread was 83 thousand metric tonnes compared to 66 thousand tonnes produced in 1995.

11.11. The domestic sugar industry remained almost stagnant in 1996. This is attributed to diverse financial and management problems in the sub-sector. Output of refined sugar in 1996 was 389 thousand metric tonnes compared to 384 thousand in 1995. Imports of sugar in 1996 were 65.8 thousand tonnes while the export volume was 24.5 thousand tonnes. To enhance production of sugar, the existing sugar milling factories are undergoing rehabilitation and expansion. These expansion plans will involve the increase in sugar cane crushing capacity for existing sugar firms, and the construction of a new sugar factory in Busia. New sugar factories are also proposed for construction in other parts of the country. The confectionery industry, which has strong links with the sugar industry, grew by 9.3 per cent, with new firms entering into production of a wide variety of sweets.

11.12. The miscellaneous foods industry has been growing consistently in the last three years, after a slump in 1993. In 1996, the main driving factor to improved performance of the sub-sector was attributed to manufacture of black tea. During this period, Kenya Tea Development Authority (KTDA) commissioned expansion of the existing 39 tea processing factories, to produce more black tea. In addition, plans were set up to construct 12 new factories in areas of the country that had none, or where expansion of existing plants was not feasible. Output of black tea in 1996 was 257 thousand metric tonnes, 5.3 per cent above the 244 thousand tonnes of 1995. The production of instant coffee, cocoa, milo and curry powder rose significantly. The production of cattle feeds, pig feeds, and poultry feeds and pets feed rose by different margins, in 1996.

11.13. The Beverages and Tobacco industries registered a negative growth rate of 11.4 per cent in 1996 compared to a positive rate of 5.2 per cent in 1995. Trade liberalisation policies attracted imported brands of beer and cigarettes into the domestic market; thus presenting increased competition to local production. Manufacture of licensed traditional liquors targeted on low-income consumers has also captured a share of the formal beer market. In the year of review, production of beer and stout was 276 million litres a 20.5 per cent decline from the 347 million litres of 1995, as shown in Table 11.4.

PRODUCTION OF BEVERAGES AND TOBACCO, 1992 - 1996

Table 15.10

YEAR	COMMODITY			
	Spirits '000 Litres	Beer Million litres	Mineral Waters Million litres	Cigarettes Million sticks
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
1996*	2,887.7	276.0	140.3	6,393

*Provisional

Output of cigarettes in 1996 was 6,393 million sticks, 19.4 per cent below the 7,931 million of 1995. Manufacture of spirits increased by 27.7 per cent in 1996 while output of soft drinks (mineral waters) rose by 14.7 per cent from 122.3 million litres in 1995 to 140.3 million litres in 1996.

11.14. Implementation of tariff restrictions on imported garments in 1996 significantly guarded against further decline in the domestic textiles and clothing industry. However, similar restrictions abroad on Kenyan exports, continued to constrain the domestic textiles industry. In 1996, the Textiles sub-sector stagnated, albeit positive compared to large declines in output since 1993. Similar trends were observed in the Clothing sub-sector, which is forward linked to the manufacture of textiles. Production of cotton woven fabrics in 1996 was 27.5 million square metres, 27.3 per cent above the 22.0 million square metres in 1995. Manufacture of polyester viscose fabrics was 8.0 million square metres in 1996, compared to 9.1 million square metres in 1995, a drop of 12.1 per cent. Output of knitted fabrics and blankets grew by 3.6 per cent, and 19.0 per cent, respectively. Production of shirts, sport-shirts, dresses, uniforms, and overalls, fell by various margins. Production of trousers, and dresses rose by 15.0 and 14.0 per cent respectively.

11.15. The Leather and Footwear industry has began stabilising after being on the decline since 1992. A large number of small-scale leather shoe manufacturers have also entered the market, supplementing the output of leather shoe production in the country. Output of leather shoes rose by a marginal 3.5 per cent from a revised 2.01 million pairs in 1995 to 2.08 in 1996. The production of sheep and goatskins rose by 17.9 per cent. No change was recorded in manufacture of finished leather, unfinished leather, and P.V.C leather cloth.

11.16. Government and local community efforts toward conservation of forests have been continuing for several years now, through restrictions on felling trees. However, demand for sawn timber has been increasing, in response to the growth of the domestic construction and furniture industries. In 1996, output of sawn timber was 85.3 thousand cubic metres almost the same level of 84.7 thousand cubic metres in 1995. The Wood and Cork sub-sector grew by 0.7 per cent in 1996, after registering a negative 3.4 per cent decline in 1995.

11.17. Rising domestic demand for exercise books led to a 19.3 per cent growth in physical output of the Paper and Paper Products sub-sector in 1996. A similar recovery profile was recorded in the printing and publications industry, due to proliferation of small-scale printing and publishing firms. In 1996, production of exercise books was 8.0 million copies, more than double the 3.7 million copies of previous year. No change was observed

in output of wrapping paper. Production of paper bags and sacks, fell by 3.8 per cent, while that of corrugated paper cardboard dropped by a significant 39.0 per cent. In the printing and publishing sub-sector, output of newsprint rose by 3.0 per cent.

11.18. The Basic Industrial Chemical sub-sector after registering declining output in both 1994 and 1995 recorded a positive growth of output of 1.1 per cent. Production of oxygen, hydrogen and nitrogen rose marginally from 3.5 million litres in 1995 to 3.6 million litres in 1996. Except for the output of herbicides that fell by 23.0 per cent, production of acetylene, electrodes, pyrethrum extract and insecticides rose by various margins in the period under review.

11.19. The Petroleum and Other Chemicals industry continued its upward growth trend from 8.4 per cent in 1995 to 9.4 per cent in 1996. Steady value of the Kenya Shilling against international convertible currencies, coupled with good demand for forward linked petroleum-based products and their derivatives, contributed towards the sustained growth. Output of diesel, fuel oil and kerosene rose by 2.0 per cent, 58 per cent and 1.6 per cent respectively. The production of motor spirits declined marginally, while that of Liquefied Petroleum Gas (LPG) declined by a significant 17.5 per cent. Production of paints, varnishes, and lacquers increased significantly. Manufacture of laundry soap was 56 thousand metric tonnes in 1996 up from 48.7 thousand tonnes in 1995. Substantial increases were recorded in output of washing soap, detergents, cream lotions, deodorants, and cosmetics. Output of solid drugs, increased by 27.0 per cent, while that of liquid drugs fell by 38.0 per cent.

11.20. In 1996, production of new motor vehicle tyres was 536 thousand units compared to 515 thousand units in 1995 a rise of 4.1 per cent. Due to availability of low cost imported tyres, the output of retread tyres has continued to fall since 1995. The manufacture of bicycle tyres fell although that of bicycle tubes rose significantly by 47.6 per cent. Estimated quantity of rubber shoes produced in 1996, were 3 million pairs.

11.21. The Plastics industry has been growing at a steady rate since 1993, with product diversification, and entry of new firms into the industry. Manufacture of PVC pipes increased by 19.9 per cent in 1996 to 2,693 metric tonnes from 2,246 thousand tonnes of 1995. Fabrication of plastic crates, plastic plates and PVC floor tiles increased by 37.3 per cent, 45.3 per cent and 9.4 per cent respectively in 1996. Output of plastic shoes in 1996 was 645 thousand pairs 4.4 per cent below the 675 thousand pairs of 1995. Output of plastic bottles remained at the 1995 levels of 3.1 million units.

11.22. While the effect of high interest raters in 1996 depressed the building and construction industry, and power disruptions emanating from the prolonged drought in the year affected production of cement; expansion of capacity in an Athi-river based firm and entry of a new cement firm enhanced output. As shown in Table 11.5 the growth in output of cement between 1993 and 1994 was 2.5 per cent while that between 1994 and 1995 was 7.8 per cent. The 16.0 per cent change in growth of cement production recorded between

CEMENT PRODUCTION AND UTILIZATION, 1992 - 1996

Table 11.5 '000 tonnes

YEAR	PRODUCTION	IMPORTS	CONSUMPTION AND STOCKS	EXPORT TO	
				Uganda and Tanzania	All Other Countries
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
1996*	1,816.0	5.4	1,160.0	173.0	489.0

* Provisional

1995 and 1996 was attributed to a rise in production capacity. Consumption and stocks of cement after rising by 23.4 per cent in 1995 grew at a slower rate of 9.4 per cent in 1996. In the same period, export of cement to Uganda and Tanzania increased by 7.7 per cent whilst that to all other countries rose by 43.7 per cent. Although imports of cement rose in 1996, over time the absolute changes in quantities have been negligible. In 1996, production of cement was 1,816.0 thousand tonnes, a significant 15.6 per cent above the I,565.6 thousand tonnes of 1995. Output of roofing tiles, limestone and concrete pipes increased by 27.9 per cent, 39.1 per cent and 14.1 per cent, respectively.

11.23. Intense competition from imported electrical and electronic goods as a consequence of trade liberalisation has adversely affected the Electrical Machinery Industry. This has led to closure of firms involved in assembly of radios, radio cassettes and television sets. However, good demand for dry cells and motor vehicle batteries sustained output from the sub-sector. Production of dry cells in 1996 was 152.0 million units compared to 138.0 million units manufactured in 1995 a growth of 10.0 per cent. Output of motor vehicle batteries was 138 thousand units in 1996 compared to 133 thousand units in 1995. Production of electrical lamps fell by 8.6 per cent in 1996.

11.24. A combination of incentives towards the domestic assembly of motor vehicles has succeeded in reducing uncertainties in the transport equipment's industry. Firstly, reduction of duty on Completely Knocked Down (CKDs) kits helped forestall competition from imports of Completely Built Up units (CBUs). Secondly, aggressive marketing strategies by the local vehicle assemblers further boosted output from the sub-sector. Output of assembled vehicles in 1996 was 8,518 units compared to 6,596 units of 1995 a significant rise of 29.1 per cent. The output of coaches and bus bodies increased by 9.8 per cent in 1996.

11.25. Local demand for metal products has been rising, as shown by the rise in output growth of 14.7 per cent in 1996. This has been attributed to .the strong linkage benefits between the metal production sub-sector and the engineering and construction industry. Similarly, relatively steady value of the Kenya currency against convertible currencies and the availability of foreign exchange ensured easy importation of raw material inputs for the sector. In 1996, production of galvanised iron sheets was 113,900 metric tonnes, 7.1 per cent above the 106,348 tonnes produced in 1995. Output of metal cans and tins almost doubled. Although no change was recorded in the production of jembes, padlocks and pangas, output of gas cylinders and tubular furniture rose by 34.7 per cent and 3.0 per cent

11.26. The miscellaneous manufacturing sector continued to perform well in 1996. despite competition from imported substitutes, as a result of increased demand. Production of ball-point pens rose by a significant 40.0 per cent. The production of household and industrial brushes, carbon paper, illuminating signs, and mattresses each went up by 20.0 per cent.

Industrial Credit

11.27. Development financial institutions have been the main source of funds for both public and private sector industrial investments in Kenya. As a policy objective, their lending conditions have been directed away from main towns in the country as a method to check migration of job seekers into major urban areas. Similarly, while the main thrust of financial commitment has been to support development of manufacturing activities, this has changed in the recent past where significant increases in lending to tourism and horticultural related industries has become significant. The diversification of investment decisions to other economic sectors was attributed to precautionary measures taken by borrowers with a background of trade liberalisation, whose impact has started to take effect. In particular, the vulnerability of domestic manufacturing to the liberalised trade regime was instrumental towards increased lending by the institutions to construction of hotels and horticultural farming. As shown in Table 11.6, a total of 19 manufacturing projects worth K£ 14.56 million were approved in 1996 when compared to the 75 approved in 1995. This is the lowest level of industrial credit financing in the last five years.

INDUSTRIAL PROJECTS APPROVED BY SELECTED GOVERNMENT OR QUASI-GOVERNMENT INSTITUTIONS, 1992 - 1996

Table 11.6

INSTITUTION	NUMBER OF PROJECTS					APPROVED EXPENDITURE K£ MILLION				
	1992	1993	1994	1995	1996*	1992	1993	1994	1995	1996*
Industrial Development Bank Limited (I.D.B)	4.0	7.0	5.0	7.0	5.0	7.1	15.0	10.7	7.1	8.4
Development Finance Company of Kenya (D.B.K.)	21.0	11.0	9.0	5.0	3.0	22.5	11.5	17.8	17.5	5.3
Kenya Industrial Estates Limited (K.I.E.)	105.0	94.0	204.0	59.0	4.0	2.9	2.0	3.9	1.2	0.1
Industrial and Commercial Development Corporation (I.C.D.C.)	10.0	9.0	1.0	4.0	7.0	8.7	11.9	0.8	5.4	0.8
TOTAL	140.0	121.0	219.0	75.0	19.0	41.2	40.4	33.2	31.2	14.6

* Provisional.

11.28. Industrial Development Bank (IDB) approved a total of 5 industrial projects worth K£ 8.41 million out of the K£ 15.19 million loan commitments by the bank in 1996. The loans were advanced to mining, packaging, steel rolling, metal fabrication and tea processing industries. Total employment created in 1996 by these firms was 366 new jobs. The rest of the loan advances was to horticulture and dairy farming industries.

11.29. Adverse impact of free trade, led to poor performance of manufacturing firms assisted by the Development Bank of Kenya (DBK), in particular the paper, textiles and safety matches industries, with some of the firms closing down altogether. Similarly, while the operations of DBK remained profitable in 1996, high interest rates on short-term borrowing continued to impact adversely on the assisted projects. In 1996, the total number of manufacturing project approvals by the Development Bank of Kenya (DBK),

formerly the Development Finance Company of Kenya (DFCK) were only three, compared to five in 1995. The ratio of financial commitment to the manufacturing sector by the DBK was 27.5 per cent or K£ 5.3 million, with the balance being allocated to seven other establishments in tourism and horticulture.

11.30. As trends from other industrial development financial institutions show, there was a marked shift away from financing of small scale industrial projects, towards support of investments in retail trading and related services by the Kenya Industrial Estates (K1E). The total number of industrial projects financed by the KIE in 1996 were only 4, the smallest number since 1992. These projects in the bakery, construction, flour milling and tailoring, had loan approvals of K£ 0.07 million, and also constituted 47.9 per cent of total loans approved. The balance of the loans was advanced to investors in the services sector of the economy. Decline in loan assistance from the KIE to potential entrepreneurs in 1996 was due to shortage of funds from the parent support organisation, the African Development Bank (ADB).

11.31. The Industrial and Commercial Development Corporation (ICDC), approved a total of 7 industrial projects in 1996, worth K£ 0.79 million, equivalent to 11.0 per cent of total lending by the ICDC of K£ 7.033 million to the economy. However the stated policy of the ICDC is the continued priority towards financing of industrial projects. Five of the projects in the manufacturing sector, which benefited from the loans, were in the saw-milling industry; the other two were in bakery and spinning and weaving respectively. Only two firms were granted loan advances to start new firms, the rest being rehabilitation of existing projects. The total employment level of the firms was 125 job opportunities

Manufacturing Labour Costs and Productivity

11.32. Table 11.7 shows that real manufacturing output has been rising at an average rate of 2.5 per cent per annum in the last five years. Growth of employment in the sector on the other hand has been slower, at an average rate of 1.9 per cent per annum, in the same period. The slower employment growth compared to a relatively faster growth in manufacturing output has consequently led to higher average growth in manufacturing labour productivity in the last five years. The data also shows that the proportion of wage costs to manufacturing value added has remained at around 34.0 per cent per annum, leaving 66.0 per cent as operating surplus for reinvestment.

INDICATORS OF LABOUR PRODUCTIVITY IN MANUFACTURING, 1992 - 1996

Table 11.7

	INDICATOR	1992	1993	1994	1995	1996*
1	Change in the quantum index of manufacturing	+1.2	+ 1.8	+1.9	+3 . 9	+3.7
2.	Change in numbers employed in manufacturing	+04	+1.7	+1.0	+3 . 7	+2.8
3	Implicit change in labour productivity	+ 0.8	+ 0.1	+0.6	+0.2	+0.9
4	Wage cost as percentage of gross output	+3.5	+3.1	+0.3	+3.3	+3.3
5.	Wage cost as percentage of value added	+32.2	+32.1	+32.3	+35.4	+38.2

* Provisional

Export Processing Zones Authority

11.33. The Export Zones (EPZ) development programme, which is geared towards capital investment, employment generation, exports and skill transfer, continued to gain

momentum as growth parameters indicate improvement in 1996 compared to 1995

11.34. The number of gazetted zones increased from 13 in 1995 to 14 in 1996. Though the number of operating companies within the zones dropped from 19 in 1995 to 18 in 1996, the number of firms actively involved in exports increased from 14 in 1995 to 17 in 1996. Within the same period, total turnover of the EPZs companies increased by 23.0 per cent to K£ 79.5 million in 1996 compared with K£ 67 million in 1995, of which b8.0 per cent were exports.

11.35. During the period under review, total investment in the EPZs was K£ 220 million compared with K£ 195 million in 1995 while persons employed rose by 5.5 per cent to 2,950 persons in 1996 compared with 2,797 in 1995. The slow increase in employment was attributed to closure of some firms operating in the EPZs, and new companies that started operation in 1996 not being labour intensive.

CHAPTER 12 - BUILDING AND CONSTRUCTION

Building and construction sector's key indicators show that the sector recorded a slower growth in 1996 compared to 1995. This was ascribed to general slow down experienced in the domestic economy during the year, coupled with lack of adequate funds for public buildings and construction projects. In addition, high interest rates on commercial bank's and building societies loans, which remained above 30 per cent, constrained growth and investment in the sector. The sector, however, benefited from increased Government expenditure on roads, increase in commercial bank's loans and advances to the private sector enterprises, and stable prices observed during the year attributed to stability in the exchange rates of the Kenya Shilling against major world trading currencies. Employment and cement consumption, the key sector's indicators recorded lower growths during the period. Commercial Banks, bills, loans and advances to building and construction enterprises recorded a significant rise from K£ 305.0 million as at the end of 1995 to K£ 438.0 million in 1996. This contributed to modest growth in private building construction activities.

12.2. Table 12.1 presents a summary of real trends of the sector's key economic indicators for the period 1992 to 1996. In 1996, the indicators recorded lower growths as compared to the previous year. Cement consumption after rising sharply by about 24.1 per cent to 1,065 thousand tonnes in 1995 recorded a lower rise of 8.9 per cent to reach 1,160 thousand tonnes in 1996. Growth in employment similarly decelerated from the 4.5 per cent recorded in the previous year to 3.1 per cent in 1996. The lower growths were attributable to depressed building and construction activities. Deflated index of Government expenditure on roads recorded a third year of consecutive rise from 46.7 in 1993 to 115.7 in 1996 due to consistent rise in budgetary allocation for road development and maintenance. On building sub-sector, 'Index' of reported private buildings maintained a positive growth from 34.9 to 37.6, while the 'Index' of public buildings continued to show negative growth attributed to inadequate funds for public building projects.

REAL TRENDS IN BUILDING AND CONSTRUCTION *, 1992-1996

Table 12.1 1982=100

	1992	1993	1994	1995	1996**
"Index" of reported private building work completed in main towns***	66.2	44.5	34.9	37.6	
"Index" of reported public building work completed in main towns***	7.8	5.5	3.8	2.9	
"Index" of government expenditure on roads	52.1	46.7	80.1	91.6	115.7
Cement consumption ('000 tonnes)	1,118.2	894.2	858.5	1,065.0	1,160.0
"Index"	193.0	154.3	148.1	183.7	200.1
Employment ('000)	73.4	72.7	73.1	76.4	78.8
"Index"	121.5	120.4	120.9	126.3	130.5

* Actual deflated by various building or construction cost indices

** Provisional.

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

12.3. The growth in the sector's wage employment in 1996 decelerated to 3.1 per cent from 4.5 per cent in 1995 attributable to slow down in building and construction

activities. The sector engaged a total of 78.8 thousand workers with over 60.0 per cent engaged in the private sector. The public sector absorbed a total of 29.2 thousand workers mainly in " Other" construction sub-sector which included road construction.

12.4. Macro economic policy measures put in place by the Government in the recent past contributed to the easing of high inflationary pressure in the construction -.ector. As shown in Table 12.2, the sector recorded a dramatic fall in the overall building and construction cost index from its peak (19.4 per cent) in 1995 to attain a single digit (6.7 per cent) in 1996. "Other" construction cost index recorded the highest rise of 11.8 per cent compared to only 6.2 per cent and 4.5 per cent for non-residential and residential building cost indices, respectively. During the period under-review, material and labour cost indices declined to 2.9 per cent and 18.7 per cent, respectively. The prices of the key construction material inputs after rising sharply in 1995, recorded modest price increases in 1996. This down-turn in price changes was attributable to a stable exchange rate of the Kenya Shilling against all the major world trading currencies and importation of low priced materials. Frequent price changes were recorded in fuels used in construction sector attributable to fluctuations observed in the world oil prices during the year.

ANNUAL PERCENTAGE INCREASE IN BUILDING AND CONSTRUCTION COST INDICES' 1994 1996

Table 12.2

	MATERIALS			LABOUR			TOTAL COST		
	1994	1995	1996"	1994	1995	1996"	1994	1995	1996**
Residential Buildings	3.8	14.3	1.9	15.3	32.2	18.7	5.2	16.7	4.5
Non-Residential Buildings	3.9	6.4	3.1	15.3	32.2	18.7	5.6	10.8	6.2
All Buildings	3.9	10.4	2.2	15.3	32.2	18.7	5.5	13.8	5.1
"Other" Construction	2.0	31.4	6.9	15.3	32.2	18.7	5.6	31.7	11.8
TOTAL COST INDEX	3.4	15.8	2.9	2.9	32.2	18.7	5.8	19.4	6.7

* From December to December

* * Provisional

12.5. Index of labour costs in building and construction sector similarly recorded a dramatic fall to 18.7 per cent in 1996 from 32.2 per cent in the previous year. Skilled, semi-skilled and unskilled categories of workers recorded lower increases of only about 18.7 per cent as compared to increases in the previous year. The increases were attributable to wage adjustments through the Collective Bargaining Agreements between the Kenya Association of Buildings and Civil Engineering Contractors and the Kenya Building, Construction, Timber, Furniture and Allied Industries Employees Unions.

12.6. Table 12.3 presents a summary of value of approved building plans by Nairobi and other towns between 1992 and 1996. Total value of approved plans expanded dramatically over the past five years from K£ 267.2 million in 1992 to K£ 756.2 million in 1996, partly due to increase in demand for residential units, offices and other non-residential buildings. Nairobi, the leading industrial and commercial town in the country contributed over 80 per cent of the total value of the approved plans and consistently maintained an upward trend over the last five years. In 1996, Nairobi City Council (NCC) approved plans worth K£ 647.0 million compared to K£ 477.8 million approved during the previous year, a growth rate of 35.4 per cent. The council approved a total of 1,109 and 329 residential and non-residential units, respectively.

Other towns category including Mombasa, Kisumu, Nakuru, Eldoret and Malindi recorded mixed performance between 1992 and 1996. In 1996, the total value of approved plans by these towns recorded a drop from K£ 167.5 million in 1995 to K£ 109.3 million in 1996 representing decline of 34.7 per cent.

VALUE OF BUILDING PLANS APPROVED BY NAIROBI AND OTHER TOWNS, 1992 - 1996

Table 12.3 K£million

YEAR	NAIROBI	OTHER TOWNS	TOTAL
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
1996*	646.95	109.29	756.24

* Provisional

12.7. Comparison of value of private building plans and buildings completed in main urban areas is shown in Table 12.4. Between 1992 and 1996, the councils approved plans worth K£ 2,407.7 million of which only plans worth K£ 309.7 million were completed during the period. This represented only 12.9 per cent of the total value of the approved plans. The analysis showed that a sizeable proportion of the approved plans took longer time to be completed.

COMPARISON OF VALUE OF PRIVATE PLANS APPROVED AND BUILDINGS COMPLETED IN MAIN URBAN AREAS. 1992 - 1996

Table 12.4 K£million

YEAR	PLANS APPROVED	BUILDING WORK COMPLETED
1992	267.24	62.78
1993	333.10	50.50
1994	413.45	56.97
1995	637.75	66.21
1996*	756.24	73.27

* Provisional

12.8. Table 12.5 presents analysis of value of reported private building works completed in main towns. Total value maintained an upward trend from K£ 53.6 million in 1993 to K£ 68.9 million and K£ 75.5 million in 1995 and 1996, respectively. All the four main towns except Malindi recorded increases in the value of completed buildings in 1996. Both Nairobi and Mombasa towns registered slower

VALUE OF REPORTED PRIVATE BUILDING* WORKS COMPLETED IN MAIN TOWNS, 1992- 1996

Table 12.5 K£million

Year	Nairobi	Mombasa	Kisumu	Nakuru	Malindi	Total
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	68.92
1996**	42.87	21.96		6.56	4.11	75.50

* Including the value of extension

** Provisional

12.9. growths in 1996 as compared to the previous year. Malindi town registered a decline of 33.8 per cent from K£ 6.2 million in 1995 to K£ 4.1 million in 1996.

REPORTED COMPLETIONS OF NEW PRIVATE BUILDINGS' IN MAIN TOWNS. 1992 - 1996

Table 12.6

YEAR	NUMBER		ESTIMATED COST K£million		
	Residential	Non-Residential	Residential	Non-Residential	Total
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
1996*	1,434	58	51.64	21.63	73.27

* Excluding the value of extensions

** Provisional

12.9. Details of number of units and estimated cost of residential and non-residential units completed in main towns are shown in Table 12.6. The analysis shows that a total of 1,434 new residential private buildings were completed in 1996 at estimated cost of K£ 21.6 million. This represented an improvement over the total units completed the previous year. Residential units continued to form the bulk of the units completed by private developers. These were aimed at alleviating shortage of residential units in main towns. Total value of non-residential units improved marginally from K£20.2 million in 1995 to K£ 21.6 million in 1996.

12.10. Table 12.7 presents a summary of reported completions of new public buildings in main towns. The analysis indicates a fourth consecutive year of decline in both number and estimated cost of the public buildings completed. The consistent decline was attributed to reduced Government financial allocation for public buildings. This contributed to delays in completion of public building projects. The total value of reported completion of new buildings dropped from estimated K£ 3.0 million in 1995 to K£ 2.3 million in 1996. Similarly, the number of units completed dropped from 142 units to 109 units during the period under review. Residential units constituted the lion's share of total completed units.

REPORTED COMPLETIONS OF NEW PUBLIC BUILDINGS* IN MAIN TOWNS, 1992 - 1996

Table 12.7

YEAR	NUMBER		ESTIMATED COST K£million		
	Residential	Non-Residential	Residential	Non-Residential	Total*
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
1996**	99	10	1.68	0.61	2.29

* Including the value of extensions.

** Provisional

12.11. Housing is one of the basic needs for human survival. It also provides employment and investment opportunities to individuals and companies in the building sub-sector. Lack of better housing continued to be a major problem in the country's major urban towns due to rapid population growth coupled with increased rural-urban migration. This has led to mushrooming of sub-standard housing (slums) in some of the major towns. To alleviate this problem in major towns, the Government through Ministry of Public Works and Housing adopted several housing strategies and programmes aimed at improving the housing conditions of its people through provision of decent housing. Such housing programmes included: the Rural Housing Loans Scheme, Tenant Purchase and Mortgage Housing Scheme, all implemented by National Housing Corporation (NHC), District Pool housing and Urban Pool Housing Programmes. In the recent years, public provision of housing has been constrained by lack of adequate funds for housing programmes due to inadequate budgetary provision as shown by declining trends in housing development expenditures.

12.12. Analysis of Government's actual and approved expenditure on housing between 1992/93 and 1996/97 presented in Table 12.8 indicate that actual Government's expenditure on housing continued to show a decline partly explained by Government's financial austerity measures. There has been a steady decline in both actual and approved expenditures during the last three fiscal years. Approved expenditure as a percentage of the total development expenditure declined from its peak (2.2 per cent) in 1993/94 to only 0.3 per cent in 1996/97. Implementation of Government housing projects continued to be affected by lack of adequate funds, contributing to delays in either the completion of housing schemes already in progress or the start of the new housing schemes. Actual expenditure on housing dropped from K£ 8.2 million in 1994/95 fiscal year to K£ 6.1 million in 1995/96, due to decline in Urban and Districts pool housing expenditures recorded in 1995/96

APPROVED AND ACTUAL CENTRAL GOVERNMENT EXPENDITURE ON HOUSING, 1992/93 1996/97

Table 12.8

YEAR	K£ Million		Approved Expenditures as Percentage of Development Expenditure
	Approved	Actual	
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	6.05	0.48
1996/97*	6.88		0.32

* Provisional

12.13. Completion of Kapsabet, Kericho and Nairobi West Phase II housing schemes under the urban pool housing programme continued to remain behind schedule due to lack of adequate funds. This programme recorded a drop in expenditure from about K£ 2 million during 1994/95 to only K£ 50.0 thousand in 1995/96.

12.14. National Housing Corporation (NHC), the main Government's housing agency continued to give much emphasis to provision of better housing for low and medium

income earners through its rental, mortgage and Rural Housing Loans schemes. Over the last two years as shown in Table 12.9, the performance of the corporation deteriorated in terms of its housing output and implementation of planned housing schemes, due to lack of adequate funds. In 1996, the corporation completed only 27 housing units at a total cost of K£ 1.5 million, slightly above the 16 housing units at a cost of K£ 1.4 million completed in the previous year. During the year, only one scheme (Kiboko phase II) and a staff house were completed, while 44 tenant purchase and mortgage housing schemes comprising a total of 4,605 units were at various planning stages.

HOUSING UNITS COMPLETED BY THE NATIONAL HOUSING CORPORATION. 1992 - 1996

Table 12.9

	1992	1993	1994	1995	1996*
Units completed					
PROVINCE-					
Nairobi			952	16	1
Coast		23	66		
North-Eastern					
Eastern					
Central	40				26
Rift valley	40				
Nyanza					
Western	102		60		
TOTAL NUMBER	182	23	1,078	16	27
Value of units completed K£'000					
Nairobi			17,478	1,363	625
Coast		487	768		
North-Eastern					
Eastern					
Central	154				812
Rift valley	639				
Nyanza					
Western	307		258		
TOTAL VALUE	1,100	487	18,504	1,363	1,437

* Provisional

12.15. The "Rural Housing Loans Programme", which the corporation operates with an aim of assisting rural people construct better residential houses benefited only 33 people with amount advanced to them totalling K£174.0 thousand in 1995/96. This represented an improvement in both the number of beneficiaries and amount advanced compared to the previous year when only K£33.0 thousand was advanced to the beneficiaries. Despite the improvement, lack of adequate funds continued to affect the programme's loan disbursement to the increasing number of applicants.

Roads

12.16. An efficient road transport mode is necessary for the attainment of the country's economic "take of and industrialisation. This mode of transport requires good and well maintained road network to provide the efficiency required in mobility and transportation of goods. The road construction sub-sector over the last four fiscal years recorded a rise in Government expenditure for both development, and recurrent

(maintenance and repair) in an effort to improve the condition of the country's road network. During the period under review, the expenditure on roads more than tripled with both development and recurrent (maintenance and repair) showing a similar upward trend. Road Maintenance Levy Fund (RMLF) introduced in the recent past to provide financial resources for road maintenance, continued to benefit the road construction sub-sector.

12.17. The "classified" road network, which is under the Ministry of Public Works and Housing (MPWH) covered a total of 63,200 kilometres as at July, 1996 as shown in Table 12.10. This represented a minimal rise as compared to total length in 1992. Length of Earth/Gravel roads which constitutes over 80 per cent of the total road length declined during the period due to upgrading of some of the roads to bitumen standard. Bitumen roads, however, recorded a rise of only 2.3 per cent. The share of length of bitumen road remained at 14.3 per cent of the total classified road network. The slower growth recorded in the development of new roads was partly attributable to top priority given towards road maintenance and rehabilitation aimed at improving the conditions of the existing ones.

KILOMETRES OF ROAD AS AT 1st JULY, 1992 AND 1st JULY, 1996 BY TYPE AND CLASSIFICATION

Table 12.10 '000Km

Type of Road	1992		1996	
	Bitumen	Earth/ Gravel	Bitumen	Earth/ Gravel
A- International Trunk	2.7	1.0	2.9	0.9
B- National Trunk	1.4	1.3	1.4	1.4
C- Primary	2.5	5.5	2.5	5.1
D- Secondary	1.2	10.0	1.1	10.0
E- Minor	0.7	25.8	0.8	25.8
F- Special Purpose*	0.2	10.8	0.2	11.1
TOTAL	8.7	54.4	8.9	54.3

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

12.18. Analysis of Government expenditure on road development maintenance and repair shown in Table 12.11 indicate that the Government continued to allocate more funds for road development and maintenance. This is aimed at improving the condition of the

TOTAL EXPENDITURE ON ROADS, 1994/95 - 1996/97

Table 12.11 K£million

	1994/95	1995/96	1996/97*
DEVELOPMENT:			
Trunk Roads	46.6	90.9	137.6
Primary Roads	37.2	51.7	67.0
Secondary Roads	18.3	28.8	37.5
Unclassified Roads			
Miscellaneous Roads	17.6	28.1	71.5
.TOTAL	121.7	199.5	313.6
RECURRENT (maintenance and repair)	128.8	177.8	216.1
TOTAL	250.5	377.3	529.7

*Provisional

country's road network, rendering them capable of accelerating economic growth in all the sectors. Total Government expenditure on roads rose significantly by 50.6 per cent between 1994/95 and 1995/96 fiscal years and is expected to rise to K£ 529.7 million during 1996/97 fiscal year. Both development and recurrent (maintenance and repair) continued to show a similar upward trend. The share of road maintenance expenditure to total road expenditure, which was only 19 per cent in 1987/88 rose significantly to 47 per cent in 1995/96. This confirms the top priority the Government is according maintenance and rehabilitation of the existing roads, through increased allocation of funds from Road Maintenance Levy Fund (RMLF) and budget allocation. This is essential as lack of adequate funds for maintenance leads to deterioration of roads to such an extent as to require capital development expenditure in reconstruction and rehabilitation. Expenditure on recurrent (maintenance and repair) rose significantly from only K£ 28.0 million in 1991/92 to K£ 177.8 million in 1995/96, similarly, development expenditure rose from K£83.0 million to K£313.6 million during the same period.

12.19. Minor and special purpose roads play a crucial role in supporting various rural development activities including rural trade, health programmes, agriculture, education and other social activities. These roads similarly provide employment opportunities to the rural population hence contributing to the improvement of human welfare and reduction of rural poverty. Both Minor and Special purpose roads covered a total of 37,853 kilometres as at July 1996, with over 90 per cent under gravel/earth surface. Minor Road Programme (MRP) activities in 1995/96 included the improvement works, periodic maintenance and routine maintenance. Its activities were spread in 34 districts in various parts of the country. During the 1995/96 fiscal year the amount allocated for this programme was about K£23 million.

12.20. Major roads completed during 1995/96 included; the reseating of Nakuru - Nyahururu/Nyahururu-Ndundika-Rumuruti, Kiminini - Kapenguria/Kakuma Lokichogio, Lower Kabete/Ngecha, Peponi and Red Hill road) and Recarpeting of Rironi-Maai Mahiu roads - all at a total cost of about K£38.0 million. During 1995/96 fiscal year, 25 roads were at various stages of development these included: upgrading to bitumen standard of Saos-Tenges-Emining and Kabartonjo-Kolbramon roads;

resealing of Athi River - Namanga and Kombari -Perani roads and reconstruction of Malindi - Garsen - Hola and Narok - Mau Narok roads.

CHAPTER 13 - TOURISM

Overview

The downward trend exhibited by the two most important indicators of tourism activity in 1995 was reversed in 1996. Total visitor arrivals as well as departures increased by 3.9 per cent and 9.8 per cent respectively in 1996 when compared to 1995, while earnings from tourism went up by 2.4 per cent during the same period. There was also an increase of 2.1 per cent in hotel occupancy. The improved performance may be attributed to increased consumer confidence due to lower rates of inflation that prevailed in the major tourist generating countries, the slow down in the number of tourist arrivals in South Africa and the stable Kenya shilling.

13.2. Tourism continued to maintain its position as the second highest foreign exchange earner after agriculture. Receipts from tourism rose from K£ 1,250 million in 1995 to K£ 1,280 million during the period under review. The number of visitors to national parks and game reserves fell marginally by less than 0.2 per cent from 1,384 thousand recorded in 1995 to 1,382 thousand in 1996. Visitors to museums. Snake Park and other historical sites declined significantly by 9.9 per cent over the same period. The average length of stay in days improved by 2.3 per cent.

Arrivals and Departures

13.3. Lower rates of inflation with the resultant consumer confidence in the major tourist generating countries, the slowdown in the number of tourist arrivals in South Africa

QUARTERLY VISITOR ARRIVALS BY PURPOSE OF VISIT, 1992 - 1996

Table 13.1 '000

Quarter/	Purpose	1992	1993	1994	1995	1996*
1 st Qr.	Holiday	155.4	69.3	145.4	109.6	110.3
	Business	39.1	26.2	60.8	45.9	46.2
	Transit	19.2	12.0	27.8	13.4	12.6
	Other	5.5	1.1	2.6	1.9	1.9
	TOTAL	513.5	108.6	236.6	170.8	171.0
2ndQr.	Holiday	136.2	211.8	192.4	138.3	145.7
	Business	27.3	23.7	21.5	15.4	16.2
	Transit	14.7	9.6	8.7	13.5	13.6
	Other	6.0	0.3	0.3	0.2	0.2
	TOTAL	184.2	245.4	222.9	167.4	175.7
3rdQr.	Holiday	211.1	208.7	189.8	150.8	155.2
	Business	19.3	20.0	18.2	14.5	14.9
	Transit	8.6	12.7	11.6	13.5	16.0
	Other	1.5	0.4	0.4	0.3	0.3
	TOTAL	240.5	241.8	220.0	179.1	186.4
4th Qr.	Holiday	104.0	190.6	151.6	139.2	147.0
	Business	23 .6	27.7	22.1	20.3	21.4
	Transit	8.3	12.5	10.0	13.5	15.7
	Other	1.7	0.2	0.2	0.2	0.2
	TOTAL	137.6	230.4	183.9	173.2	184.3
Year	Holiday	606.7	679.8	679.2	537.9	558.2
	Business	109.3	97.6	122.6	96.1	98.7
	Transit	50.8	46.8	58.1	53.9	57.9
	Other	14.7	2.0	3.5	2.6	2.6
	TOTAL	741.5	826.5	863.4	690.5	717.4

* Provisional

coupled with the stable Kenya shilling augured well f0r Kenya's tourism industry. The dismal performance recorded in the number of arriving and departing visitors in 1995 was reversed in 1996. Total visitor arrivals as well as departures increased by 3.9 per cent and 9.8 per cent from 690.5 thousand and 656.0 thousand in 1995 to 717.4 thousand and 720.4 thousand respectively during the period under review. All categories of arriving visitors except "other" visitors registered increases. The highest number of arriving visitors was recorded in the third quarter as depicted in table 13.1.

13.4. The traditional pattern of arriving visitors by purpose of visit did not change significantly during 19%. Visitors who came on holiday accounted for 77.8 per cent; those on business accounted for 13.8 per cent; while the rest were visitors on transit and other purposes. The number of visitors who came on holiday went up by 3.8 per cent from 537.9 thousand in 1995 to 558.2 thousand in 19%, while those on business increased by 2.7 per cent from %. 1 thousand to 98.7 thousand during the same period. The highest increase of 7.1 per cent was recorded for visitors on transit and other purposes from 56.5 thousand in 1995 to 60.5 thousand in 1996.

13.5. The scenario that emerged in 1994, where the total number of departing visitors surpassed the number of arriving visitors, was repeated in 1996. This was precipitated by the relatively high increases in the number of arriving visitors on transit during the two periods. Visitor departures increased by 9.7 per cent from 656.0 thousand in 1995 to 720.4 thousand in 1996. Analysis of departing visitors by purpose reveals a similar pattern as the number of arriving visitors with 77.0 per cent being on holiday, 13.7 per cent on business, 8.1 per cent on transit and 1.2 per cent on other purposes as can be seen in Table 3.2.

QUARTERLY VISITOR DEPARTURES BY PURPOSE OF VISIT. 1992- 1996

Table 13.2 '000

Quarter/	Purpose	1992	1993	1994	1995	1996*
1st Qr.	Holiday	186.0	163.4	205.9	130.0	146.6
	Business	20.7	18.2	22.9	14.5	15.7
	Transit	13.5	11.9	15.0	13.9	14.8
	Other	1.9	1.6	2.0	1.3	1.4
	TOTAL	523.1	195.1	245.8	159.7	172.7
2nd Qr.	Holiday	114.6	118.7	173.5		137.5
	Business	21.9	22.7	33.2	23.5	26.4
	Transit	10.9	11.3	16.5	13.9	13.7
	Other	1.5	1.5	2.2	1.8	2.0
	TOTAL	146.3	154.2	225.4	161.8	186.6
3rd Qr.	Holiday	152.4	140.1	171.3	136.9	143.9
	Business	22.8	21.0	26.0	20.5	21.6
	Transit	13.0	11.9	14.7	15.0	15.2
	Other	2.4	2.2	2.7	2.2	2.3
	TOTAL	190.6	175.2	216.7	174.6	183.0
4th Qr.	Holiday	81.8	113.6	123.4	113.6	132.3
	Business	16.3	30.0	32.6	29.9	35.0
	Transit	9.4	17.3	18.8	14.7	14.7
	Other	1.3	2.4	2.6	2.3	2.7
	TOTAL	88.8	163.3	177.4	156.9	184.7
Year	Holiday	514.8	535.8	676.1	562.5	554.9
	Business	81.7	91.9	114.7	88.4	98.7
	Transit	46.8	52.4	65.0	57.5	58.4
	Other	7.1	7.7	9.5	7.6	8.4
	TOTAL	650.4	687.8	885.3	656.6	720.4

* Provisional

13.6. In 1996, Europe continued to dominate as the major destination of departing visitors from Kenya, accounting for 54.6 per cent of all departing visitors as indicated in Table 13.3. This, coupled with the fact that 93.4 per cent of all departing visitors destined for Europe had come on holiday reiterates the importance of the region as the most important tourist generating market for Kenya. Analysis by country shows that Germany and the United Kingdom were the main destinations accounting for 15.2 per cent and 14.9 per cent of all departing visitors respectively. Africa was the second main destination accounting for 29.1 per cent of all visitor departures though over 50 per cent were visitors who were either on business or on transit. Departing visitors to both Tanzania and Uganda accounted for 68.3 per cent of all departing visitors to Africa. However, most departing visitors to Tanzania had come on holiday while most departing visitors to Uganda had come on business as shown in Table 13.3.

DEPARTING VISITORS BY COUNTRY OF RESIDENCE AND PURPOSE OF VISIT, 1995 - 1996

Table 13.3 '000

Country of Residence	Holiday		Business		Transit		Total**	
	1995	1996*	1995	1996*	1995	1996*	1995	1996*
Germany	94.9	104.8	0.9	1.1	2.0	2.0	97.8	107.9
United Kingdom	88.4	97.6	3.9	4.3	4.0	4.1	96.3	106.0
Switzerland	21.3	23.5	0.5	0.5	0.5	0.6	22.3	24.6
Italy	38.2	42.2	0.7	0.8	1.9	1.9	40.8	44.9
France	34.2	37.8	0.8	0.9	1.7	1.7	36.7	40.4
Scandinavia	16.4	18.1	0.9	1.0	2.0	2.0	19.3	21.1
Other Europe	35.3	39.0	1.7	1.9	2.7	2.7	39.7	43.6
TOTAL EUROPE	328.7	363.0	9.4	10.5	14.8	15.0	352.9	388.5
U.S.A.	38.6	42.6	2.5	2.7	3.6	3.6	44.7	48.9
Canada	7.6	8.4	0.6	0.7	1.2	1.2	9.4	10.3
TOTAL NORTH AMERICA	46.2	51.0	3.1	3.4	4.8	4.8	54.1	59.2
Uganda	3.9	4.3	43.6	48.6	4.2	4.3	51.7	57.2
Tanzania	57.5	63.5	11.9	13.3	7.4	7.4	76.8	84.2
Other Africa	26.5	29.2	15.8	17.6	18.2	18.9	60.5	65.7
TOTAL AFRICA	87.9	97.0	71.3	79.5	29.8	30.6	189.0	207.1
India	7.5	8.3	1.2	1.3	2.5	2.5	11.2	12.1
Japan	9.1	10.1	0.8	0.9	0.7	0.7	10.6	11.7
Israel	3.9	4.3	0.2	0.2	0.4	0.4	4.5	4.9
Other Asia	9.6	10.5	1.8	2.1	3.1	3.1	14.5	15.7
TOTAL ASIA	30.1	33.2	4.0	4.5	6.7	6.7	40.8	44.4
Australia and New Zealand	7.5	8.3		0.5	0.9	0.9	8.8	9.7
All Other Countries	2.2	2.4	0.3	0.3	0.4	0.4	2.9	3.1
TOTAL	502.6	554.9	88.5	98.7	57.4	58.4	648.5	712.0

* Provisional

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

13.7. Table 13.4 details the number of days stayed by purpose of visit. The total number of days stayed by visitors with the exception of "other" visitors went up by 12.4 per cent from 8,458.1 thousand in 1995 to 9,504.6 thousand in 1996. The number of days stayed by visitors on holiday and business went up by 14.2 per cent and 3.4 per cent respectively in 1996 compared to 1995. However, the number of days stayed by visitors on transit

dropped by 8.8 per cent. On average visitor on holiday stayed for slightly more days thar visitors on business and on transit. The average length of stay for all visitors went up by 2.3 per cent from 13.0 days in 1995 to 13.3 days in 1996.

NUMBER OF DAYS STAYED* BY PURPOSE OF VISIT, 1992-1996

Table 13.4 '000

Purpose	1992	1993	1994	1995	1996**
Holiday	8,004.8	8,299.8	10,473.1	7,336.5	8,379.0
Business	711.3	737.5	920.5	839.8	868.6
Transit	195.4	202.6	251.3	281.8	257.0
TOTAL	8,911.5	9,239.9	11,644.9	8,458.1	9,504.6
Average length of stay in days	13.4	13.9	13.6	13.0	13.3

* Excludes days stayed by "Other Visitors" Category

** Provisional

Hotel Occupancy

13.8. The decline in hotel capacity observed in 1995 continued through 1996 but at a slower rate, though bed occupancy registered a slight improvement as depicted in Tables 13.5 and 13.6. Hotel capacity dropped by 1.8 per cent from 11,562.2 thousand bed-nights

HOTEL BED-NIGHTS OCCUPIED BY COUNTRY OF RESIDENCE, 1992-1996

Table 13.5 '000

	1992	1993	1994	1995	1996*
Permanent6ccupants**	123.5	82.1	108.5	99.2	41.8
Germany	1,488 5	1,430.1	1,334.3	1,201.4	1,275.6
Switzerland	324.5	363 .1	339.9	312.0	301.9
United Kingdom	1,073.7	813.8	909.2	984.6	934.1
Italy	366.2	468.2	296.2	305.7	174.6
France	339.2	517.4	324.4	310.1	278.0
Scandinavia	91.4	121.4	90.2	86.3	135.4
Other Europe	301.5	388.7	289.0	289.0	360.9
EUROPE	3,685.6	4,102.7	3,563.2	3,489.1	3,460.5
Kenya Residents	655.8	895.0	669.6	689.3	782.6
Uganda	33.0	47.5	31.8	30.8	32.8
Tanzania	35.9	52.2	37.7	40.6	40.3
East and Central Africa	36.9	74.8	46.7	41.9	46.5
West Africa	30.1	29.1	28.8	28.2	18.3
North Africa	12.4	17.1	12.0	120	15.7
South Africa				23.1	32.3
Other Africa	90.9	135.3	89.9	89.9	69.5
AFRICA	695.6	1,251.0	936.5	655.8	1,038.0
U.S.A	276.4	386.0	243.4	265.6	232.7
Canada	47.0	81.0	45.9	51.6	28.3
Other America	14.0	27.7	15.0	15.0	14.8
AMERICA	337.4	494.7	304.3	332.5	275.6
Japan	34.9	52.0	32.6	33.4	42.4
India	28.0	42.8	27.1	27.8	54.2
Middle East	32.0	40.0	27.0	29.6	45.3
Other Asia	23.8	45.1	25.5	25.5	37.7
ASIA	116.7	179.9	112.2	116.3	179.6
Australia and New Zealand	29.6	46.2	28 .2	25.1	
All Other Countries	37.5	32.2	36.8	36.8	31.6
TOTAL- OCCUPIED	5,525.6	6,1888	5,164.7	5,054.6	5,661.2
TOTAL -AVAILABLE	11,464.5	11,908.9	11,908.9	11,562.2	11,354.5
Occupancy rate %	48.2	52.0	43.1	43.7	44.6

* Provisional

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

in 1995 to 11,354.5 thousand in 1996. This was due to the closure of a number of hotels during the low season. Hotel bed-nights occupied rose marginally from 5,054.8 thousand bed-nights to 5,061.2 thousand during the same period. The above scenario resulted into a rise of 0.9 percentage points in bed occupancy from 43.7 per cent in 1995 to stand at 44.6 per cent. With the exception of hotel occupancy by residents of Germany. Scandinavia and "other Europe" which registered substantial increases, hotel occupancy by residents of all the other European countries declined. Kenya residents spent 13.5 per cent mure bed-nights in 1996 compared to 1995.

HOTEL BED-NIGHTS OCCUPIED BY ZONE, 1992- 1996

Table 13.6 000

Zone	1992	1993	1994	1995	1996*
Coastal-Beach	3,482.5	3,762.0	3,071.5	3,059.6	3 144.9
Nairobi-High Class	569.1	649.9	550.7	613.7	774.1
-Other	385.6	499.0	454.7	413.8	313.0
Central	307.7	369.0	299.0	275.4	253.4
Masailand	272.4	372.7	247.8	245.3	237.1
Nyanza Basin	91.6	105.6	82.8	78.6	114.3
Western	85.0	79.9	69.9	65.5	33.0
Northern	7.4	8.3	15.2	15.9	6.3
TOTAL-OCCUPIED	5,525.8	6 188.8	5 110.0	5 054.8	5 061.2
TOTAL-AVAILABLE	11,464.5	11,908.9	11,908.9	11,562.2	11,354.5
* Provisional					

13.9. The traditional markets of Europe continued to be Kenya's main source of tourists in 1996. However, the number of bed-nights occupied by clients from Europe dropped slightly in absolute terms from 3,489.1 thousand to 3,460.5 thousand during the- period under review. Germany and the UK continued to dominate as the most important source of tourists to Kenya accounting for 25.2 per cent and 18.5 per cent of the total bed-nights occupied with 1,275.6 thousand and 934.1 thousand respectively in 1996. These were followed by United States of America (USA) despite, a 12.5 per cent fall in bed-nights occupied. There was an improvement in the number of tourists from Asia and Australia.

13.10. The Kenyan coast with its warm beaches and proximity to national parks continued to attract the majority of tourists as shown in Table 13.6. Hotel bed-nights occupied by tourists staying in coast beach hotels went up by 2.8 per cent from 3,059.6 thousand in 1995 to 3,144.9 thousand in 1996. This accounted for over 60.0 per cent of all hotels bed-nights occupied in the country. Other hotels in coast and coast hinterland registered substantial decline, while high class hotels in Nairobi recorded a 26.1 per cent increase in hotel occupancy over the same period. Hotel occupancy in the northern zone dropped by more than a half to stand at 6.3 thousand bed-nights the lowest figure recorded since 1992.

13.11. Table 13.7 shows hotel bed-nights occupied by country of residence. Residents from Europe spent 2,740.1 thousand hotel bed-nights in hotels in the coast.

HOTEL BED-NIGHTS OCCUPIED BY COUNTRY OF RESIDENCE- 1996*

Table 13.7 '000

Country of Residence	Nairobi	Coast	Lodges	Others	Total
Permanent Occupants**	16.7	18.3	1.0	3.8	41.8
Germany	94.1	1,105.7	69.0	6.8	1,275.6
Switzerland	12.9	273.6	13.9	1.5	301.9
United Kingdom	102.3	714.0	106.0	11.8	934.1
Italy	19.1	139.3	14.8	1.4	174.6
France	39.1	190.8	45.9	2.2	278.0
Scandinavia	28.2	85.6	18.2	3.4	135.4
Other Europe	80.2	231.1	42.0	7.6	360.9
Kenya	245 .4	305.7	34.1	197.4	782.6
Uganda	24.6	5.2	0.6	2.4	32.8
Tanzania	27.6	7.8	1.3	3.6	40.3
East and Central Africa	36.5	7.8	0.5	1.7	46.5
West Africa	15.9	1.6	0.4	0.4	18.3
North Africa	12.0	0.9	1.6	1.2	15.7
South Africa	22.5	7.5	1.7	0.6	32.3
Other Africa	45.1	18.5	3.8	2.1	69.5
U S A	105.4	35.3	84.6	7.4	232.7
Canada	14.8	7.6	4.9	1.0	28.3
Other America	6.4	4.6	3.1	0.7	14.8
Japan	24.0	4.6	12.6	1.2	42.4
India	35.7	10.4	6.4	1.7	54.2
Middle East	24 .6	7.4	11.1	2.2	45.3
Other Asia	25.6	6.1	4.4	1.6	37.7
Australia and New Zealand	18.2	4.8	9.7	1.2	33.9
All Other Countries	8.3	21.6	1.6	0.1	31.6
TOTAL	1,087.2	3,215.8	493.2	265.0	5,661.5

* Provisional

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

This represented more than three-quarters of hotel bed-nights occupied by European tourists in the country. Despite the lower off season rates offered by tourist hotels, Kenyan residents spent 8.1 per cent less bed-nights in coast hotels from 332.8 thousand in 1995 to 305.7 thousand in 1996, representing close to 40 per cent of all bed-nights spent by Kenyan residents in the country. Asia, Australia and New Zealand spent more of their bed-nights in Nairobi hotels due to the business nature of their visits. Most hotel bed-nights occupied in game lodges were by residents of Europe with 309.8 thousand bed-nights during the review period.

13.12. The number of bed-nights occupied by foreign residents in national parks and game reserves went up by 16.9 per cent from 391.1 thousand in 1995 to 457.2 thousand in 1996 as shown in table 13.8. The increase is probably attributed to the relatively longer stay rather than an increase in numbers. However, the number of bed-nights occupied by East African residents dropped marginally from 36.1 thousand to 36.0 thousand during the same period. Most clients to game lodges opted for full catering.

GAME LODGES* OCCUPANCY, 1994 -1996

Table 13.8 '000

Lodge locality/Type	BEDNIGHTS OCCUPIED					
	Foreign Residents			E.A. Residents		
	1994	1995	1996*	1994	1995	1996*
Game Reserves	181.6	218.6	255.5	17.8	21.0	20.9
National Parks	136.7	172.5	201.7	14.5	15.1	15.1
TOTAL	318.3	391 1	457.2	32.3	36.1	36.0
Of which full catering -	285.9	341.2	398.9	24.7	28.3	28.2
Self Service	32.4	49.9	58.3	7.7	7.8	7.8

* Provisional

** Lodges in National Parks and Game Reserves only

Other Tourist Attractions

13.13. The number of visitors to national parks and game reserves continued to contract during 1996. In absolute terms, the number of visitors decreased from 1,383.9 thousand in 1995 to 1,381.7 thousand in 1996. There was mixed activity in the 8 major national parks. The number of visitors to Nairobi, Tsavo West and Hell's Gate went up by 39.5 per cent, 0.5 per cent and 4.0 per cent to record 158.3, 93.6 and 52.1 thousand respectively in 1996. However, there was a reduction in the number of visitors to the rest with Tsavo East recording a drop of 40 per cent over the same period. Poor roads have discouraged tourists from these parks. There was an upsurge in the number of visitors to the Impala sanctuary from 3.5 thousand in 1995 to 65.6 thousand in 1996. The three marine parks of Mombasa, Malindi and Watamu recorded a combined increase of 3.0 per cent from 78.8 thousand in 1995 to 81.2 thousand in 1996. These details are presented in Table 13.9.

NUMBER OF VISITORS TO NATIONAL PARKS AND GAME RESERVES, 1992 - 1996

Table 13.9 '000

	1992	1993	1994	1995	1996*
Nairobi	156.4	1646	163.2	113.5	158.3
Animal Orphanage	173.2	155 3	182.0	212.1	210.6
Amboseli	168.3	121.1	159.5	114.8	109.1
Tsavo (West)	103.1	102.9	105 4	93.1	93.6
Tsavo (East)	125.5	135.8	132.4	228.8	137.5
Aberdare	63.6	60.8	60.2	70.1	60.2
Buffalo Springs					
Lake Nakuru	139.8	178 6	1643	166.8	156.9
Masai Mara	138.1	133.1	1382	133.2	130.3
Malindi Marine	44.2	41.1	394	38.8	39.3
Lake Bogoria	39.4	37.2	43.2	14.2	14.2
Meru	7.1	7.4	7.9	7.3	7.8
Shimba Hills	31.9	24.8	31.6	20.0	23.4
Mount Kenya	15.5	18.0	17.2	17.2	17.1
Samburu		21.5	9.2	9.1	9 .1
Kislte/Mpunguti	28.0	27.5	34.8	32.4	39.9
Mombasa Marine	57.8	43.3	48.0	23.9	21.7
Watamu Marine	27.0	31.7	32.1	16.1	20.2
Heirs Gate	34.2	47.4	44.9	50.1	52.1
Impala Sanctuary (Kisumu)		59.1	5.5	3.5	65.6
Other*	14.0	16.6	9.6	18.9	14.8
TOTAL	1,367.1	1,427.6	1,428 6	1,383.9	1,381.7

* 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

13.14. Details on the number of visitors to museums, snake park and other historical sites are presented in Table 13.10. The total number of visitors to these facilities dropped by 9.9 per cent from 842.5 thousand recorded in 1995 to 758.8 thousand in 1996. Visitors to the

VISITORS TO MUSEUMS. SNAKE PARK AND SITES, 1992- 1996

Table 13.10 '000

	1992	1993	1994	1995	1996*
National Museum (Main Gate)	237.6	202.7	271.9	215.4	218.0
National Museum: (Snake Park)	209.6	175.2	187.0	181.6	170.6
Fort Jesus	187.4	289.9	221.4	245.3	180.2
Kisumu Museum	29.5	35.0	33.2	36.1	49.5
Kitale Museum	15.2	26.3	23.9	27.5	29.0
Gedi	58.5	37.2	45.7	43.7	29.6
Meru Museum	19.6	18 .6	22.6	21.0	12.4
Lamu	10.3	7.7	10.4	10.7	12.2
Jumba la Mtwala	7.8	6.9	9.6	11.3	8.5
Olorgessaile					
Kariandusi	1.2	2.0	2.1	3.0	2.3
Hyrax Hills					1.9
Karen Blixen	35.2	47.5	43.8	46.1	43.7
Kilifi Mwarani	1.1	0.9	0.7	0.8	0.9
TOTAL	813.0	849.9	818.3	842.5	758.8

* Provisional

national museum went up by 1.2 per cent from 215.4 thousand in 1995 to 218.0 thousand in 1996, while visitors to the adjacent Snake Park dropped by 6.1 per cent from 181.6 thousand to 170.6 thousand over the same period. There was a drastic reduction in the number of visitors to both Fort Jesus and Gedi museums from 245.3 thousand and 43.7 thousand in 1995 to 180.2 thousand and 29.6 thousand, respectively in 1996.

Conference Tourism

13.15. Kenya hosts major regional and International Organisations including United Nations Environment Programme (UNEP) and the United Nations Centre for Human Settlements (HABITAT). This fact coupled with the country's relatively well developed infrastructure makes it ideal for Regional and International Conferences. However, the number of International conferences held at Kenyatta International Conference Centre dropped from 18 in 1995 to 8 in 1996. Similarly the number of conference days dropped from 126 in 1995 to 24 while the number of delegates fell from 12,720 to 5,660 over the same period. This decreased activity was due to a shift by conference organisers from the Kenyatta International Conference Centre to the major hotels.

CONFERENCES HELD AT KENYATTA INTERNATIONAL CONFERENCE CENTRE. 1992 - 1996*

Table 13.11

	1992	1993	1994	1995	1996*
Number of conferences	8	13	16	18	8
Number of conferences days	23	18	119	126	24
Attendance (Number of Delegates)	11,250	8,070	11,560	12,720	5,660
Percentage of occupancy	6.3	4.9	32 6	34 4	6 6

* Provisional

** International conferences/delegates only.

Tourism Promotion

13.16. Kenya tourism continued being promoted through tourist offices located in the major tourist generating countries. Through these offices, the country participates in tourism related international trade fairs. The Export Promotion Council (EPC) plays an important role in tourism promotion through its tourism sectoral panel. The Kenya Tourism Board is expected to play a major role in the co-ordination of tourism promotion when it becomes completely operational. In this regard, the country held the Kenya International Tourist Exhibition dubbed KITE'97 in April this year.

13.17. There are two public institutions charged with the responsibility of tourism development in the country. These are the Kenya Tourist Development Corporation (KTDC) and the Kenya Utalii College. The role of the former in financing tourist related enterprises, continues to diminish with the continuing privatisation as part of the Structural Adjustment Programmes (SAPs). It is expected that this institution will be transformed into a Tourism Development Bank in the near future. The Kenya Utalii College has the responsibility of training high and middle level manpower for the tourism industry. By the end of 1996, the college had trained 17,907 candidates at ordinary, advanced and in-service levels with 1,547 of them trained in 1996. In-service candidates numbered 1.104 white the rest took professional courses.

CHAPTER 14 - TRANSPORT, STORAGE AND COMMUNICATIONS

Overview

Key pointers of the economic performance of Transport and Communications sector portray a slow down in the overall growth of the sector during 1996. While some sub-sectors recorded improved business performance on account of wider market coverage, others were depressed as a consequence of the liberalised market. The sector's overall value of output at market prices decelerated from the recorded 18.9 per cent in 1995 to 12.8 per cent in 1996. The public sector contributed 66.2 per cent of the total output value realised from the sector, while the private sector provided the remaining balance of 33.8 per cent.

14.2. The road transport industry, which is crucial in stimulating and sustaining economic activities in all sectors of the economy, recorded an output growth of 20.6 per cent during the period under review. Perennial dominance of the industry over other modes of transport is associated with the existing road network in the country. The current penetration level of road transport network is more comprehensive in comparison to other transport network modes. The industry has in the recent past experienced a growing demand for passenger and freight transport services, resulting in steady rises in registration of new road vehicles. The vehicle registration exercise recorded a significant growth of 29.0 per cent in 1996 compared to 24.0 per cent in 1995. Air traffic activity at major airports declined significantly after cessation of international flights for peace keeping missions and relief food delivery. Despite this, output accumulating from the air transport sub-sector grew considerably by 15.6 per cent.

14.3. The communications sector recorded a 14.5 per cent output growth following substantial structural business reforms initiated in the Postal and Telecommunication sub-sector coupled with improved collection of radio and TV licence fees. Water transport recorded a 9.0 per cent growth in the volume of freight handled at Mombasa harbour following increased port security, which had hitherto undermined customer confidence. Railway transport, albeit an economical means of transporting bulky goods registered a negative output growth of 13.3 per cent. Delivery of white petroleum products by the Pipeline Company maintained a steady upward trend; a 6.1 per cent growth in petroleum products throughput was recorded during the period under review.

Overall Results

14.4. Table 14.1 presents data of the sector's overall performance in terms of the value of output at market prices for the period 1992 to 1996. Sub-sectoral output growths varied considerably during 1996 owing to the competitive structures within and between the sub-sectors in the current liberalised market. Output value of road transport grew by 20.6 per cent in 1996 compared to 6.4 per cent recorded in 1995. Railway transport value of output declined by 13.3 per cent while that of water transport grew marginally by 1.2 per cent. The revitalised tourism industry coupled with the stable Kenya shilling against major hard currencies during 1996, led to a notable 15.6 per cent output growth in air transport sub-sector. Services incidental to land transport, pipeline transport and

communications sub-sectors recorded respective output growths of 19.6 per cent, 14.1 per cent and 14.5 per cent in 1996.

TRANSPORT AND COMMUNICATIONS - VALUE OF OUTPUT. 1992- 1996

Table 14.1 K£million

	1992	1993	1994	1995	1996*
Road Transport	686.7	719.3	762.2	810.7	977.7
Railway Transport**	116.7	153.2	185.5	225.0	195.0
Water Transport	175.0	182.7	250.7	372.3	376.8
Air Transport	365.6	388.6	408.8	471.1	544.7
Services Incidental to Transport	82.4	94.3	118.4	153.8	183.9
Pipeline Transport	35.5	78.6	143.6	197.8	225.6
Communications	463.9	547.9	683.8	805.1	921.7
TOTAL	1,925.8	2,1646	2,5530	3,0358	3,425.4

* Provisional

** Includes other revenue

14.5. Table 14.2 summarises details of earnings from road and rail traffic from 1992 to 1996. Total earnings from road traffic increased from K£ 810.7 million in 1995 to K£ 977.8 million in 1996, while rail earnings fell to K£ 159.5 million from K£ 185.8 million per cent from K£ 996.5 million in 1995 to K£ 1,137.2 million in 1996 over the same period. Overall earnings generated from road and rail traffic grew by 14.1 per cent from K£ 996.5 million in 1995 to K£ 1,137.3 million in 1996.

EARNINGS FROM ROAD AND RAIL TRAFFIC, 1992 - 1996

Table 14.2 K£million

	1992	1993	1994	1995	1996*
Passenger Traffic					
Road	424.2	438.5	451.3	466.0	564.1
Rail	12.5	14.4	13.0	14.5	15.8
Total	436.7	452.9	464.3	480.5	579.9
Freight Traffic					
Road	262.5	280.8	310.9	344 7	413.7
Rail	102.5	146.1	152.0	171.3	143.7
Total	365.0	426.9	462.9	516.0	557.4
Total Road Traffic	686.7	719.3	762.2	810.7	977.8
Total Rail Traffic	115.0	160.5	165.0	185.8	159.5
Total	801.7	879.8	927.2	996.5	1,137.3

*Provisional

Road Transport

14.6. Details of registration of motor vehicles are presented in Table 14.3. The upward trend in the number of newly registered vehicles since 1994, continued through 1996 when 28,664 vehicles were registered compared to 22,224 in 1995. Saloon cars recorded a growth of 32.3 per cent while panel vans/pickups grew by 33.5 per cent. Lorries/trucks and Buses/coaches recorded growths of 25.0 per cent and 19.5 per cent respectively over the same period. The steady growth in the registration of road vehicles clearly shows the impact of trade liberalisation on the local motor industry. The industry was hard hit by influx of imported new and reconditioned vehicles resulting from their competitive market prices.

NEW REGISTRATION OF ROAD VEHICLES, 1992 - 1996

Table 14.3 Number

Type of Vehicle	1992	1993	1994	1995	1996*
Saloon Cars	4,247	4,542	7,031	6,519	8,625
Station Wagons	2,061	1,828	2,699	3,260	4,069
Panel Vans, Pick-ups, etc.	3,726	2,510	3,380	5,778	7,711
lorries/Trucks	1,105	750	1,315	1,778	2,222
Buses and Coaches	718	519	390	743	888
Mini Buses	447	295	427	813	946
Special Purposes Vehicles	37	20	19	32	38
Trailers	299	291	541	444	674
Rollers, Graders, Cranes	68	55	53	89	104
Wheeled Tractors	687	474	578	977	1,047
Crawler Tractors	1	2	6	11	9
Motor and Auto Cycles	1,364	1,133	1,488	1,778	2,328
Three Wheelers	2	1	1	2	3
Total	14,784	12,420	17,928	22,224	28,664

* Provisional

14.7. Table 14.4 provides details on the number of licenses issued for vehicles on hire between 1992 and 1996. In 1996, license issuance for Passenger Service Vehicles (PSVs) and Freight Transport Vehicles (FTVs) fell by 6.5 per cent and 15.9 per cent respectively. Despite the escalating costs of inputs and operational constraints, matatu passenger transport business continued expanding thereby creating more jobs. In 1996, a total of 24,470 matatus were licensed to operate in comparison to 22,820 in 1995.

LICENCES ISSUED FOR VEHICLES ON HIRE, 1992 -1996

Table 14.4 Number

	1992	1993	1994	1995	1996*
Passenger Service Vehicles**	2,305	1,753	2,399	2,185	2,042
Freight Transport Vehicles	9,644	6,290	8,414	7,752	6,517
Total	11,949	8,043	10,813	9,937	8,559

* Provisional

** PSV licenses for buses and tourist vehicles only

Railway Transport

14.8. Demand for railway transport services especially that of oil transportation, continued to decline progressively. This was on account of stiff competition from other modes of transport. As displayed in Table 14.5, there was a significant increase in passenger journeys made from 1.6 million recorded in 1995 to 2.4 million in 1996. Likewise, the passenger traffic revenue that accrued to the corporation in 1996, rose albeit at a slower rate of 9.0 per cent to K£ 15.8 million from K£ 14.5 million earned in 1995. Total tonnage of freight transported along the railway network declined by 12.6 per cent to 1,826.5 million tonnes in 1996 from 2,090.1 million tonnes ferried in 1995. Subsequently, revenue accruing to the corporation from freight transport business fell by 16.1 per cent from K£ 171.3 million in 1995 to K£ 143.7 million earned in 1996. The depressed business performance registered by the Corporation is expected to improve

following decisions of rationalising tariffs to attract more customers and contracting out locomotives and wagons maintenance to private investors.

RAILWAY TRAFFIC, 1992 - 1996

Table 14. 5

	Unit	1992	1993	1994	1995	1996*
Freight:						
Tonnes	000	2,821.0	2,310.0	1,901.0	2,090.1	1,826.5
Tonne-km	million	1,627.0	1,312.0	1,172.0	1,456.1	1,218.8
Revenue	K£million	102.5	146.1	152.0	171.3	143.7
Revenue per tonne-Km	cts	126.0	221.0	259.0	235.0	236.0
Passenger						
Journeys	'000	2,507.0	2,426.0	1,910.6	1,624.1	2.379.0
Passenger-Km	million	563.0	464.0	408.0	363.0	371.0
Revenue	K£million	12.4	14.4	15.2	14.5	15.8
Revenue per passenger-Km	cts	44.0	62.0	75.0	80.0	85.0

Provisional

Harbours and Shipping

14.9. As shown in Table 14.6, operations at Mombasa harbour recorded considerable expansion during 1996. Total volume of freight handled at the port during the period under review grew by 9.0 per cent to 8,694 thousand tonnes from 7,973 thousand tonnes handled in 1995. The broadening port traffic is associated with macro-economic reforms and sound fiscal policies in the domestic economy; with substantial linkage benefits to the volume of goods imported. Over the years, the volume of export freight has always lagged behind that of import. In 1996, imported cargo accounted for over 70.0 Per cent of the total freight handled at the port. Export of dry cargo and bulk liquids rose by 20.0 per cent and 50.8 per cent respectively, while, the corresponding import of dry cargo and bulk liquids recorded slow growths of 4.2 per cent and 5.2 per cent, respectively.

FREIGHT HANDLED AT MOMBASA HARBOUR, 1992 -1996

Table 14.6 '000 Tonnes

	1992	1993	1994	1995	1996'
Loaded					
Dry Cargo	1,692	2,088	1,446	1,752	2,103
Bulk Liquids	391	685	213	181	273
Total	2,083	2,773	1,659	1,933	2,376
Landed					
Dry Cargo	2,829	2,773	3,930	3,397	3,538
Bulk Liquids	2,981	2,371	2.680	2,643	2,780
Total	5,810	5,144	6,610	6,040	6,318
Total Freight Handled	7,893	7,917	8,269	7,973	8,694

* Provisional

Pipeline Transport

14.10. The Kenya Pipeline Company (KPC) recorded remarkable business performance in 1996 despite stiff competition from the road haulage mode of transport. Total volume of white petroleum products pumped by the company increased marginally by 6.1 per cent from 2,240 thousand cubic metres in 1995 to 2,377 thousand cubic metres in 1996. As

shown in Table 14.7, the volume of aviation turbo pumped increased significantly by 21.7 per cent over the same period, while kerosene oil and motor spirit premium increased by 13.3 per cent and 10.4 per cent, respectively. However, total volume of motor spirit regular pumped decreased by 7.4 per cent.

PIPELINE THROUGHPUT OF WHITE PETROLEUM PRODUCTS, 1992 - 1996

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
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	463.6	204.4	266.4	726.6	505.3	73.9	2,240.2
1996*	511.7	189.3	301.9	766.9	516.9	89.9	2,376.6

* Provisional

Air Transport

14.11. Table 14.8 provides details of the performance of commercial traffic at Jomo Kenyatta and Moi International airports from 1992 to 1996. As shown in the table, the total number of passengers handled at both airports rose to 2.7 million, a modest increase of 0.6 per cent over the number recorded in the previous year. By contrast, total volume of airfreight cargo handled fell to 65.5 thousand tonnes in 1996 from 72.9 thousand tonnes handled in 1995.

COMMERCIAL TRAFFIC AT JOMO KENYATTA AND MOI INTERNATIONAL AIRPORTS. 1992 - 1996

Table 14.8

	1992	1993	1994	1995	1996*
Passengers-000's					
Landed	1,125.9	1,193.7	1,187.4	1,104.8	1,137.2
Embarked	1,147.8	1,190.4	1,214.4	1,186.4	1,158.0
In Transit	308.1	336.6	370.8	383.5	395.8
Total	2,581.8	2,720.7	2,772.6	2,674.7	2,691. 0
Freight - 000's tonnes					
Cargo Landed	15.9	17.9	23.0	22.2	23.8
Loaded . ..	44.7	45.4	59.2	49.1	40.2
Mail Landed.	1.3	1.3	1.2	1.1	1.0
Total	62.6	65.4	84.2	72.9	65.5
*Provisional					

Notable developments aimed at improving the overall performance of air transport sub-sector included sale of part of government shares and subsequent merging of the national flag carrier (Kenya Airways) with a foreign airline (KLM) for extended route penetration. Extensive installation of modern facilities at Moi International Airport (MIA) that are in line with recent trends in aviation technology have been undertaken and the commissioning of Eldoret International Airport (EIA).

Postal and Telecommunications Services

14.12. In 1996, the Kenya Posts and Telecommunications Corporation (KP&TC) continued with its sectoral re-organisation process geared towards improving its overall performance. The giant corporation is set for separation into three distinct entities namely, Postal Corporation of Kenya, TelKom Kenya Limited and Communication Commission of Kenya (CCK). The corporation continued incurring increased investment expenditure for both new and existing services and technologies. This was in line with the corporation's endeavour to be more responsive to the emerging market forces in the sub-sector, especially the changing customer needs. Progress was recorded in the Postal sector's continued pursuit of implementing the objectives spelt out in the 1994-96 Postal Business Plan whose theme was restructuring, consolidation and commercialization of postal business. Details of the Corporation's key network and traffic performance indicators are presented in Table 14.9.

POSTAL AND TELECOMMUNICATION SERVICES, 1992 -1996

Table 14.9

	Unit	1992	1993	1994	1995	1996*
Post Offices	No	1,096	1,094	1,074	1,061	1,062
Private Letter Boxes	'000	261	268	280	302	318
Registered and Insured Items Posted	million	3.3	3.1	3.0	2.4	2.5
Total correspondence handled	million	311	384	450	456	506
Parcels handled	'000	311	310	278	257	290
Telephone Exchange connections	'000	207	215	229	250	261
Public Call boxes	No	5,552	5,722	5,910	5,922	5,932
Card Phones	No	58	58	58	48	48
Mobile Telephone	No	.	1,162	1,727	2,580	2,727
Manual Telephone Calls made	million	8.6	8 1	6 8	5 7	4 8
Subscriber Dialed Units	million	2,483	2,365	2,870	2,870	2,870
Telex Subscribers	'000	1.8	1.7	1.5	1.6	1.4
Telegrams Handled	000	1,589	1,730	1,784	1,835	1,916
Money Orders	No.(million)	1.9	1.9	1.7	1.5	1.6
Postal Orders	No.('000)	75	101	41	47	48

* Provisional

As shown in the table, only one post office was opened thus bringing the total number of post offices in 1996 to 1,062. The total number of private letterboxes available in 1996, stood at 318 thousand compared to 302 thousand boxes in 1995; an increase of 5.3 per cent. Total correspondence handled in 1996 rose by 11.0 per cent to reach 506 million while the corresponding total in 1995 was 456 million. The slow growth in the total number of parcels handled from 262 thousand in 1995 to 275 thousand in 1996 was precipitated by entry of private courier services in the business. Marginal growths were recorded in the number of money orders and postal orders issued in 1996.

14.13. The Telecommunications sub-sector recorded an enhanced growth in 1996 partly due to the impacts of the sub-sector's structural reform programme and the improved investment climate. The macro-economic instruments included decontrol of prices and the removal of exchange controls. The total number of telephone exchange connections has been rising steadily over the last 5 years from 200 thousand in 1991 to a peak of 261 thousand in 1996, reflecting an annual average growth rate of 5.1 per cent. The

Telephone exchange capacity available in 1995 stood at 250 thousand. Total number of operator assisted calls declined by 15.8 per cent from 5.7 million in 1995 to 4.8 million in 1996. The steady fall in the number of operator assisted calls since 1992 is attributed to the rising level of automation and phasing out of both analogue and manual exchanges in the network. On the other hand, the rapid growth in the total number of mobile telephones from 1,162 in 1993 to 2,727 in 1996, reflecting an annual average growth rate of 33.7 per cent, is a pointer of a vibrant potential for their local development in future.

14.14. Details of the performance of external telecommunications traffic for the period from 1992 to 1996 are displayed in Table 14.10. As shown, the total duration for both incoming and outgoing telephone services near stagnated in 1996. Telex and telegraph services recorded significant drops associated with availability of alternative and modern ways of sending messages. Modest growths in external telecommunications traffic were only recorded in the number of pages and documents for incoming Bureaufax messages.

EXTERNAL TELECOMMUNICATIONS TRAFFIC, 1992 - 1996

Table 14.10

	1992	1993	1994	1995	1996*
Telephone service-million paid minutes-					
Outgoing	21.7	24.9	20.9	25.6	26.0
Incoming	39.3	45.1	51.7	58.0	58.4
Telex service-million paid minutes-					
Outgoing	1.6	1.9	1.1	0.7	0.5
Incoming	2.0	2.3	1.2	0.8	0.6
Telegraph service-million paid words-					
Outgoing	0.5	0.5	0.2	0.2	0.1
Incoming	0.7	0.8	0.5	0.5	0.3
Bureau fax					
Outgoing :					
Documents	6,293	6,897	1,727	20,364	18,250
Pages	7,559	8,199	6,256	24,005	21,316
Incoming :					
Documents	4,249	2,311	3,620	3,860	4,001
Pages	6,287	3,785	5,930	6,672	7,154

* Provisional

Information and Mass-Media

14.15. The performance of Kenya Broadcasting Corporation (KBC) improved during 1996 as reflected by the overall income accruing to the corporation. The improved performance is largely attributed to the Corporation's vigorous public awareness campaign on the need to acquire new radio and TV permits. Measures have also been put in place to curb printing of fake radio and television permits by centralising the printing. As

shown in Table 14.11, the total number of new radios sold and licensed rose by a remarkable 31.5 per cent in 1996 to 1,033 thousand against the revised number of 785 thousand in 1995. Likewise, sales and licensing of TV sets rose to 218 thousand in 1996 up from the revised figure of 189 thousand recorded in 1995.

NEW RADIOS AND T V. SETS SOLD AND LICENSED, 1992 - 1996

Table14.11 Number

	1992	1993	1994	1995	1996*
Radios - '000	154.9	119.5	109.1	785.4	1,033.1
Television Sets - '000	22.7	26.0	27.1	189.3	218.1

* Provisional

The conspicuous jumps in sales and licensing figures were due to improved reception of radio and TV programmes following modernisation, upgrading and expansion ol various television and radio transmitters coupled with influx of cheap imported radios and TV sets. Despite the bottlenecks envisaged in collecting TV subscribers' fee particularly in residential premises, the sub-sector's future economic performance looks bright following substantial liberalisation of airwaves.

14.16. Table 14.12 presents details of an average daily/weekly local newspaper circulation figures. English and Swahili weekly newspaper editions have continued gaining more readerships over their daily counterparts. The steady annual average growth of about 4.7 per cent in the weekly newspaper circulation copies is associated with the proliferation of new weeklies. Average circulation figures for English and Swahili dailies recorded modest declines.

DAILY/WEEKLY AVERAGE LOCAL NEWSPAPER CIRCULATION. 1992 - 1996

Table14.12 '000 Copies

	1992	1993	1994	1995	1996*
Morning Newspapers-					
English	299.9	308.3	213.1	231. 6	231.5
Swahili	79.1	39.2	29.6	32.5	31.6
Other Newspapers-					
English Weeklies	346.4	348.2	392.8	447.6	485.1
Swahili	78.1	48.7	30.5	36.5	38. 5

* Provisional

CHAPTER 15 - SOCIAL SCENE

Central Government expenditure on social services from 1993/94 to 1996/97 fiscal year is shown in Table 15.1. The total expenditure estimate rose to K£ 2,351.1 million in 1996/97 fiscal year, recording a 19.7 per cent increase from the previous fiscal year. Recurrent expenditure estimate accounted for 84.0 per cent of the total estimated expenditure. The education sector received 77.1 per cent of the total recurrent budget allocation on social services, while the health sector received 20.4 per cent of the same budget in the year under review. On the other hand, Health sector got the highest allocation of the development expenditure budget, which accounted for 69.7 per cent of the total development budget estimate.

CENTRAL GOVERNMENT EXPENDITURE ON SOCIAL SERVICES, 1993/94 -1996/97

Table 15.1 K£million

	1993/94	1994/95	1995/96*	1996/97"
RECURRENT EXPENDITURE-				
Ministry of Education	927. 58	1,224.93	1,387.17	1,521.38
Ministry of Health	223. 25	286.21	359.85	403.05
Ministry of Labour	7.05	8.19	10.69	12.08
Ministry of Culture and Social Services	23.46	30.86	34.33	37.52
TOTAL	1,181. 34	1,550.19	1,792. 04	1,974.03
DEVELOPMENT EXPENDITURE-				
Ministry of Education	59. 46	73.97	83.37	108.54
Ministry of Health	97. 59	55.40	83.75	262.66
Ministry of Labour	0.80	0.28	0.50	0.34
Ministry of Culture and Social Services	1. 84	5.89	5.15	5.52
TOTAL	159.69	135. 54	172.77	377.06
TOTAL EXPENDITURE	1,341.03	1,685.73	1,964.81	2,351.09

* Provisional

** Estimates including supplementaries.

15.2. Local Government estimated expenditure on social services went up by 3.0 per cent from K£ 64.7 million in 1995/96 fiscal year to K£ 66.6 million in 1996/97 fiscal year as shown in Table 15.2. Estimated expenditure on Education fell

LOCAL GOVERNMENT EXPENDITURE ON SOCIAL SERVICES, 1992/93 - 1996/97

Table 15.2 K£million

	1992/93	1993/94	1994/95	1995/96*	1996/97"
Education	13.62	16.79	22.68	24.95	21.86
Health	18.15	17.90	26.24	34.22	38.76
Other Social Services	2.21	1.16	26.5	55.2	59.9
TOTAL EXPENDITURE	33. 98	35.85	51. 57	64. 69	66.61

* Provisional

** Estimates

significantly by 12.4 per cent to reach K£ 21.9 million while that of Health rose markedly by 13.3 per cent to stand at K£ 38.8 million in the period under review. Health sector received the highest allocation of 58.2 per cent of the 1996/97 total expenditure estimates, while other social services got the lowest in the same fiscal year.

Education

15.3. Table 15.3 gives details on expenditure of the Ministry of Education and a component of Technical Training in the Ministry of Research, Technical Training and Technology. The total expenditure went up considerably by 11.8 per cent from K£ 1,480.9 million in 1995/96 to K£ 1,655.9 million in 1996/97 fiscal year. Recurrent expenditure estimate took a share of 93.3 per cent of the total budget estimate in the year under review. General administration and planning had the highest share of the recurrent expenditure estimate accounting for 79.5 per cent of the total recurrent expenditure. The high allocation on the said item is attributed to teachers' salaries, which take a substantial proportion of the education sector budget. Higher education on the other hand got the biggest proportion (45.6 per cent) of the total development expenditure estimates. Pre-primary Education had the lowest allocation of the recurrent expenditure estimate while Polytechnic Education received the lowest share of the estimated development budget in the year under review.

EXPENDITURE OF THE MINISTRY OF EDUCATION, 1993/94 - 1996/97

Table 15.3 K£million

	1993/94	1994/95	1995/96*	1996/97**
RECURRENT EXPENDITURE-				
General Administration and Planning	42.72	977.46	1,104.94	1,229.07
Pre-Primary Education	0.78	0.18	0.24	0.40
Primary Education	558.54	18.50	18.84	25. 60
Secondary Education	157.27	15.94	16.12	27.11
Technical Education+	8.64	12.41	13.32	14.43
Teacher Training++	17.15	10.10	10.26	8.80
Special Education	8.03	1.73	1.25	2.54
Polytechnic Education+	5.82	6.41	6.93	7.61
Higher Education***	142.04	199.90	221.06	223.73
Miscellaneous	2.98	4.02	4.44	6.19
TOTAL	943.97	1,246.65	1,397.40	1,545.48
DEVELOPMENT EXPENDITURE-				
General Administration and Planning	4.07	10.50	7.29	6.46
Pre-Primary Education	-	-	-	2.15
Primary Education	12.26	15.14	18.12	15.97
Secondary Education	3.12	2.14	1.85	3.32
Technical Education+	0.05	0.02	0.12	1.59
Teacher Training++	16.00	25.94	6.27	26.90
Special Education	0.25	0.29	1.98	3.46
Polytechnic Education+	005	0.82	0.06	0.16
Higher Education***	23.76	20.07	47.85	50.37
Miscellaneous	.	-	-	
TOTAL	59.56	74.92	83.54	110.38
TOTAL RECURRENT 4 DEVELOPMENT EXPENDI	1,003.53	1,321.57	1,480.94	1,655.86

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 hi the country increased significantly by 4.2 per cent from 39,207 in 1995 to 40,846 in 1996 as shown in Table 15.4. Pre-primary schools had the highest increase of 5.3 per cent to stand at 21,261 in 1996 followed by secondary schools which rose from 2,878 in 1995 to 3,004 in 1996 representing a 4.4 per cent rise. Primary teachers training colleges increased by one to reach 26 in the period under review. This is as a result of completion of the Garissa Teachers Training College, which admitted its first students in the review period. The number of Secondary Teachers Training Colleges remained the same as in the previous year.

NUMBER OF EDUCATIONAL INSTITUTIONS, 1992 -1996

Table 15.4 Numbers

Category	1992	1993	1994	1995	1996*
Schools					
Pre-Primary	17,327	18,487	19,083	20,186	21,261
Primary	15,465	15,804	15,906	16,115	16,552
Secondary	2,632	2,639	2,834	2,878	3,004
Training Colleges					
Primary	25	25	25	25	26
Secondary+	4	3	3	3	3
TOTAL	35,453	36,958	37,851	39,207	40,846

* Provisional

\+ Includes Kenya Technical Teachers Colleges

15.5. Pre-primary schools enrolled a total of* 1,033,367 children in 1996, representing an increase of 4.5 per cent from the previous year's enrolment, Girls accounted for 49.0 per cent of the total enrolment. The number of teachers in pre-primary schools also rose significantly by 13.5 per cent to reach 33,210 in the same period. The pupil-teacher ratio stood at 31 in 1996. However, the pupil-trained teacher ratio standing at 82 in 1996 remained poor as in the previous year.

15.6. Primary school enrolment by standard from 1993 to 1996 is shown in Table 15.5. Total pupil enrolment in primary schools rose by 1.1 per cent to reach 5.6 million in 1996.

PRIMARY SCHOOL ENROLMENT BY STANDARD, 1993 - 1996

Table 15.5 '000

	1993		1994		1995		1996*	
Class	Boys	Girls	Boys	Girls	Boys	Girls	Boys	Girls
Standard 1	472.5	446.1	491.0	463.4	492.1	459.9	494.2	463.9
Standard 2	409.9	384.2	424.5	399.8	426.8	405.8	437.4	414.9
Standard 3	387.4	369.0	387.7	378.7	392.3	373.3	397.0	374.7
Standard 4	369.6	364.1	379.3	374.9	368.1	366.2	372.9	364.2
Standard 5	324.4	326.5	330.0	337.0	329.2	334.0	330.9	330.8
Standard 6	288.8	292.5	294.3	296.7	292.0	300.4	297.5	307.0
Standard 7	298.1	299.8	295.5	301.2	290.2	300.5	296.2	299.8
Standard 8	210.4	185.3	212.5	190.3	211.6	194.0	217.3	199.0
TOTAL	2,761.1	2,667.5	2,814.8	2,742.0	2,802.3	2,734.1	2,843.4	2,754.3
GRAND TOTAL	5,4286		5,5568		5,536.4		5,597.7	

* Provisional

ENROLMENT IN SECONDARY SCHOOLS BY FORM AND SEX, 1992 -1996

Table 15.6 Numbers

Form	1992		1993		1994		1995		1996*	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Form 1	97,267	78,081	81,543	69,560	90,774	78,140	96,360	83,650	97,394	85.917
Form 2	91,209	72,774	73,125	61,158	87,993	76,549	88,737	75,961	93,526	81,444
Form 3	84,429	66,189	72,647	55,467	79,067	66,328	82,623	69,876	83,902	71,924
Form 4	80,467	58,646	67,881	49,961	78,605	62,383	74,087	61,094	78,104	66,042
TOTAL	353,372	275,690	295,196	236,146	336,439	283,400	341,807	290,581	352,926	305,327
GRAND TOTAL	629,062		531,342		619,839		632,388		658,253	

* Provisional

This is a remarkable growth in absolute enrolment figures especially now that there has been a growing concern over the consistent decline in enrolment rates. Of the total pupil enrolment in 1996, 49.2 per cent pupils were girls, an indication of insignificant gender disparity in primary education. Enrolment in Standard I being the highest represented 17.1 per cent of the total enrolment while standard 8. the lowest, represented 7.4 per cent of the same in 1996. Since 1993, the data shows a consistent trend where more boys than girls enrol in Standard 1. However, as they progress along the classes, the situation reverses at Standard 5 where girls are equal to or more than boys. At Standard 8, girls become fewer than boys. This may be attributed to girls dropping out as they approach the final classes of primary education.

15.7. Enrolment in secondary schools went up markedly by 4.1 per cent from 632,388 in 1995 to 658,253 in 1996 as shown in Table 15.6. The growth compares favourably with the rise in number of secondary schools in the country. Form I enrolment formed 27.8 per cent of the total enrolment in 1996 while Form 4 enrolment represented 21.9 per cent of the total. This shows the low drop out and repetition situation that exists in secondary education compared to primary education where Standard 8 enrolment represents a mere 7.4 per cent of the total enrolment. Overall, female students constituted 46.4 per cent of the total enrolment and fewer in number in all the classes as shown in the table. In 1996, 152,397 candidates sat for Kenya Certificate of Secondary Education (KCSE) compared to 140,506 in 1995. This represented an increase of 7.8 per cent from the previous year's candidates.

15.8. Table 15.7 presents information on the number of primary teachers by qualifications from 1993 to 1996. The primary school teaching force rose by 1.3 per cent from 181,975 in 1995 to 184,393 in 1996. Trained teachers constituted 92.8 per cent of the total teaching force. This was a 2.7 percentage points improvement from the previous year. The pupil-teacher ratio remained constant at 30 in the second year running while the pupil-trained teacher ratio improved from 34 in 1995 to 33 in 1996. The female teachers formed 41.2 per cent of the total teachers, a 1.3 per cent points rise from the previous year's proportion. PI teachers followed by P2 teachers continued to form the bulk of the trained teaching force by accounting for 68.5 per cent and 18.3 per cent of the same respectively, while on the other hand, 'O' level teachers formed the majority of the untrained teachers (73.0 per cent).

NUMBER OF PRIMARY TEACHERS BY QUALIFICATION AND SEX, 1993 - 1996

Table 15.7

	1993			1994			1995			1996*		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
TRAINED:-												
Graduate				4	4	8	9	10	19	21	37	58
Approved +	769	336	1,105	590	258	848	866	448	1,314	994	610	1,604
S1/Diploma	5,099	2,132	7,231	5,410	2,510	7,920	6,287	3,351	9,638	7,873	4,939	12,812
PI	57,279	35,787	93,066	63,447	41,822	105,269	66,728	44,396	111,124	69,042	48,112	117,154
P2	17,889	11,701	29,590	18,969	12,484	31,453	19,158	13,015	32,173	18,128	13,132	31,260
P3	5,163	5,129	10,292	4,966	5,098	10,064	4,714	4,797	9,511	4,050	4,071	8,121
P4	49	43	92	12	17	29	69	67	136	21	25	46
Others	346	325	671									
TOTAL	86,594	55,453	142,047	93,398	62,193	155,591	97,831	66,084	163,915	100,129	70,926	171,055
UNTRAINED:-												
Graduate	28	17	45									
Diploma	16	21	37									
K . A . C . E . ('A' Level)	2,358	1,209	3,567	1,276	722	1,998	1,612	942	2,554	1,027	556	1,583
K.C.E./K.S.C.E. ('O' Level)	13,719	8,610	22,329	10,605	6,467	17,072	7,786	4,675	12,461	6,006	3,734	9,740
K. J. S. E	3,021	974	3,995	2,020	733	2,753	1,523	515	2,038	954	375	1,329
C.P.E	458	513	971	347	213	560	216	197	413	188	156	344
Other	111	75	186	90	33	123	335	259	594	197	145	342
TOTAL	19,711	11,419	31,130	14,338	8,168	22,506	11,472	6,588	18,060	8,372	4,966	13,338
GRAND TOTAL	106,305	66,872	173,177	107,736	70,361	178,097	109,303	72,672	181,975	108,501	75,892	184,393

* Provisional

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

NUMBER OF SECONDARY TEACHERS BY QUALIFICATION AND SEX, 1993 - 1996

Table 15.8

	1993			1994			1995			1996*		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
TRAINED:-												
Graduate	6.116	4,832	10.948	9,142	5,856	14,998	11,413	6,719	18,132	12,825	7,770	20,595
Approved +	1,477	587	2,064	1,622	569	2,191	1,169	373	1,542	1,976	902	2,878
S1/Diploma	6,144	3,722	9,866	8,826	4,770	13,596	8,285	4,030	12,315	7,108	3,610	10,718
Technical	496	130	626	433	143	576	770	414	1,184	387	163	550
P1	226	46	272	198	34	232	214	56	270	143	39	182
TOTAL	14,459	9,317	23,776	20,221	11,372	31,593	21,851	11,592	33,443	22,439	12,484	34,923
UNTRAINED:-												
Graduate	1,597	416	2,013	1,322	473	1,795	2,196	753	2,949	1,896	533	2.429
Dip\Technical	906	373	1,279	543	182	725	846	311	1,157	494	183	677
K . A . C . E . ('A' Level)	2,694	1,040	3,734	2,604	876	3,480	2.098	622	2,720	2,040	578	2,618
K C E /K S C E ('0' Level)	333	79	412	171	62	233	633	223	856	269	97	366
Other	993	333	1.326	364	117	481	278	81	359	196	71	267
TOTAL	6,523	2.241	8,764	5,004	1,710	6.714	6,051	1,990	8,041	4,895	1,462	6,357
GRAND TOTAL	20,982	11,558	32,540	25.225	13,082	38,307	27,902	13 582	41,484	27,334	13,946	41,280

* Provisional

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

15.9. The secondary school teaching force stood at 41,280 in 1996 compared to 41,484 in 1995, representing a marginal 0.5 per cent drop as shown in Table 15.8. Trained teachers formed 84.6 per cent of the total secondary teaching force, 4.0 percentage points improvement from the previous year. Female teachers accounted for 33.8 per cent of the total, indicating an area of gender concern. Student-teacher ratio rose from 15 in 1995 to 16 in 1996 while student-trained teacher ratio remained constant at 19 in the same period. University graduate teachers followed by SI/Diploma teachers formed the largest proportion of the secondary school teaching force, while "A" level teachers constituted the bulk of the untrained teaching force.

15.10. Enrolment in Government Primary Teachers Training Colleges (PTTCs) rose significantly by 7.3 per cent to reach 18,111 in 1996/97 as shown in Table 15.9. This was partly due to the opening of Garissa Teachers Training College, which admitted 260 first year students in the year under review. Students enrolled as Primary 1 (PI) formed the bulk of the total enrolment by accounting for 95.6 per cent. Female students constituted 49.6 per cent of the total enrolment, an indication of gender balance in PTTCs enrolments. First year students admission accounted for 52.6 per cent of the total while female students admitted represented 48.8 per cent of the total first year intake.

STUDENT ENROLMENT IN ALL GOVERNMENT PRIMARY TEACHERS TRAINING COLLEGES, 1996/97*

Table 15.9 Numbers

	1st YEAR		2nd YEAR		TOTAL		
CERTIFICATION	Male	Female	Male	Female	Male	Female	Total
P1	4,772	4,415	4,009.	4,115	8,781	8,530	17,311
P2	108	232	245	215	353	447	800
TOTAL	4,880	4,647	4,254	4,330	9,134	8,977	18,111

* Provisional

15.11. The three National Polytechnics in the country enrolled a total of 8,649 students in 1996 compared to 7,927 students enrolled in 1995. Kenya, Mombasa and Eldoret Polytechnics enrolled 53.9 per cent, 39.9 per cent and 6.2 per cent share of the total enrolment respectively. Enrolment in the 17 Institutes of Technology (ITs) rose by 10.0 per cent from 5,418 in 1995 to 5,961 in 1996, while that of the 20 Technical Training Institutes went up by 8.0 per cent to reach 10,340 in the same period.

15.12. In the 1996/97 academic year, enrolment in the five Public Universities in the country declined significantly by 5.2 per cent to stand at 37,973 against 40,065 students enrolled in 1995/96 academic year. The drop may partly be explained by gradual graduation of double intake group of students admitted in 1990/91 academic year, inability of some parents to pay college fees and non-reporting of postgraduate students in some universities. Of the total student population, female students accounted for 28.8 per cent showing evidence of gender disparity in university education. Nairobi University constituting 32.4 per cent of the total enrolment had

the highest number of students enrolled in 1996/97 academic year, followed by Kenyatta University (22.6 per cent), while Jomo Kenyatta University of Agriculture and Technology with 5.9 per cent had the lowest in the same year.

15.13. Nairobi University enrolled a total of 12,313 students in 1996/97 academic year compared to 14,089 enrolled in 1995/96 academic year. This represented a significant drop of 12.6 per cent. Female students constituted 25.3 per cent of the total enrolment, showing a significant gender gap. In the same academic year, the university enrolled 2,749 first year students, less than the 3,365 first year students enrolled in 1995/96 academic year. Of the total first year students enrolled in the academic year under review, 29.4 per cent were female students..

15.14. Enrolment in Kenyatta University (KU) went up by 5.0 per cent to 8,574 students in 1996/97 academic year. The proportion of female students enrolled in the university stood at 35.6 per cent, the highest proportion in all public universities. The university enrolled a total of 1,914 first year students in the period under review representing 22.3 per cent of the total enrolment. Female students accounted for 40.8 per cent of the total first year enrolment. In the same period, the university enrolled a total of 294 postgraduate students where 26.5 per cent were female students. Of the total postgraduate students, 133 were pursuing Doctoral degrees.

15.15. Jomo Kenyatta University of Agriculture and Technology (JKUAT) enrolment rose by 2.4 per cent from 2,182 in 1995/96 to 2,234 in 1996/97 academic year. Out of the total 526 students (23.5 per cent) was pursuing diploma courses while 25 students were doing Masters degree in Entrepreneurship. Overall, female students accounted for 18.7 per cent of the total enrolment, indicating a serious gender gap in enrolment in the university. The gender gap is bigger in JKUAT than other universities due to the courses offered in the university which are mainly technological in nature, hence unpopular to female students.

15.16. Moi University enrolment recorded a marked decline of 16.5 per cent from 5,351 in 1995/96 academic year to 4,469 in 1996/97 academic year. This may partly be associated with the parents' inability to pay college fees. Several students were sent away from the university due to non-payment of fees in the year under review. Female students constituted 25.2 per cent of the total enrolment. First year students who represented 26.0 per cent of the total university enrolment were admitted in 1995/96 academic year. There was no first year intake in 1996/97. Female students enrolled in first year accounted for 28.4 per cent of the total first year enrolment in the period under review.

15.17. Enrolment in Maseno University College rose remarkably by 41.1 per cent from 1,841 in 1995/96 academic year to 2,598 in 1996/97 academic year. Majority of the students, 78.2 per cent were pursuing degree courses in education leaving only 21.8 per cent of the students enrolled in other courses. Female students represented 33.1 per cent of the total enrolment. In the same year, the college enrolled a total of 697 first year students where 34.0 per cent were female students. First year students constituted 26.8 per cent of the total colleges' enrolment.

15.18. In 1996/97 academic year Egerton University enrolled a total of 7.785 students including 96 postgraduate students. Female students accounted for 30.1 per cent of the total enrolment. Of the 96 postgraduate students, 2 were pursuing Ph.D. degree. The total enrolment in the university represented a marginal increase of 1.2 per cent from the 1995/96 academic years' enrolment that stood at 7,695. Students pursuing postgraduate studies increased from 74 to 96 in the period under review.

15.19. The three Private Universities that are accredited by the Government enrolled a total of 3,379 students in 1996/97 academic year compared to 2,763 enrolled in the previous academic year. This represented a significant 22.3 per cent rise. Unlike the public universities, the private universities enrolled slightly more female than male students as they accounted for 52.1 per cent of the total enrolment. Of the three private universities, Daystar had the highest enrolment of 1.250 (January, 1997 semester) followed by Catholic University of Eastern Africa with enrolment of 1,207. While University of Eastern Africa Baraton, had the lowest enrolment of 922. In the same academic year, a total of 108 students were pursuing postgraduate degree courses. These were enrolled in Daystar and Catholic University of Eastern Africa.

Health

15.20. The Government is encouraging effective management of health services through the application of appropriate planning, budgetary control and management principles. About 7 per cent of the total Government gross budget estimate will be used for the provision of health services during 1996/1997 financial year. Over 38 per cent of the ministry of health budget will be spent on curative services while 8 per cent will be used for preventive medicine and promotive services. About 14 per cent of the budget will go to the provision of services at Kenyatta National referral and teaching hospital. Extension of the Kenya Medical Training centre and other medical training institutions is in progress. Other development projects include the expansion of existing facilities and construction of new ones.

15.21. Table 15.10 shows the breakdown of health institutions by province in 1^96. The total number of health institutions increased by 5 per cent from 3,802 in 1995 to 3,993 in 1996. In the same period, the number of hospitals and health centres went up by 11.8 per cent and 3.2 per cent to reach 346 and 531 respectively resulting to a 4.5 per cent rise in hospital beds and cots. However, the number of beds per 100,000 population dropped from 180 to 175 during the year under review.

HEALTH INSTITUTIONS AND HOSPITAL BEDS AND COTS BY PROVINCE, 1996'

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	45	36	292	373	6,373	330
Coast	42	47	352	441	3,991	173
Eastern	50	69	652	771	6,168	129
North-Eastern	6	9	50	65	1,451	215
Central	43	73	334	450	6,606	175
Rift Valley	78	141	944	1,183	9,926	150
Nyanza	78	97	288	483	9,480	194
Western	45	76	146	267	5,334	161
TOTAL 1996	387	548	3,058	3,993	49,331	175
TOTAL 1995	346	531	2,925	3,802	47,214	180

* Provisional

15.22. Table 15.11 shows personnel trained on Maternal and Child Health care from 1992 to 1996. Staff trained on Maternal and Child Health care (MCH) increased significantly by 26.1 per cent from 199 in 1995 to 251 in 1996. Due to inadequate flow of finance, fewer registered nurses and no clinical officers were trained in 1996. However, more enrolled community nurses were trained because of demand for their services in the health centres.

STAFF TRAINED ON THE MATERNAL HEALTH CARE 1992 - 1996

Table 15.11 Number

Type of Personnel	1992	1993	1994	1995	1996*
Enrolled Community Nurses	66	22	244	106	237
Kenya Registered Nurses/Midwife	18	27	48	74	14
Clinical Officers	-	129	4	19	-
Total	84	178	296	199	251

* Provisional

15.23. Table 15.12 shows the number of registered medical personnel by categories during the period 1995-1996. The total number of health personnel rose from 43,264 to 45,561. The additional personnel were mainly graduates from local medical training centres. The number of health personnel to a 100,000 population showed insignificant improvement. The number in training institutions was highest in the category of enrolled nurses with a total of 3,875 (52.7 per cent).

REGISTERED MEDICAL PERSONNEL 1966 -1996

Table 15.12 Number

Type of Personnel	1995 Number	1995 No Per 100,000 Popu-lation*	1966* Number	1966* No Per 100,000 Popu-lation*	IN TRAINING 1995 - 96 Number	IN TRAINING 1996-97 Number
Doctors	3,855	14.7	3,971	14.1	642	710
Dentists	665	2.6	685	2.4	160	156
Pharmacists	1,357	5.2	1,447	5.1	114	116
Pharmaceutical Technologists	885	3.4	967	3.4	77	85
Registered Nurses	6,920	264	7,115	25.2	955	990
Enrolled Nurses	22,347	85.4	23,512	83.2	880	3,875
Clinical Officers	2,950	11.3	3,065	10.9	836	830
Public Health Officers	480	1.8	573	2.0	176	170
Public Health Technicians	3,815	14.6	4,216	14.9	402	420
TOTAL	43,264		45,561		4,242	7,354

* Revised population based on 1989 census results

15.24. Environmental Health: The department of environmental health intensified activities in the provision of safe water and sanitation, protecting the population against environmental pollution and food contamination, control of vector - borne and sexually transmitted diseases.

15.25. Sexually Transmitted Infections (STI) Control Programme: AIDS has quickly become a very serious problem in Kenya. By June 1996, 65,000 cases of AIDS have been reported to the Ministry of Health. The prevalence is estimated to be 14 per cent for urban centres and 7 per cent among the rural population. As part of intervention measures to control the spread of AIDS, the Ministry of Health has established AIDS/HIV resource centres in 15 districts and it is in the process of extending the facilities to other districts. The centres are intended to provide easy access to AIDS educational materials for members of the public. The Ministry has also developed a training programme to train the public on how to cope with AIDS and especially on how to care for people with AIDS/HIV at home and workplace. This programme will be funded by the Sexually Transmitted Infections disease (STI) project at the district level under the leadership of the medical officers of health.

15.26. National Hospital Insurance Fund: The performance of the fund continued to improve as shown in table 15.13. The total number of contributors to the fund rose by 12.5 per cent, from 1.6 million in 1994/95 to 1.8 million in 1995/96. Similarly receipts from contributors rose by 17.0 per cent from K£ 61.44 million in 1994/95 to K£ 71.9 million in 1995/96. However, benefits paid out by the fund dropped significantly in comparison to the previous year simply because 61 major hospitals were involved in a fraud with the fund and as a result they were de-gazetted by the Government. The net effect of this suspension was that benefits fell drastically from K£ 52.49 million in 1994/95 to K£ 17.1 million in 1995/96. The government plans to re-organise the National Hospital Insurance Fund into a National Health Insurance Corporation to co-ordinate and administer a health insurance scheme for its members. The scheme will provide brokerage facilities through which private insurance companies will profitably participate in the public health sector.

NATIONAL HOSPITAL INSURANCE FUND, 1991/92 -1995/96

Table 15.13 K£million

YEAR	Receipts	Benefits	Contribution Net of Benefits
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
1995/96	71.90	17.10	54.80

Other Social Services

15.27. National Youth Service: Enrolment for students attending vocational training in National Youth Service from 1992 to 1996 is shown in Table 15.14.

NATIONAL YOUTH SERVICE ENROLMENT AND INCOME EARNED, 1992 - 1996

Table 15.14

Year	Enrolment (Numbers)			Income Earned
	Service men	Service women	Total	K£ million
1992	5,715	1,055	6,770	0.97
1993	2,531	544	3,075	0.80
1994	2,748	1,061	3,809	1.88
1995	3,888	1,087	4,975	2.03
1996*	2,208	597	2,805	1.70

* Provisional

Total enrolment in the entire institution dropped drastically by 43.6 per cent to 2,805 in 1996 from 4,975 in 1995. The drop was slightly more for service women, whose recruitment was lower by 45.1 per cent, from that of the previous year against 43.2 per cent drop for servicemen in the same period. Total revenue earned from income generating activities declined by 16.3 per cent from K£ 2.03 million in 1995 to K£ 1.70 million in 1996.

15.28. National Social Security Fund: Registered employers and employees, annual contribution by members and annual benefits paid to members from 1992 to 1996 are shown in Table 15.15. The total number of employers and employees registered with the fund increased from 45.7 thousand in 1995 to 46.4 thousand in 1996 and 2,294.3 thousand to 2,401.1 thousand respectively in the same period. Similarly, annual contribution to the fund rose markedly by 13.8 per cent to register K£ 80 million in 1996, while benefits paid rose significantly by 52.9 per cent to K£ 26 million in 1996. The high rise of benefits paid was largely due to retrenchment policy by the Government which led to many contributors opting for early retirement consequently claiming to be paid their benefits from the Fund.

NATIONAL SOCIAL SECURITY FUND, 1992 - 1996

Table 15.15

	1992	1993	1994	1995	1996*
Employers registered '000	41.4	42.7	44.1	45.7	46.4
Employees registered '000	2,066.1	2,150.1	2,229.6	2,294.3	2,401.1
Annual contribution K£m	67.9	71.6	73.8	70.3	80.0
Annual benefits paid K£mn	15.0	17.3	17.1	17.0	26.0

15.29. The Fund is making every effort to improve the quality of its services and adequacy of benefits available to members. In that regard the social partners who comprise representatives from the employers and the government are working towards the review of the NSSF act with a view to enabling the fund to provide a more realistic social security package to the members. The fund has embarked on social security update mainly through the media, i.e. print, weekly radio and television programmes as part of the NSSF effort to keep its members and general public fully informed of its operations.

15.30. Adult Education: The total number of persons enrolled in the adult literacy classes as shown in Table 15.16 declined marginally by 0.4 per cent from 116.051 recorded in 1995 to 115,641 in 1996.

ADULT EDUCATION ENROLMENT BY SEX 1992 - 1996

Table 15.16

Year	Male	Female	Total	% of Female Enrolment
1992	25,425	84,049	109,474	76.8
1993	26,027	81,271	107,298	75.7
1994	26,595	87,684	114,279	76.7
1995	27,572	88,479	116,051	76.2
	26,612	89,029	115,641	77.0

There was a 3.5 per cent drop in male enrolment from 27,572 to 26,612 in the period under review while that of female rose slightly by 550 adult learners to stand at 89,029 in 1996.

15.31. Table 15.17 shows details of both candidates who enrolled for proficiency test and KCPE from 1991 to 1995. The number of candidates who enrolled for the proficiency test has been declining gradually from 8,780 in 1991 to 6,693 in 1995, a significant 23.8 per cent decline, while candidates who enrolled for KCPE examinations dropped by 10.5 per cent from 970 in 1994 to 868 in 1995. The decline may be attributed to lack of follow-up programme after attaining basic literacy level. To address this problem, the Department of Adult Education is organising a Post-Literacy Programme to help the neo-literate stabilise their newly acquired skills. The programme will be started on a pilot basis in nine districts and later expanded to cover the entire country.

NUMBER OF ADULTS WHO PASSED PROFICIENCY TEST AND THOSE REGISTERED FOR KCPE BY PROVINCE, 1991 - 1995

Table 15.17

Province	1991		1992		1993		1994		1995 -	
	PTP	KCPE	PTP	KCPE	PTP	KCPE	PTP	KCPE	PTP	KCPE
Nairobi	222	268	118	458	80	474	203	400	316	330
Central	986	76	1,074	76	1,231	90	1,216	98	1,016	102
Coast	780	80	809	72	398	77	536	97	518	78
Nyanza	1,971	21	1,237	26	1,740	25	1,347	13	1,204	18
Eastern	998	36	1,568	29	1,710	43	1,482	86	887	96
N\Eastern	598	28	613	32	361	37	415	22	512	30
Rift Valley	1,854	173	1,508	234	1,492	404	1,452	240	1,472	188
Western	1,371	25	1,069	13	842	24	743	14	768	26
Total	8,780	707	7,996	940	7,854	1,174	7,394	970	6,693	368

NB Indicate number registered for KCPE including re-sits

PTP: Inicate number who passed proficiency test

15.32. Due to financial constraints only 2,798 out of a total of 3,000 teachers were trained in 1990 as full time teachers against 2,330 in 1995.

15.33. Gender and Development: The women's Bureau has been in the forefront in sensitising the relevant target groups on gender issues affecting the advancement of women. The Bureau has to date carried out gender sensitisation seminars for personnel from units of gender issues, Senior Government Officials, Sectoral and District Development Planners, Statisticians and District Development Officers.

15.34. The number of registered women groups, their membership contribution and GOK grants by province in 1996 are shown in Table 15.18. Total grants by GOK were Ksh. 610,000 in 1996 up from Ksh. 580,000 in 1995. Total number of women groups was 63,599 with a total membership of 2,032,564 in 1996. Contribution of various groups amounted to KSh. 321.9 million out of which Central province led with KSh. 88.5 million (27.5 per cent of the total) followed by Rift Valley province with Ksh 84.3 million (26.2 per cent of the total).

REGISTERED WOMEN GROUPS, THEIR MEMBERSHIP, CONTRIBUTION AND GOK GRANTS BY PROVINCE. 1996

Table 15.18

Province	Number of Groups	Membership	Groups Contribution (Ksh million)	Grants by GOK (Ksh)
Central	8,423	262,027	88.5	60,000
Coast	3,247	81,529	10.8	60,000
Eastern	14,214	509,839	16.4	100,000
N/Eastern	535	13,579	0.2	40,000
Nyanza	11,329	376,652	56.4	100,000
Nairobi	1,100	48,036	13.5	60,000
Western	9,418	274,150	51.8	70,000
Rift Valley	15,333	466,752	84.3	120,000
Total	63,599	2,032,564	321.9	610,000

Source: Women's Bureau, MCSS

15.35. Currently the Bureau is carrying out sector specific gender sensitisation training which aims at creating deeper understanding of gender analysis in terms of policy planning and programme identification, design and implementation. So far training has been held for the Ministries of Agriculture and Health on issues

affecting these sectors and how they can be tackled when formulating policies and programmes which have already been included in the 8th National Development plan. Plans are underway to sensitise Permanent Secretaries and officers in the Attorney Generals Chambers.