REPUBLIC OF KENYA

ECONOMIC SURVEY 1998

MINISTRY OF PLANNING
AND
NATIONAL DEVELOPMENT

CENTRAL BUREAU OF
STATISTICS

PRICE: KSH. 800/

ECONOMIC SURVEY

1998

Prepared by Central Bureau of Statistics

Ministry of Planning and National Development

NAIROBI

MAY, 1998

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SUMMARY AND OUTLOOK

Overview

In 1997, the world economy continued to expand. The Organisation for Economic Co-operation and Development (OECD) strengthened further to reach 3.0 per cent in 1997. The OECD area, remained robust with low and stable inflation, favourable exchange rate, strong financial position of the business sector and stability in commodity market. The world trade volume expanded by a remarkable 9.2 per cent.

The emerging market countries in Europe and Latin America continued to recover strongly. The only major problem experienced was in Asian region, where the financial crisis that emerged in Thailand quickly spread to the South East Asian Region. It's effects were also felt in Korea and Japan, but left China, Singapore and Hong Kong China largely unaffected. The African continent recorded a low GDP growth of 3.5 per cent.

At the local level, the Kenyan economy performed rather dismally by recording a low 2.3 per cent growth compared to 4.6 per cent registered in the previous year. The poor growth was mainly the result of the deterioration in the performance of the key sectors. These include agriculture, which recorded a growth rate of 1.2 per cent; manufacturing, with a rise of 1.9 per cent; tourism, with a decline of 11.6 per cent in earnings; and also declines in building and construction activities, exports, investments and a fall in donor assistance. Inflation level edged up slightly to stand at 11.2 per cent in 1997.

International Scene

Growth in the OECD area strengthened further to reach 3.0 per cent in 1997 compared to 2.4 per cent in 1996. The robustness has been attributed to fiscal consolidation, low and stable inflation, favourable movements in exchange rates since early 1995, strong financial position of the business sector in most countries and stability in commodity markets.

The financial turbulence that emerged in Thailand in the middle of 1997 and spread throughout South East Asia also spread in some OECD countries in Asia Pacific Region. This development had a dampening effect on growth particularly in Japan and South Korea.

The United States experienced strong economic activity while in Japan, expansion faltered in 1997 and its recovery is becoming increasingly fragile. The United Kingdom and Continental Europe, on the other hand, enjoyed high growth rates, strongly rebounding from a growth of 1.6 per cent in 1996 to 2.6 per cent in 1997. Mexico and other emerging market countries in Europe such as Turkey, continued recovering strongly. Unemployment in Europe, the effects of the financial crisis in the Asian Region, and a smooth transition process towards the European Economic and Monetary Union in Continental Europe were a major concern in this period.

World merchandise trade grew in volume by 9.2 per cent in 1997, the highest in over two decades, largely due to the strong growth in trade in North and South America. The growth was accelerated by stronger intra-OECD trade, which grew significantly faster than trade between the OECD and non-OECD. This strong growth is also associated with linkage-intensive development strategies adopted by a number of developing economies as they integrate themselves into the global economy.

Growth in the OECD area is projected to stabilize around 2.9 per cent before falling to 2.6 per cent in 1999. Over the medium term, nearly all countries in the area need to increase the adaptability of their economies and their resilience to unpredictable shocks. In a number of other countries in East Asia, prospects will be negatively affected by the financial crisis, implying in some cases much lower growth rates in the short run.

Domestic Economy

Key macro-economic indicators show that the year 1997 was characterised by a slow down in investment and economic activity compared to 1996. The annual growth rate of the economy slowed to 2.3 per cent compared to 4.6 per cent in 1996. Key sectors of the economy such as agriculture and manufacturing recorded substantial declines in both output and growth. Growth in agriculture fell from 4.4 per cent in 1996 to 1.2 per cent in 1997, while manufacturing slowed to 1.9 per cent from 3.7 recorded in the previous year.

Investments grew marginally by 2.2 per cent during the period under review. The cumulative impact of developments in various sectors was a reduction in both Gross Domestic product growth and gross domestic product per capita. The level of investments fell essentially due to political uncertainties in the year, reduced budgetary allocation, low construction activities and reduced donor funding.

During the year, the budget deficit widened as a result of extra expenditure on general elections, wage increases to public servants, particularly teachers, and resources needed for security operations. Domestic debt increased during the period.

The annual inflation rate rose modestly from 9.0 per cent in 1996 to 11.2 per cent in 1997, mainly due to shortage of agricultural commodities.

The overall country's balance of payment surplus substantially fell due to a deterioration in the current account resulting from substantial food imports to offset deficits in domestic production and a reduction of net receipts from foreign travel.

Poverty and Social Indicators

Poverty is a multi-dimensional phenomenon whose causes are complex and difficult to measure in a precise manner. From the 1994 welfare monitoring survey it was established that about 47.0 per cent of the rural and 29.0 per cent of the urban households were absolute poor. Further analysis has been carried out to identify the social economic groups most affected by poverty. Using the poverty lines of Kshs. 978 and Kshs. 1,490 per month, for rural and urban poor, respectively and the main occupation of households, it was possible to identify in broad terms the most vulnerable groups in society. The analysis showed that majority of the poor (67.6 per cent) were located in rural areas and were actively engaged in subsistence farming compared to 8.7 per cent residing in urban areas. Poor families had a larger mean household size of 6.4 members compared to that of non-poor of 4.6.

The categorization of data by social classes shows that education has a strong influence on the well-being of society particularly with regard to women of child-bearing age. First, education attainment of mothers from poor households was relatively low compared to mothers from non-poor households, with children from poor households being more malnourished. In secondary education, the net enrolment levels of non-poor were more than double that of the poor. However, total fertility rate for both social classes was on decline standing at 6.6 children per poor woman compared to 6.1 for non-poor woman in 1994.

Two thirds of the female population residing in rural areas were engaged in subsistence farming. There were no significant differences in sources of income for poor and non-poor. The main sources of household income for both groups were wage earnings followed by income from sale of livestock and livestock products and crop sales in that order. Within the class of the poor 78.4 per cent owned or operated land/plots of various sizes but this did not prevent them from being poor. Effective utilization and ability to engage resources productively may have constituted a constraint. On average, the poor kept more livestock than the non-poor while in urban areas livestock rearing was predominantly carried out by the poor.

On social amenities, 27.1 per cent of the poor had no access to a toilet facility the bulk of who were resident in rural areas. Among the poor, a significant number in North Eastern (44 per cent), Eastern (11 per cent) and Coast (15 per cent) provinces took more than two hours to fetch water. The analysis of water supplies by social economic groups shows that usage of unsafe water sources was particularly high among the subsistence farmers (69.7 per cent) and the pastoralists (69.8 per cent).

Firewood collected as a source of fuel was used by 58.4 per cent of non-poor households compared to 80.7 per cent by the poor while charcoal and paraffin were most prevalent with urban households.

Among the food poor households (those earning less than Kshs. 703 per month) the highest stunting levels of over 40 per cent were recorded in Coast (46.6 per cent) followed by Eastern

(41.4 per cent) and Western (40.1) provinces. For the three nutritional indices namely, stunting, wasting and underweight, the rate of malnutrition decreased as mother's level of education increased.

Employment, Earnings and Consumer Prices

In the course of 1997, total persons engaged outside small-scale farming and pastoralists activities rose by 8.6 per cent to 4.7 million persons. The overall growth was lower compared to 1996 as jobs created by the domestic economy declined from 467.2 thousand in 1996 to 372.6 thousand in 1997. Most of the additional jobs were created in the informal sector as employment in the modern sector expanded by only 1.8 per cent in 1997. The slow down in modern sector employment was partly due to sluggish performance of the domestic economy, coupled with restrictive Government policy on employment in public institutions. Wage employment in the public sector declined to 700.6 thousand persons in 1997. The number of females in wage employment within the modern sector rose by 2.6 per cent to 473.4 thousand persons, with their share in wage employment edging up marginally from 28.5 per cent in 1996 to 28.7 per cent in 1997.

The overall nominal wage bill increased by 22.7 per cent to K£ 8,244.9 million in 1997. Average earnings increased by 20.6 per cent, from K£ 4,150.1 per annum in 1996 to K£ 5,004.6 per annum in 1997. Average earnings in real terms amounted to K£ 870.1 per annum, with their growth decelerating from 11.7 per cent in 1996 to 8.4 per cent in 1997, mainly due to a modest rise in inflation. As the Government continues to liberalise the labour market, the number of collective agreements registered by the Industrial Court increased from 269 in 1996 to 304 in 1997. The agreements benefited 60,459 unionised employees.

The general inflation rate, which had attained the single digit level in both 1995 and 1996, reverted to two-digit level, rising slightly from 9.0 per cent in 1996 to 11.2 per cent in 1997. The increase in inflation was most pronounced in the first half of the year, following the shortfall in agricultural output caused by the widespread drought in early 1997. Other main contributing factors included slight increase of Value Added Tax, depreciation of the Kenya shilling, withholding of donor aid under Enhanced Structural Adjustment Facility (ESAF) and el nino phenomena. However, reduced expansions in the money supply and domestic credit by the banking system helped to moderate the effects on inflation pressures.

Money and Banking

The Government continued to use monetary policy to maintain price stability as well as achieve sustainable economic growth. To effect this, the Central Bank used indirect policy instruments to regulate the growth of money supply and at the same time deliberately tried to influence the lowering of interest rates. During the year mandatory minimum cash and liquidity ratios were also lowered to 15.0 per cent and 20.0 per cent, respectively.

Money supply, which was targeted to grow by 11.0 per cent in 1997, grew by 9.8 per cent, while net foreign assets increased from K£ 1,432 million in December 1996 to K£ 1,514 million by end of 1997. Total domestic credit increased by 15.8 per cent from K£ 13,606 million in 1996 to K£ 15,761 million in December 1997. Credit to the public sector increased by 12.3 percent in 1997 compared to a 0.2 per cent decline in 1996. High interest rates continued to prevail for the second year running despite efforts to bring them down by lowering of cash and liquidity ratios. Treasury bills and bonds were the main borrowing instruments used by Government to secure funds from the domestic source and were the main cause of high interest rates.

The banking sector grew further in 1997 as 8 more Non-Bank Financial Institutions converted or merged into commercial banks. During the year the Central Bank of Kenya (Amendment) Act, of 1996 became law. The amended act gave more operational autonomy to the Central Bank Authorities as managers of the monetary policy. The act requires that the Central Bank submits a monetary policy statement covering the next twelve months period at intervals of not more than six months to the Minister for Finance. The statement shall outline the policies being pursued, the mode of implementation and the expected outcome from such implementation as well as justification for adoption of the said policies.

In 1997, there were three new issues in the primary market of the Nairobi Stock Exchange (NSE). Market capitalization at the NSE increased from K£ 4,947 million in 1996 to K£ 5,715 million in 1997 while share index rose by only 1 point to 3,115.1 by December 1997. Insurance companies were in addition encouraged to trade in the stock market through a waiver of taxes on gains from stock trading in the NSE, thus putting them on the same footing as other institutional investors in the market.

Public Finance

The Government plan to maintain a tight fiscal policy and achieve a reduced budget deficit was undermined by several factors, some of which were beyond it's control. These factors included unplanned expenditures on salaries for public servants, the effects of the el nino weather phenomenon, extra expenditures on the last general elections and the suspension of the enhanced structural adjustment facility by the International Monetary Fund.

Total Government expenditure as a percentage of Gross Domestic Product increased from 33.3 per cent in 1996/97 to 45.4 per cent in 1997/98. Gross receipts on recurrent account grew from K£ 7,369.5 million in 1996/97 to K£ 8,416 million in 1997/98. Debt service charges accounted for 40.4 per cent of total expenditure in 1997/98.

Local Authorities expenditures continued to rise. This increase in expenditure has not been matched with growth in revenue leading to a large fiscal gap. More money was spent on roads and water undertakings in 1997/98 as compared to previous year. These two activities took K£ 250.8 million in 1997/98 compared to K£ 170.7 million in 1996/97.

International Trade and Balance of Payments

Indicators of international trade and balance of payments for 1997 depict poor performance compared to the previous year. During 1997, the level of imports rose sharply while exports almost stagnated resulting in the highest trade deficit since 1990. Exports stood at 63.2 per cent of imports, compared with 70.2 per cent in 1996. Meanwhile, the overall balance of payments surplus declined by 71.1 per cent. The reduction in the surplus was due to the weakening of both the current and capital accounts.

Kenya's major exports attracted better prices in the world market resulting in favourable terms of trade in 1997. However, the impact was not felt as the rises in export prices were countered by significant decreases in corresponding export quantities. The upshot of this performance was further deterioration of the balance of trade by K£ 997.1 million in 1997.

The overall balance of payments position recorded a surplus of K£ 336.2 million in 1997 compared to K£ 1,163.0 million in 1996. The current account deficit widened from K£ 211.1 million in 1996 to K£ 1,107.9 million in 1997, a reflection of the widening trade deficit. The capital account recorded a surplus of K£ 1,065.0 million in 1997 compared with a surplus of K£ 1,682.3 million in 1996. These developments are reflected in the decrease in net foreign assets of the banking system.

Agriculture

The agricultural sector growth slowed to 1.2 per cent in 1997 from 4.4 per cent registered in 1996. During 1997, the sector recorded a growth rate of 1.2 per cent. Drought in late 1996 and part of 1997 coupled with abnormally heavy rains all over the country during the last quarter of 1997 caused by the el nino weather phenomenon adversely affected agricultural growth. As a result, nearly all agricultural commodities registered declines in production. This tightened the food supply situation prompting the government to declare a national disaster besides providing relief food, maize seeds and tools for planting. The el nino rains also resulted in very destructive floods that led to massive crop and livestock losses in most parts of the country.

The prices of most crops registered an upward trend in 1997 when compared with 1996. The average price per tonne of coffee was recorded as K£ 12,575 while the average price per tonne of tea was K£ 5,340 in 1997. This reflects an increase of 80.8 and 35.1 per cent respectively.

The quantity of centrally marketed milk declined by 7.1 per cent from 257 million litres in 1996 to 240 million litres in 1997. The price paid to farmers by Kenya Co-operative Creameries (KCC) improved by 16.0 per cent from Kshs. 12.5 per litre in 1996 to Kshs. 14.5 per litre in 1997.

Total sugar cane production increased from 3,870.5 thousand tonnes in 1996 to 4,278.3 thousand tonnes in 1997. Over time, the sugarcane producer price has remained at Kshs 1,553 per tonne. In order to protect sugarcane farmers from subsidized cheap sugar imports, duties and levies, that are in agreement with World Trade Organization (WTO) regulations, have been imposed on all imported sugar.

Environment and Natural Resources

The performance of the environment and natural resources sector is gauged by the analysis of four major sub-sectors, namely; water supplies, fisheries, forestry and mining. In 1997, development expenditures on water supplies and related services dropped by K£ 42.0 million while forest plantation area and recorded sale of timber declined by 0.2 per cent and 1.9 per cent, respectively. During the same period, the quantity of mineral production fell significantly by 63.8 thousand tonnes. However, the value of fish landed declined by a modest 5.2 per cent.

Plausible explanations for the deterioration in expenditure of the sub-sectors include; diminishing financial donor support in virtually all the sub-sectors, dampened demand within the mining and fisheries sub-sectors, and high drilling and maintenance costs in the water supplies and related services.

Inspite of the water supplies declining trend in performance, remarkable growth rates were registered in the Rural Water Supplies, county Council and Urban Water Supplies.

Energy

Iraq started exporting $2 billion worth of oil annually after receiving clearance from the United Nations thus returning to market for the first time since the economic embargo came into effect in 1990. This had the effect of depressing oil prices.

Market developments during the year made the Organisation of Petroleum Exporting Countries (OPEC) revise the production ceiling from 25.03 million barrels to 27.50 million barrels per day beginning from January 1998.

During the year under review, the overall imports of crude oil and refined petroleum products went up from 2,408.1 thousand tonnes in 1996 to 2,759.2 thousand tonnes in 1997. The total installed electricity capacity went down from 805 MW in 1996 to 802 MW in 1997. On the other hand, total electricity generation went up by 4.5 per cent, from 4,040.1 GWH to 4,223.0 GWH in 1997, mainly due to improved weather conditions, which resulted in improved water levels in hydroelectric dams. The total net energy imports continued to dominate the total energy consumption and accounted for 56.6 per cent of total energy consumed in the country in 1997. The share of domestically produced energy however increased by 5.4 per cent.

Manufacturing

The volume of manufacturing production recorded a modest expansion in 1997. In real terms, output growth of the sector slowed down further to 1.9 per cent in 1997 compared to 3.9 per cent and 3.7 per cent registered in 1995 and 1996 respectively. The slower growth in output was attributed to several factors among them, deepening effects of trade liberalisation, power rationing in the early part of the year and diversion of transit goods into the local market. Other factors were; deterioration of infrastructure that led to high input costs, general slowdown in operations due to uncertainties relating to the general elections and depressed local demand occasioned by high product prices as well as falling real household incomes.

The slowdown in the manufacturing sector was also reflected in slower rate of growth in employment from 2.6 per cent in 1996 to 1.9 per cent in 1997. Similarly, there was depressed demand for manufactured goods in 1997 as reflected in the slower rate of growth in the sales of manufactured goods as depicted by provisional data on Business Expectations Enquiry (B.E.E).

Information on the Export Processing Zones shows that, in 1997 the number of gazzeted zones increased to 15 from 14 in 1996 while the number of approved enterprises increased from 70 enterprises in 1996 to 82 enterprises in 1997. Total turnover in the zones increased by 18.8 per cent in 1997 while the value of export as a percentage of total turnover improved from 68 per cent in 1996 to 74 per cent.

Building and Construction

The main indicators in building and construction sector show that the sector's activities remained depressed in 1997. The unsatisfactory performance was partly attributable to the slow down in public sector construction activities as a result of Government's financial austerity measures and cuts in donor funds. Unfavourable weather conditions experienced during the last quarter of the year further slowed down building and construction activities. Consumption of cement, a key input in construction industry declined by 13 per cent to 816 thousand tonnes, the lowest level since 1993. The private sector building activities, however benefited from continued rise in commercial banks loans and advances.

In 1997, employment rose marginally by only 1.5 per cent, which was slightly lower than 3.1 per cent growth recorded in the previous year.

Deflated Index on Government expenditure on roads recorded a decline in 1996, due to a fall in actual government expenditure on roads in 1996/97 fiscal year. Budgetary allocation for road development, repair and maintenance was however expected to rise in 1997/1998. The rise led to significant rise in the index to 113.6 per cent in 1997.

Total value of building plans approved by Nairobi and other towns declined marginally by less than one per cent in 1997. This was mainly due to a decline in value of approved plans

recorded in other towns. The total value of plans declined from K£ 756.2 million in 1996 to K£ 748.8 million in 1997.

Tourism

Key indicators of tourism sector depict 1997 as a poor tourism year. Tourism earnings fell sharply by 11.6 per cent from K£ 1,280 million in 1996 to K£ 1,132 million in 1997. The overall decline in earnings was mainly attributed to the fall in the number of visitor arrivals and lower hotel occupancy.

Visitor arrivals declined by 0.2 per cent from 1,003.0 thousand in 1996 to 1,000.6 thousand in 1997. Visitor departures declined by 5.7 per cent from 980.8 thousand to 924.7 thousand

Over the same period, hotel bed-nights occupied as well as available hotel capacity recorded declines of 3.0 per cent and 16.2 per cent respectively. Visitors to parks and game reserves declined by 8.3 per cent while visitors to museums, snake park and other historical sites also registered decline from 758.8 thousand in 1996 to 588.1 thousand in 1997.

Transport, Storage and Communications

During the year, transport storage and communications sector continued to grow albeit at a slower rate compared to growth levels in 1996. The nominal value of output from the transport and communications sector went up from K£ 3,425.8 million in 1996 to K£ 3,635.9 million in 1997; a rise of 6.1 per cent. Significant growths in the output value were manifested in air transport, water transport and communications sub-sectors whose growths were 11.0 per cent, 7.0 per cent and 7.9 per cent in 1997 compared to 1996 levels. The total absolute number of newly registered vehicles maintained an upward trend, although the registration growth slowed down significantly from 29.0 per cent in 1996 to 4.3 per cent in 1997.

The drop in freight tonnage transported along the railway network adversely affected the economic performance of Kenya Railways. Total freight ferried by the Corporation went down by 21.3 per cent from 2,059.7 tonnes in 1996 to 1,620.6 tonnes in 1997. However, rail passenger journeys made during the period under review almost maintained the 1996 level. Activity at Mombasa harbour recorded mixed performance; imported freight recorded a substantial growth of 4.1 per cent from 6,318 thousand tonnes in 1996 to 6,580 thousand tonnes in 1997. Exported cargo, however, dropped significantly from 2,376 thousand tonnes in 1996 to 1,830 thousand tonnes in 1997. White petroleum products pumped by the Kenya Pipeline Company rose marginally by 4.5 per cent from 2,376.9 thousand cubic metres in 1996 to 2,483.1 thousand cubic metres in 1997.

Overall performance of commercial airlines operating at Jomo Kenyatta and Moi international airports recorded substantial growths although there was a significant drop in the number of

transit passengers handled. The telecommunications industry continued to boost the overall economic performance of the communications sub-sector. Activity in the information and mass media sub-sector recorded commendable performance following increased sales of new radios and TV sets. Similarly, there was an increased sale of newspapers especially the weekly newspapers and magazines.

Social Scene

Enrolment in pre primary schools increased by 3.0 per cent to 1,064,125 in 1997 from 1,033,367 in 1996. In the same period, primary schools enrolment rose marginally by 0.5 per cent to stand at 5.63 million while that of secondary schools dropped slightly by 1.0 per cent to 651,680 in 1997. Public universities enrolled a total of 43,591 students in 1997/98 academic year, representing a remarkable 14.8 per cent increase from the previous academic year.

Receipts from National Hospital Insurance Fund contributors went up by 14.6 per cent from K£ 71.90 million received in 1995/96 to K£ 82.40 million received in 1997/98. The benefits paid out also increased by 59.1 per cent from K£ 17.1 million in 1995/96 to K£ 27.2 million in 1996/97. The number of employers and employees registered by National Social Security Fund in the period under review, also rose from 46.4 thousand to 48.0 thousand and from 2,401.1 thousand to 2,498.2 thousand, respectively. The annual contribution to the Fund however declined marginally by 0.6 per cent to register K£ 79.5 million in 1997.

Outlook

Growth in the OECD area is expected to remain fairly strong and stable in 1998, at 2.9 per cent before declining slightly. Commodity prices are also expected to stabilise, which augurs well for developing countries. The Kenyan economic growth in 1998 is expected to be slightly higher than in 1997, mainly due to increase in tea, sugarcane, and horticulture production while tourism is expected to rebound due to promotional efforts being carried out. Food production is likely to pick up, with the exception of maize.

Other factors that are expected to boost economic activities are improvement in infrastructure such as the reconstruction of the Mombasa-Malaba highway and maintenance of other road infrastructure; the ongoing efforts to enhance generation of electricity and high prices of the chief export commodities.

It is hoped that with the tight ongoing economic reforms, programme financing will be reinstated as a result of improvements in donor confidence. The year is also expected to witness major reforms in the public sectors aimed at reducing the public domestic debt, lower domestic interest rates and reduce the budget deficit. Investment rate is expected to return to normal as necessary revival of infrastructure is put in place.

On the external sector, the balance of payments surplus is expected to improve as a result of high export earnings from the country's chief exports and improved tourism activities.

Efforts to contain inflation are expected to continue to be a priority this year. The government will also maintain a more restrained fiscal policy. In addition, efforts will be made to improve revenue collection system.

All these developments point to a constrained and difficult 1998, where projected growth may increase marginally to 2.7 per cent.

KEY ECONOMIC AND SOCIAL INDICATORS, 1993 - 1997*

Table 1

			1993	1994	1995	1996	1997**
1	Population	(million)	26.0	26.8	27.5	28.3	29.0
2	Growth of GDP at constant prices	(per cent)	0.2	3.0	4.8	4.6	2.3
3	GDP at market prices	(K£mn)	16,681	20,036	22,283	26,398	30,071
4	Net cost of petroleum products	(K£mn)	872	620	714	800	935
5	Trade balance	(K£mn)	-1,378	-1,472	-2,891	-2,514	-3,511
" 6	Money Supply (M3)	(K£mn)	8,079	10,291	11,582	13,424	14,735
7	Total domestic credit	(K£mn)	7,615	10,186	12,278	13,606	15,761
8	Balance of payments (current account)	(K£mn)	288	291	-1,031	-211	-1,106
9	Coffee marketed production	(000 tonnes)	75	80	95	97	68
10	Tea marketed production	(000 tonnes)	211	209	245	257	221
11	Maize marketed centrally	(000 tonnes)	242	316	401	296	205
12	Wheat marketed centrally	(000 tonnes)	73	105	126	130	124
13	Sugar-cane production	(000 tonnes)	3,846	3,569	3,826	3,870	4,278
14	Milk sold centrally	(mn litres)	249	258	350	257	240
15	Manufacturing output	(K£mn)	15,908	19,428	23,074	21,097	22,479
16	Construction output	(K£mn)	1,293	1,456	1,591	1,611	1,657
17	Cement Consumption	('000 tonnes)	894	859	1,065	942	816
18	Petroleum Consumption	('000 tonnes)	1,826	2,009	2,067	2,231	2,175
19	Electricity consumption	(mn Kwh)	3,074	3,205	3,289	3,478	3,625
20	Tourism earnings	(K£mn)	1,222	1,405	1,250	1,280	1,132
21	New registration of vehicles	(number)	12,420	17,928	22,224	28,664	29,893
22	Rail freight	(mn tonnes Km)	1,312	1,172	1,456	1,309	1,068
23	Air passengers handled	('000)	2,721	2,773	2,675	2,691	2,835
24	Wage employment	('000)	1,475	1,505	1,557	1,619	1,647
25	Education-primary enrolment	('000)	5,429	5,557	5,536	5,598	5,677
26	Education-secondary enrolment	('000)	531	620	632	658	687
27	Education-post secondary enrolment	('000)	80	82	85	86	89
28	Hospital beds and cots	(number)	38,137	37,271	47.214	49,331	50,909
29	Registered doctors and dentists	(number)	4,458	5,188	4,510	4,656	5,005
30	GDP Per capita	(K£)	546	632	716	794	888
	INDEX NUMBERS: (1982=100)						Annual % Rate of change 1993-97
	Export volumes		148	167	175	200	174	4.1
	Import volumes		116	144	168	167	177	11.1
	Terms of trade		90	101	95	93	102	3.2
	Consumer prices ***		363	468	474	517	575	12.2
	Real wages		78	92	120	112	108	8.5
	Agricultural terms of trade		87	87	88	88	107	5.3

* More precise measures are given in individual chapters

** Provisional

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

CHAPTER 1 - INTERNATIONAL SCENE

Introduction

Growth in the Organisation for Economic Co-operation and Development (OECD) area strengthened further to reach 3.0 per cent in 1997 compared to 2.4 per cent in 1996. The robustness has been attributed to fiscal consolidation, low and stable inflation, favourable movements in exchange rates since early 1995, strong financial position of the business sector in most countries and stability in commodity markets. The fairly buoyant picture is however far from being homogenous across the whole area. The financial turbulence that emerged in Thailand in the middle of 1997 spreading throughout South East Asia also affected some OECD countries in the Asia Pacific Region. This development had a dampening effect on the growth particularly for Japan and South Korea. Elsewhere in the non-OECD area, growth was mixed with the Dynamic Asian Economies (DAE's) slowing down as a result of the financial turbulence; while growth picked up in the Central and South American states and in some key Central European Countries and in sub-Sahara Africa.

1.2. The United States experienced strong economic activity characterised by prolonged business upswings, low inflation and robust employment growth. In Japan, expansion faltered in 1997 and its recovery is becoming increasingly fragile. The recent financial turbulence has highlighted the underlying weaknesses of the financial sector further slowing its growth to a mere 0.5 per cent in 1997. The United Kingdom and Continental Europe, on the other hand, enjoyed high growth rates, strongly rebounding from a growth of 1.6 per cent in 1996 to 2.6 per cent in 1997. Mexico and other emerging market countries in Europe such as Turkey, continued recovering strongly. The main concerns emerging during the period remained growth in unemployment in Europe, the effects of the financial crisis in the Asian Region, macro economic concerns in Japan and a smooth transition process towards the European Economic and Monetary Union in Continental Europe.

1.3. World merchandise trade grew in volume by 9.2 per cent in 1997, the highest in over 2 decades, largely due to the strong growth in trade in North and South America. In addition, the growth was accelerated by stronger intra-OECD trade, which grew significantly faster than trade between the OECD and non-OECD countries. This strong growth is also associated with linkage-intensive development strategies (unions) adopted by a number of developing economies as they integrate themselves into the global economy.

Country/Regional Analysis

14. United States: the American economy performed exceptionally well in 1997 with a growth rate of 3.8 per cent compared to 2.4 per cent growth recorded in 1996, notably the highest among major OECD member countries. Unemployment declined to 5.0 per cent from 5.3 per cent in 1996. This coupled with a slide in inflation rate may be a reflection of fundamental changes in the economy inspite of adopting tight resource utilisation initiatives. Export growth held quite well, despite the strength of the dollar, as import

penetrations continue to deepen. The current balances, however, fell slightly, an indication that improvement in terms of trade more than offset deterioration in volumes witnessed in the first half of 1997. Volume of trade recorded strong growths in the second half.

1.5. Germany: the GDP growth rate of 2.4 per cent recorded in 1997 in Germany was largely attributed to a large export growth of 11.0 per cent. Improved competitiveness, higher levels of profitability and rising household incomes contributed to increased private sector demand. The underlying inflation scenario also remained favourable. The level of inflation dropped further from 1.3 per cent in 1996 to 0.9 per cent in 1997. Marked productivity gains from intensified industrial restructuring that has been ongoing have left firms in the goods producing sector in a favourable position to increase investment. Capacity utilisation has risen above historical average. Joblessness has, however, remains high owing largely to current industrial structure and weak construction activity.

1.6. The overall economic activity in Germany continued to rise. In addition to exports, investments in machinery and equipment increased markedly. Domestic demand remained stable, with monetary conditions also remaining favourable. The economic upswing is expected to continue especially within the manufacturing sector, which has been given an impetus through high export demand.

1.7. Japan: the Japanese economy declined during 1997 after accelerating in 1996, largely as a result of a fall in infrastructure spending, reduced residential investment and a drop in consumer demand attributed to significant job losses especially in the construction and manufacturing industries.

1.8. Overall GDP registered a gain of just 0.5 per cent which was 3 percentage points lower than in 1996. The weaknesses noted above, were however partially offset by stronger exports, reflecting both buoyant foreign markets penetration and the country's improved competitiveness. With the economic growth weakening from the middle of 1997, the expansion of employment ended, leaving unemployment high by Japanese standards at 3.4 per cent.

1.9. Dynamic Asian Economies'[1]: most of the DAE's located in the Asia Pacific Region experienced a shock as a result of the financial turbulence which began in Thailand during the second half of 1997. The turbulence began with a sharp depreciation of the Thai Baht, and subsequently spread to other economies in South East Asia, namely; Malaysia, Philippines and Indonesia. Growth in Indonesia and Thailand virtually stagnated, as these economies became highly dependent on short-term capital flows while experiencing large current account deficits. The countries are currently facing high levels of non-performing loans.

1.10. China was largely untouched by the turbulence. Growth continued at an annual rate of around 9.0 per cent while inflation has remained subdued. A strong export

[1] China, Hong Kong China, Malaysia, Philippines, Singapore, China Taipei and Thailand.

performance has been the source of growth in 1997. Singapore, Chinese Taipei and Hong Kong China have also been affected less seriously by the financial crisis in other East Asian Countries with their economic growth remaining strong. In Singapore, the manufacturing sector expanded strongly leading to a 6.5 per cent GDP growth rate in 1997. Hong Kong China, witnessed considerable expansion in investment activity, especially property and machinery sectors. It recorded a GDP growth of 5.4 per cent in 1997 up from 4.9 per cent recorded in 1996. The economy continued to register strong growths of over 9.0 per cent in the last three years. The growth has been spurred by a strong export performance.

1.11. Central and Eastern European Countries: the overall economic performance in the Central and Eastern European countries, was one of stronger growths in the second half of 1997 compared to 1996. Russia, which experienced declines in 1996, showed signs of recovery. Preliminary data show that GDP growth was up by 0.2 per cent in 1997. Inflation declined to around 13.0 per cent compared to rates of 131.0 per cent and 22.0 percent in 1995 and 1996, respectively.

1.12. In Romania, the new government adopted a "shock therapy" for macro-economic stabilisation and acceleration of structural reforms. Output growth is projected to have remained robust in 1997 registering a growth of 3.5 per cent. Domestic demand has been a key factor contributing to the increase in GDP. Sustainability of the growth is, however, dependent on macro-economic stabilisation remaining durable. In the case of Bulgaria, the economic crises reached an apex in February 1997. Output continued to decline for the rest of the year and unemployment rose. The economy is however expected to grow in 1998. Overall, the average rate of growth in the Baltic States increased in 1997 relative to 1996, when it was 3.5 per cent. Preliminary data for the first half of 1997 shows GDP growth of 11.7 per cent, 4.6 per cent, and 2.5 per cent in Estonia, Latvia and Lithuania respectively.

1.13. Central and South America: the economic growth in Central and South America picked up in 1997 while inflation declined in almost all the countries. The growth rates were particularly strong in Argentina, Chile and Peru. All countries except Argentina, Columbia and Venezuela experienced declines in inflation. Brazil recorded an inflation of 5.0 per cent, by far a great achievement historically.

114. Growth in the region was well reflected in positive growth in Mexico and Argentina. Both countries managed to rebound from the 1994-95 crisis with restored growth and access to international capital. Overall, GDP at market prices in Mexico grew by 6.7 per cent; while in Argentina a growth rate of 7.0 per cent was recorded in 1997 compared to 4.4 per cent in 1996. Brazil, the region's largest economy, recorded a slow growth of 1.9 per cent. The region as a whole recorded an overall growth of 4.6 per cent in 1997 compared to 3.2 per cent in 1996. Exports and investments continued to expand rapidly with a recovery in private consumption. These developments were a reflection of

Includes Baltic countries, Bulgaria, Romania, the Russian Confederation, Slovak Republic, Slovenia and Ukraine.

strong policy responses as well as strengthened economic fundamentals resulting from earlier reforms.

1.15. Africa: as in 1996, the economies of Sub-Saharan Africa grew faster than their populations. It is estimated that these economies recorded a low growth rate of 3.5 per cent; while population growth stood at 3.0 per cent in 1997. Eleven countries in the region did even better by recording growth rates that exceeded 6.0 per cent. According to the World Bank, however, 31 of the 48 countries still require assistance as they are still classified as heavily indebted and low income.

1.16. These improvements are fragile and the threat of reversal very real. Several of these countries are torn in civil strife or faced with disasters. Social indicators remain below those of other regions, fiscal deficits are high and domestic savings low, aid dependency remains high; private and foreign direct investment levels, though beginning to improve, are still low. Significant unfinished agenda include areas such as financial sector reforms, public sector management and privatisation. The fourth phase (1997-99) of Special Programme of Assistance (SPA) for low income, debt burdened countries in Africa has been launched. Also launched during 1997 was the World Bank/IMF jointly approved Heavily Indebted Poor Countries (HIPC debt initiative that will assist countries that have a good record in economic reforms. This initiative, with a total budget estimated between US$ 5.5-8.4 billion is likely to benefit some African countries.

Commodity Prices

1.17. In 1997, commodity prices for tea and coffee recorded growths of over 50.0 per cent as overall tropical beverages rose by a high 21.0 per cent. Both agricultural raw materials, and mineral ores and metals edged up slightly, rising by about 2.0 per cent. Sugar, however, recorded a fall of 9.0 per cent. Prices are expected to remain stable in 1998.

1.18. Oil prices declined through most of 1997, as Iraqi joined the rest of Organisation of Petroleum Exporting Countries (OPEC) in the "Food for Oil" programme. It is projected that higher oil supply especially from non-OPEC producers should be met by higher stocking within the OECD area. Prospects of higher oil prices dwindled during the year to drop by 7.0 per cent. By the first quarter of 1998, the Brent Blend was selling at $12.98 per barrel. OPEC has not yet come to grips with other member states producing more than their expected quota.

Outlook

1.19. Growth in the OECD area is projected to stabilise around 2.9 per cent in 1998 before falling to 2.6 per cent in 1999. Over the medium term, nearly all countries in the area need to increase the adaptability of their economies and their resilience to unpredictable shocks. In a number of other countries in East Asia, prospects will be negatively affected by the financial crisis, implying in some cases; much lower growth rates in the short run.

1.20. In continental Europe, the most pressing issue is to ensure smooth transition process toward the European Economic and Monetary Union (EMU), with one common currency,* the Euro. Once the EMU is established in early 1999, there will be a single monetary policy for the whole region set by the European Central Bank (ECB). A further challenge to face the EMU is to actually pursue the structural reforms that are needed to make labour and product markets more competitive and efficient.

1.21. In the USA, domestic demand is expected to continue growing through first half of 1998, but deterioration in net trade and a deceleration in stock building may depress growth rates. The projected performance sits between two alternative scenarios. First, that demands could slow down as consumers raise their saving rate and business require less investment to keep capital stock growth at desirable levels. Export demand could also be limited by economic conditions in Asia and elsewhere. The other alternative, which is most unlikely, is the continuation of strong domestic demand leading to further output growth. This will have the effect of straining available resources even more. Overall, GDP is expected to decline to 2.7 per cent in 1998 and further to 1.9 per cent in 1999.

1.22. GDP for the German economy is expected to grow and stabilise at around 3.0 per cent in 1998 and 1999, mainly due a buoyant export, recovery of investment and strong private consumption. As far as risks are concerned, failure to implement the planned tax reform could have negative confidence effect that could retard investment. On the other hand, with exports robust and conditions favourable for investment activity (including a successful launching of the EMU), there is possibility that growth could accelerate more rapidly than projected, requiring a shift in monetary policy stance.

1.23. The Japanese economy may experience recovery within the 1998 and 1999, but this may not be significant enough due to developments in local economy as well as economic weaknesses of its main trading Asian partners. In 1998, the growth is projected to reach about 1.7 per cent. On the domestic front, the rise in private sector unemployment may slacken markedly in response to the slow growth in output, further limiting overall household incomes and hence restraining growth in consumer spending. Export growth is likely to be held back by weakening of exports to the rest of Asia, hence reducing the contribution of net foreign trade to growth. Output growth may accelerate in 1999, but this is expected to have little impact on unemployment. Inflation is expected to decline to very low rates of around 0.5 per cent in 1999.

1-24. Growth of output in the South and Central American countries is expected to fall to a level below 4.0 per cent in 1998, as the stabilisation packages slows the Brazilian economy considerably. Growth should, however, gain momentum in 1999. Inflation is expected to drop further to 4.5 per cent in 1998; while current account deficit is expected to stabilise. The region's low saving rate, dependency on foreign financing and vulnerability to external shocks underscored by the financial turmoil in South East Asia may make it difficult for these countries to return to high growth rates.

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

Table 1.1

	1996	1997	1998	1999
Real GDP -				
United States	2.4	3.8	2.7	1.9
Japan	3.6	0.5	1.7	2.1
Germany''*	1.1	2.4	3.0	2.9
European Union	1.6	2.6	2.8	2.8
Total OECD	2.4	3.0	2.9	2.6
Real total domestic demand •				
United States	2.5	4.1	3.3	2.1
Japan	4.7	-0.5	1.5	2.0
Germany**	0.8	1.3	2.3	2.4
European Union	1.4	2.1	2.7	2.7
Total OECD	2.7	2.8	3.0	2.6
Inflation (GDP deflators)				
United States	2.0	2.0	1.9	2.2
Japan	-0.1	1.1	0.8	0.5
Germany*	1.3	0.9	1.2	1.5
European Union	1.7	1.8	2.0	2.0
Total OECD	4.1	3.8	3.4	3.3
Current balances-				
United States	-148	-171	-213	-233
Japan	66	92	105	112
Germany**	13	-6	10	25
European Union	92	115	137	169
Total OECD	-15	2	-8	8
Unemployment-				
United States	5.3	5.0	4.7	5.0
Japan	3.3	3.4	3.4	3.3
Germany*''	11.3	11.4	11.4	10.9
European Union	11.4	11.3	10.9	10.5
Total OECD membership	7.8	7.3	7.0	6.9
World Trade**	6.1	9.2	8.2	7.4

Source: OECD Economic Outlook no. 62 December, 1997

* Assumptions underlying the 1996 and 1997 projections include:
no change in actual and announced fiscal policies;
unchanged exchange rates from 3rd November 1997 in particular $1 = V 1121.04 and DM 11.742

** 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'.

Cutoff date for other information used in the compilation of the projections was 10th November 1997

1.25. A number of the DAE's especially Thailand, Malaysia, Philippines and Indonesia, will face economic adjustments in the course of 1998-99. Thailand, the greatest hit will have to undergo the largest adjustment. The economy may register a negative growth rate in 1998. The full impact of the financial turmoil will be apparent in the later part of 1998 and will largely be felt through trade and the effects will

therefore, be significant in some countries, including some members of the OECD. Overall, growth is projected to pick up modestly in 1999.

SELECTED WORLD COMMODITY PRICE INDICES, 1993-1997

Table 1.2 (1990=100)

Year	"Other milds" Coffee*	Tea**	Sisal***	Sugar*	Petroleum ++	AH+++ Commodities	Industrial Countries	Developing Countries
1993	78.5	91.4	86.1	106.2	73.2	96.1	92.5	98.0
1994	166.6	90.2	84.6	106.6	69.2	109.2	94.8	100.6
1995	167.6	80.8	99.4	118.0	74.7	118.1	104.3	111.1
1996	134.9	87.2	121.4	117.8	88.9	116.6	104.5	109.1
1997	207.5	116.7		107.3	83.5	111.9		

Source IMF, International Financial Statistics, (February 1998)
Indices are based on prices in US dollar

* Other mids (New York).
** Average Auction (London).
*** East African (Europe).
\+ E.U. Import Price.
++ Average crude price(Spot) (US $ per barrel).
+++ World (non-fuel commodities)

CHAPTER 2 - DOMESTIC ECONOMY

Overview

The Kenyan Economy for the last five years has witnessed the implementation of major economic reforms. These include removal of import controls, price and foreign exchange controls among many others. All these implementations and deregulations have opened up the domestic economy to stiff competition in every sphere. In the period 1993-1997, the economy recorded an average annual growth rate of 3.7 per cent. The year 1993 was the worst year in Kenya's economic history having recorded the lowest growth in real GDP of 0.2 per cent and a decline in GDP per capita of 2.7 per cent. The year was characterised by prolonged drought, high inflation, excessive growth in money supply and massive depreciation of the Kenya shilling. In 1995, the economy performed much better as a result of improved investment climate, decontrol of prices, removal of import licensing and exchange controls, liberalisation of petroleum and labour markets and the management of Government budget deficits through efficient use of available financial resources.

2.2. In 1997, however, for the second year running, the Kenyan economy recorded a further slow down to 2.3 per cent against a projected growth of 5.0 per cent in 1996. The slowed growth was observed in all sectors of the economy. The substantial fall in the rate of economic growth was as a result of a combination of factors, among them; adverse weather conditions, rising input costs, power interruptions, dilapidated infrastructure, pre-election violence, depressed investments, competition from imports arising from a liberalised trade regime, lack of investor confidence and labour unrest.

2.3. The resulting situation led to a drop in revenue from the tourism industry, loss of man-hours, property and lives, postponement of investment decisions and low agricultural output. There was a reduction in aggregate demand for goods and services. Investor confidence dwindled mainly due to the withholding of donor funding especially the release of Enhanced Structural Adjustment Facility (ESAF) funds from the International Monetary Fund (IMF). The ability to attract investments was also constrained by high interest rates particularly in the second half of the year under review.

2.4. In the real sectors, agricultural and manufacturing production was seriously constrained for most part of the year. The former as a result of the drought in the last quarter of 1996, spilling over into the first quarter of 1997 leading to large imports of commercial and relief maize. The latter as a consequence of deepening effects of liberalisation, rundown infrastructure, competition from imported goods, election uncertainties and depressed local demand. Value added in these sectors fell by 3.2 and 1.8 percentage points respectively. However the reduction of import duty in industrial inputs and the expanding regional market helped cushion manufacturing sector. In the service sector, trade, restaurants and hotels were particularly affected by disturbances in some urban centres in the second half of 1997.

2.5. The monetary policy pursued in 1997 aimed at maintaining price stability capable of supporting a meaningful and sustainable economic growth. Cash and liquidity ratios were reduced to spur growth. Money supply (M3) expanded by 9.8 per cent while total domestic credit increased by 15.8 per cent. Interest rates increased in the second half of the year, with public borrowing growing by 46.4 per cent in 1997. The country's fiscal deficit widened as a result of expenditure increases occasioned by the need to conduct general elections, wage increases to civil servants, teachers and on relief food operations. The current domestic debt stands at Kshs. 143 billion or 24 per cent of GDP.

2.6. The average annual inflation rate rose modestly over the period under review, from 9.0 per cent in 1996 to 11.2 per cent in 1997. The moderate growth in inflation can partially be explained by the reduced agricultural output leading to rising prices of basic foodstuffs. In addition, the shilling experienced depreciation against the major international currencies following the withholding of donor aid under Enhanced Structural Adjustment Facility (ESAF). However, reduced expansion in the money supply helped to moderate inflation pressures.

2.7. The country's overall balance of payment recorded a small surplus of K£ 336.2 in 1997 compared to K£ 1,163 in 1996. The deceleration was in part as a result of decline in the capital account surplus, which fell from K£ 1,682.3 million in 1996 to K£ 1,065 million. Further, this was coupled with the reduction in the net receipts from foreign travel as a result of a fall in tourist receipts during 1997. The largest trade deficit since 1990 was recorded at K£ 3,511.4 million and was largely attributed to large maize imports. The terms of trade on the other hand improved for both non-oil and all items resulting from better world prices of Kenya's traditional exports. After remaining relatively stable in the early part of the year, the Kenya shilling depreciated against major currencies from October 1997.

Sectoral Analysis

Agriculture

2.8. The sector recorded a decline of 1.2 per cent in 1997 compared with a growth of 4.4 per cent in 1996. Drought in late 1996 and early part of 1997, heavy rains towards the end of 1997 and rising input costs reduced production of most commodities. The cereal sub-sector was hardest hit with recorded production falling from K£ 330 million in 1996 to K£ 315 in 1997.

2.9. Maize: It is estimated that maize production fell by 2 million bags. In 1997, exceptionally heavy rains adversely affected the crop during the harvest period. This prompted the importation of both commercial and relief maize amounting to 1.1 million tonnes compared to 10.6 thousand tonnes in 1996.

2.10. Coffee: Coffee production substantially declined by over 40 thousand tonnes in 1997. The main reason attributing to this scenario was the dry spell in October 1996/March 1997,

coupled with thrips infestation disease. In addition, average yields per hectare of small holder producers and estates declined by 25.9 per cent. However, these effects from adverse weather were partly cushioned by better world prices, which nearly doubled to record K£ 12,575 per tonne in 1997 compared to K£ 6,957 in 1996.

2.11. Tea: Tea production recorded a decline of 14.2 per cent in 1997 over 1996. Severe drought beginning the last quarter of 1996 and moving into the first quarter of 1997 prevailed in most tea growing zones. The situation was exacerbated by a mixed weather pattern that made leaf collection quite difficult. Returns from the high demand of tea in the international markets more than offset the low output of the crop. One tonne of tea fetched K£ 5,340 in 1997, a price rise of 95.1 per cent from the 1996 level.

2.12. Sugar Cane: Sugar cane production increased by 10.5 per cent in 1997 although overall planted area decreased by 3.5 thousand hectares. The sugar industry was quite volatile in 1997, as it faced competition from imported sugar. Other factors that affected the production includes; inadequate credit facilities, poor cane husbandry and poor infrastructure.

Manufacturing

2.13. The manufacturing sector continued to suffer from initial challenges of trade liberalisation. Other negative factors affecting manufacturing were power rationing, diversion of transit goods to local market, dilapidated infrastructure, uncertainties related to the general election, high cost of credit and depressed local demand. The overall growth of the sector in real terms sharply fell from 3.7 per cent in 1996 to 1.9 per cent in 1997. Footwear and clothing industries performed poorly due to competition from imports of similar goods. On a positive note, significant growths were recorded in canned vegetables, fish, oils and fats, bakery products, and plastic product sub-sectors.

2.14. Milk intake declined from 257 million litres in 1996 to 241 million in 1997, while beef production rose by 25.0 per cent from 79 thousand tonnes in 1996 to 99 thousand tonnes in 1997. As a result, meat and dairy sub-sector recorded marginal gains.

2.15. In beverage and tobacco industry, beer production fell by 2.0 per cent while production of soft drinks and spirits fell by 6.2 per cent and 6.7 per cent respectively. The declines in production were largely attributed to competition from cheaper import substitutes.

2.16. Basic industrial chemical sub-sector recorded a decline of 21.9 per cent in 1997, while rubber product sub-sector recorded growth for a third consecutive year. The growth in rubber industry was attributed to rising local demand for motor vehicle and bicycle tyres. Tyre production rose from 464.6 thousand units in 1996 to 575 thousand in 1997. Output of petroleum products declined in 1997 due to refinery constraints, which resulted in less processing of the imported crude oil.

2 17. Increased usage of plastic wares in households and construction activities has continued to boost the plastic industry sub-sector. Competitive prices in 1997 led to high demand for plastic wares contributing to a growth of 28.5 per cent, the highest in the manufacturing sector.

Financial Sector

2.18. The financial sector recorded the highest growth among other sectors of 5.2 per cent in 1997. The good performance of the sector was partly attributed to continued implementation of prudent monetary policies. Specifically, CBK used indirect monetary policy instruments to regulate growth of money supply and influence the lowering of interest rates, and limiting Government borrowing from Central Bank. At the same time bank and non-bank financial institutions (NBFIs) were allowed to lower the mandatory minimum cash ratio to 15.0 per cent and liquidity to 20.0 per cent from the previous ratio's of 18.0 per cent and 25.0 per cent respectively. A number of NBFIs were converted into commercial banks while some others merged with parent commercial banks as required by the monetary control authority.

2.19. Money supply (M3) expanded by 9.8 per cent short of the 11.0 per cent target for 1997. Domestic credit grew by 15.8 per cent, while private sector borrowing which accounted for 73.5 per cent of total domestic credit, increased by 17.2 per cent in 1997. Public borrowing rose by 12.3 per cent in 1997 as compared to 0.2 per cent in 1996. This expansion was due to Government borrowing through sales of treasury bills and bonds, to finance its domestic budget deficit.

Building and Construction

2.20. The revised data for construction activities indicates a slow down in growth of the sector. There was marked inability of the central Government to undertake any significant construction projects due to cuts in donor funds and inadequate revenue. The private sector construction activities especially dwellings benefited from continued rise in commercial bank loans and advances. Unfavourable weather conditions associated with the el nino rains also impacted negatively on the activities of the sector during the last quarter of the year.

2.21. Cement consumption declined by 13.0 per cent; employment in the sector picked up marginally while the number of building plans approved by Nairobi City Council declined modestly during the year. Rising transport costs and foreign exchange fluctuations were other factors that slowed construction activities during the year. Private sector investment in other construction activities fell accordingly from K£ 428.6 million in 1996 to K£ 402.6 million in 1997. The sector is estimated to have recorded a growth of 1.9 per cent in 1997, down from 3.5 percent in 1996.

GROSS DOMESTIC PRODUCT, 1993-1997

Table 2.1

K£million

	Current Prices					Constant (1982) Prices				
	1993	1994	1995*	1996*	1997"	1993	1994	1995*		1997**
A. NON-MONETARY ECONOMY										
Forestry	77.14	81.93	81.40	84.40	86.21	33.90	34.47	35.58	36.13	36.64
Fishing	4.17	48.3	5.09	5.56	6.18	1.21	1.26	1.31	1.42	1.47
Building and Construction	103.15	104.90	117.80	121.57	124.60	76.37	77.90	78.91	79.91	80.87
Water Collection	56.35	60.00	63.72	67.72	69.68	25.51	26.55	27.67	28.69	29.41
Ownership of Dwellings	281.64	309.20	334.13	370.51	404.46	110.37	114.18	119.59	124.61	128.97
TOTAL NON-MONETARY ECONOMY	522.45	560.86	602.14	649.76	691.13	247.36	254.36	263.06	270.76	277.36
1. Enterprises and Non-Profit Institutions										
Agriculture	4,168.45	5,292.10	5,777.63	6,233.00	7,005.99	1.088.49	1,119.29	1,173.32	1,225.35	1,240.05
Forestry	168.06	190.48	203.54	223.85	252.69	53.11	57.78	60.75	65.00	67.08
Fishing	53.89	62.98	61.93	68.37	71.79	12.60	13.11	1365	14.24	14.47
Mining and Quarrying	35.22	35.68	36.21	37.06	40.77	11.23	11.41	11.72	12.01	12.17
Manufacturing	1,419.68	1,807.76	1,945.55	2,282.23	2,591.70	599.21	610.59	634.40	657.68	670.18
Building and Construction	655.20	742.80	799.18	879.16	938.55	111.61	113.06	117.37	121.47	123.78
Electricity and Water	126.90	164.06	191.13	220.00	232.99	45.52	46.50	47.26	48.72	49.69
Trade Restaurants and Hotels	1,920.65	2,400.81	3,238.00	4,144.76	4,973.71	479.56	508.81	552.47	596.68	620.19
Transport, Storage & Communications..	991.91	1,262.95	1,515.64	1,773.56	1,901.26	265.71	273.68	285.17	296.58	301.92
Finance. Insurance, Real Estate and Business Services	1,396 17	2,015.65	2,356.46	2,806.19	3,173.12	405.15	429.87	459 53	492.15	517.75
Ownership of Dwellings	716.69	764.86	814.00	936.10	1,048.43	239.46	243.10	255.74	270.32	279.69
Other Services	477.87	578.11	693.73	818.60		145.68	149.41	158 82	168.35	171.94
Less Imputed Bank Service Charges	-725.37	-1,410.09	-1,474.17	-1,805.36	-1,964.81	-156.30	-169.17	-180.16	-191.33	-198.61
	11407.34	13,908.15	16,158.83	18,617.52	21,264.88	3301.03	3407.45	3590.04	3777.22	3870.30
(DOMESTIC SERVICES)	180.58	211.13	247.21	284.17	308.74	94.58	102.45	113.92	124.82	132.06
Producers or Government services										
Public Administration	569.80	651.84	637.56	679.23	727.25					
Defence	41.70	43.32	50.81	64.77	71.18					
Education	945.60	1,024.07	1,463.07	1,596.20	2,045.84					
Health	215.60	210.49	239.19	260.37	309.55					
Agricultural Services	72.17	81.79	91.92	100.54	113.30					
Other Services	230.17	211.59	215 67	194.07	218.72					
	2075.04	2,223.10	2,698.22	2,895.18	3,485.84	699.82	710.32	723.12	734.79	742.86
TOTAL MONETARY ECONOMY	13,662.96	16,342.38	19,104.26	21,796.87	25,059.46	4,095.43	4,220.22	4,427.08	4 636 83	4,745.22
AND MONETARY ECONOMY	14,185.41	16,903.24	19,706.40	22,446.63	25,750.59	4,342.79	4,474.58	4.690.14	4,907.59	5,022.58
	26.00	26.76	27.52	28.27	29.01	26.00	26.78	27.52	28.27	29.01
GROSS DOMESTIC PRODUCT PER CAPITA K£ Recieved	545.59	631.66	716.08	794.01	887.65	167.03	167.21	170.43	173.60	173.13

** Provisional

GROWTH OF GROSS DOMESTIC PRODUCT, 1993-1997

Table 2.2

Percentages

	Current Prices					Constant (1982) Prices				
	1993-94	1994-95*	1995-96*	1996-97**	1993-97***	1993-94	1994-95*	1995-96*	1996-97**	1993-97***
A. NON-MONETARY ECONOMY	6.21	-0.65	3.69	2.14	2.82	1.7	3.2	1.6	1.4	2.0
Fishing	15.83	5.38	9.23	11.15	10.33	4.1	4.0	8.4	3.5	5.0
Building and Construction	1.70	12.30	3.20	2.49	4.84	2.0	1.3	1.3	1.2	1.4
Ownership of Dwellings	6.48	6.20	6.28	2.89	5.45	4.1	4.2	3.7	2.5	3.6
TOTAL NON-MONETARY ECONOMY .	9.79	8.06	10.89	9.16	9.47	3.5	4.7	4.2	3.5	4.0
B. MONETARY ECONOMY	7.35	7.36	7.91	6.37	7.25	2.8	3.4	2.9	2.4	2.9
1 Enterprises and Non-Profit Institutions	26.96	9.17	7.88	12.40	13.86	2.8	4.8	4.4	1.2	3.3
Fishing	13.33	6.86	9.98	12.88	10.73	8.8	5.1	7.0	3.2	6.0
Mining and Quarrying	16.87	-1.67	10.40	5.00	7.43	4.0	4.1	4.3	1.6	3.5
Manufacturing	1.30	1.49	2.35	10.01	7.73	1.6	2.7	2.5	1.3	2.0
Building and Construction	27.34	7.62	17.31	13.56	16.24	1.9	3.9	3.7	1.9	2.8
Electricity and Water	13.37	7.59	10.01	6.76	9.40	1.3	3.8	3.5	1.9	2.6
Trade. Restaurants and Hotels	29.28	16.50	15.10	5.90	16.40	2.2	1.6	3.1	2.0	2.2
Transport, Storage and Communications ..	25.00	34.87	28.00	20.00	26.86	6.1	8.6	8.0	3.9	6.6
Finance, Insurance, Real Estate and Business Services	27.33	20.01	17.02	7.20	17.66	3.0	4.2	4.0	1.8	3.2
Ownership of Dwellings	44.16	16.91	19.08	13.08	22.74	6.1	6.9	7.1	5.2	6.3
Other Services	6.72	6.42	15.00	12.00	9.98	1.5	5.2	5.7	3.5	4.0
Less:Imputed bank service charges.	20.98	20.00	18.00	22.00	20.23	2.6	6.3	6.0	2.1	4.2
TOTAL	94.40	4.54	22.47	8.83	28.29	8.2	6.5	6.2	3.8	6.2
2.Private Households (Domestic Services) ..	21.92	16.18	15.22	14.22	16.85	3.2	5.4	5.2	2.5	4.1
3 Producers of Government Services	16.92	17.09	14.95	8.65	14.35	8.3	11.2	9.6	5.8	8.7
Public Administration	14.40	-2.19	6.54	7.07	6.29					
Education	3.88	17.29	27.47	9.90	14.30					
Health	8.30	42.87	9.10	28.17	21.28					
Agricultural Services	-2.37	13.63	8.85	18.89	9.46					
TOTAL	13.33	12.39	9.38	12.69	11.94					
TOTAL MONETARY ECONOMY	-8.07	1.93	-10.02	12.70	-1.27					
TOTAL NON-MONETARY AND MONETARY ECONOMY	7.14	21.37	7.30	20.40	13.85	1.5	1.8	1.6	1.1	1.5
GROSS DOMESTIC PRODUCT PER CAPITA ..	19.61	16.90	14.09	14.97	16.37	3.0	4.9	4.7	2.3	3.8
	19.16	16.58	13.91	14.72	16.07	3.0	4.8	4.6	2.3	3.7
	15.78	13.36	10.88	11.79	12.94	0.1	1.9	1.9	-0.3	0.9

• Revised

** Provisional

*** Cummulative

PRODUCTION ACCOUNTS. 1996 AND 1997

Table 2.3 KEmillion

	1996*					1997**				
			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	789.10	139.34	649.76	5.25	644 51	855.37	164.24	691.13	5.48	685 65
B. MONETARY ECONOMY										
1 Enterprises and Non-Prof* Institutions										
Agriculture · · · · · -	6,778.60	545.60	6,233.00	579.95	5,653.05	7,580.71	574.72	7,005.99	706.05	6,299.94
Forestry	254.85	31.00	223.85	139.15	84.70	285.68	32.99	252.69	155.50	97.19
	72.34	3.97	68.37	18.09	50.28	75.74	3.95	71.79	18.21	53.58
Mining and Quarrying	123.55	86.49	37.06	19.36	17.70	155.67	114.90	40.77	22.84	17.93
Manufacturing	21,096.71	18,81448	2.282.23	894.25	1,387 98	22,478 57	19,886.87	2,591.70	1,099.60	1,492.10
Building and Construction	1,611.18	732.02	879.16	615.41	263.75	1,657 48	718.93	938.55	656.99	281.56
Electricity and Water	788.65	568 65	220.00	163.17	56.83	869.88	636.89	232.99	170.17	62.82
Trade, Restaurants and Hotels	8,499 65	4.354 89	4,144.76	1,439.86	2.704.90	9,546.35	4,572.64	4.973.71	1,826.76	3.146.95
Transport. Storage and Communications	3.425.74	1.652.18	1,773.56	542.67	1,230.89	3,636 00	1.734.74	1,901.26	634.40	1,266.86
Finance, Insurance, Real Estate	3,543.92	737.73	2,806.19	969.14	1,837.05	3,989.77	816.65	3,173.12	1,146.66	2,026.46
and Business Services	1,031.10	95.00	936 10	0.00	936.10	1,158 45	110.02	1,048.43	0.00	1,048.43
Ownership of Dwellings	1,771.47	-952.87	818 60	566.41	252.19	2,161.19	-1,162.50	998.69	691.02	307.67
Other Services	-1.805.36	0.00	-1,805 36	0.00	-1.805 36	-1.964 81	0.00	-1,964.81		-1,964.81
Less: Imputed Bank Service Charges ..										
Total	47.192.40	28,574.88	18,617.52	5,947.46	12.670.06	51.630.68	30,365.80	21,264.88	7,086.52	14,178.36
2 Private Households (Domestic Services)..	284.17	0.00	284.17	284.17	0.00	308.74	0.00	308.74	308.74	0.00
3. Producers of Government Services	4,070.01	1,174.83	2,895.18	2,851.19	43.99	5,217.02	1,731.18	3,485.84	3,449.45	36.39
TOTAL MONETARY ECONOMY–	51.546.58	29,749.71	21,796.87	9,082.82	12,714.05	57.156.44	32,096.98	25.059.46	10,844.71	14,214.75
TOTAL MONETARY AND NON-MONETARY ECONOMY	52,335.68	29,889.05	22,446.63	9,088.07	13,358.56	58,011.81	32.261.22	25.750.59	10,850.19	14,900.40

Revised

•• Provisional

*** Including consumption of fixed capital

• After deduction of indirect taxes less subsidies from total of output.

Transport Storage and Communication

2.22. Overall, there was a slow down in the growth of transport, storage and communication sector from 4.0 per cent in 1996 to 1.8 per cent in 1997. Value of output at nominal prices dropped by 6.7 percentage points in 1997 compared to 1996. The poor state of road infrastructure contributed to the constrained growth in the road sub-sector. New motor vehicle registration only recorded a modest 4.3 per cent growth, down from 29.0 per cent recorded in 1996. Freight tonnage ferried by the Kenya Railways dropped by 21.3 per cent while revenue declined from K£ 156.7 million in 1996 to K£ 142.4 million in 1997. Passenger revenue recorded marginal increases. The Kenya Ports Authority handled less freight with a drop of 3.3 per cent in 1997. Incoming cargo recorded a modest 4.1 per cent, while outbound freight significantly dropped by 23.0 per cent. The port has initiated aggressive marketing campaign, to include opening up of KPA offices at various regional capitals and provision of tariff concessions.

Distribution and Services Sector

2.23. The sector went through another difficult year. Real growth in the sector declined for the second consecutive year to stand at 3.9 per cent in 1997. Trading was constrained by reduced aggregate demand, rising inflation and a fall in tourism expenditures. The latter was as a result of disturbances that occurred at the Coast, the leading tourist destination in the country. Damaged roads also partly cut off access to some of the tourist resorts and some hotels closed down. Consequently, hotel capacity fell by 16.2 per cent while bed nights occupied dropped by 3.0 per cent from 5,061 thousand in 1996 to 4,910 thousand in 1997.

Producers of Government Services

2.24. The overall sector recorded a substantial increase in nominal GDP at 20.4 per cent as compared to 7.3 per cent in 1996. This substantial rise is mainly due to the increase in both the civil servants and the teachers' salaries in the year 1997/98. The expenditure on the general election also contributed to the increase in the Government total expenditure, which grew by 23.3 per cent in 1997/98. Health and agricultural services recorded a growth of 18.9 per cent and 12.7 per cent respectively due to the increase in the Government allocation to these services in areas that were mostly affected by the el nino rains.

GROSS DOMESTIC PRODUCT
SECTOR SHARES AT CONSTANT (1982) PRICES, 1993-1997

Table 2.4 Percentage

	1993	1994	1995*	1996*	1997**
A. NON-MONETARY ECONOMY					
Forestry	0.8	0.8	0.8	0.7	0.7
Fishing	0.0	0.0	0.0	0.0	0.0
Building and Construction	1.8	1.7	1.7	1.6	1.6
Water Collection	0.6	0.6	06	0.6	0.6
Ownership of Dwellings	2.5	2.6	2.5	2.5	2.6
TOTAL NON-MONETARY ECONOMY	5.7	5.7	56	5.5	55
B. MONETARY ECONOMY					
1. Enterprises and Non-Profit Institutions					
Agriculture	25.1	25.0	25.0	250	24.7
Forestry	1.2	1.3	1.3	1.3	1.3
Fishing	0.3	0.3	0.3	0.3	0.3
Mining and Quarrying	0.3	03	0.2	0.2	0.2
Manufacturing	138	13 6	13.5	13.4	13.3
Building and Construction	2.6	2.5	2.5	2.5	2.5
Electricity and Water	1.0	1.0	1.0	1.0	1.0
Trade, Restaurants and Hotels	11.0	11.4	11.8	12.2	12.3
Transport, Storage and Communications	6.1	6.1	61	6.0	6.0
Finance, Insurance, Real Estate and Business Services	93	9.6	9.8	10.0	10.3
Ownership of Dwellings	5.5	5.4	5.5	5.5	5.6
Other Services	3.4	3.3	3.4	3.4	3.4
Less: Imputed Bank Service Charges	-3.6	-3.8	-3.8	-3.9	-4.0
TOTAL	760	762	765	77.0	77.1
2. Private Households (Domestic Services).	2.2	2.3	2.4	2.5	2.6
3. Producers of Government Services					
Public Administration					
Defence					
Education					
Health					
Agricultural Services					
Other Services					
TOTAL	16 1	15.9	15.4	15.0	14.8
TOTAL MONETARY ECONOMY	94.3	943	944	945	945
TOTAL MONETARY & NON-MONETARY ECONOMY	100 0	100.0	100.0	1000	100.0

* Provisional

Terms of Trade

2.25. The effects of fluctuations in the country's international terms of trade on real GDP for the period 1993-97 are shown in Table 2.5. In 1997, Kenya enjoyed a considerable improvement in coffee, tea and horticultural export prices. These rose by 73.4 per cent, 39.8 per cent and 59.5 per cent respectively during the year. During the same period, import prices rose marginally, resulting in substantial improvements in the country's terms of trade. These favourable developments greatly contributed to the increase of 3.5 per cent in real per capita incomes in 1997. Income levels thus recorded modest improvement in the period under review.

IMPACT OF COMMODITY TERMS OF TRADE ON PER CAPITA GDP, 1993-1997

Table 2.8

	1993	1994	1995*	1996*	1997**
1 Unadjusted GDP at constant Factor Cost (K£mn)	4,3428	4,4746	4,690 1	4,9076	5,022.6
2 Adjustment for changes in terms of trade (K£mn.)	-2039	21.0	-870	-146.1	32.5
3 Adjusted GDP (K£mn.)	4,138.9	4,495 2	4,603.1	4,761.9	5,055.1
4 Growth In unadjusted per capita GDP	-2.7	0.1	1.9	1.9	-0.3
5 Growth in adjusted per capita GDP	1.1	5.5	-0.4	0.7	3.5

Revised

** Provisional

*** Adjusted on account of new population projection figures

Resource Allocation

2.26. Table 2.6 shows that estimated total resources available increased by 11.4 per cent and 17.6 per cent in 1996 and 1997 respectively. The share of indirect taxes to GDP at market prices fell from 15.0 per cent to 14.4 per cent over the same period. At the same time, as a percentage of GDP at market prices, net import surpluses rose from 4.1 per cent in 1996 to 7.8 per cent in 1997. The substantial growth in net import surpluses was due to the slower growth in the value of exports compared to imports. The growth in the total value of exports recorded in 1997 was negligible compared to 1996, despite high world market prices.

TOTAL USE OF RESOURCES AT CURRENT PRICES, 1993 -1997

Table 2.6 K£million

	1993	1994	1995*	1996*	1997**
G.D.P. at Factor Cost	14,185.41	16,903.24	19,706.40	22,446.63	25,750.59
Of which:					
Non-Monetary	522.45	560.86	602.14	649.76	691.13
Monetary	13,662.96	16,342.38	19,104.26	21,796.87	24,979.46
Indirect Taxes	2,495.30	3132.84	3,577.36	3,951.80	4,322.38
Subsidies	0.07	1.06	1.05	004	1.54
G.D.P. at Market Prices	16,680.64	20,035 02	23,282.71	26,398.39	30,071.43
Import of goods and non-factor services	5,947.90	6,782.06	9,006.93	9,758.49	11,120.98
- Export of goods and services	6,745.91	7,411.24	7,629.82	8,676.56	8,793.38
Import Surplus	(798.01)	(629.18)	1,377.11	1,081.93	2,327.60
• Total Resources available for Domestic					
- Investment and Consumption	15,882.63	19,405.84	24,659.82	27,480.32	32,319.03
s Gross Fixed Capital Formation	2,825.26	3,780.81	4,974.86	5,223.47	5,484.53
Change in Stocks	112.23	84.17	101.00	150.00	270.00
Gross Investment	2,937.49	3,864.98	5,075.86	5,373.47	5,754.53
Public Consumption	2,415.34	3,035.97	3,452.84	4,098.00	5,070.29
Private Consumption	10,529.80	12,504.88	16,131.12	18,008.85	21,566.21
TOTAL CONSUMPTION	12,945.14	15,540.85	19,583 96	22,106.85	26,644.50

* Provisional

2.27. There was a noticeable growth in the value of increase in stocks from K£ 150 million in 1996 to K£ 270 million in 1997 largely due to stock piling arising from general elections uncertainties as well as reduced domestic demand. Gross investment as a percentage of GDP at market prices fell by 1.2 percentage points to stand at 19.2 per cent in 1997. Total

consumption expenditure went up by K£ 4,457 million an increase of 20.2 per cent compared to a growth of 12.8 per cent in 1996. This growth was partly due to increases in Government spending during the year under review.

Financing of Capital Formation

2.28. Table 2.7 shows that in 1997, 48.5 per cent of the overall investment in Kenya was financed from domestic savings compared to 76 per cent in 1996. The share of investments financed by external sources rose from 24.5 per cent in 1996 to 51.5 per cent in 1997. During the same period, the percentage share of Gross Domestic Savings to GDP at market prices fell from 20.4 to 19.2 per cent. The fall was essentially due to increasing prices of essential goods and services that have eroded private households incomes and thus their ability

FINANCING OF CAPITAL FORMATION, 1993-1997

Table 2.7 K£million

	1993	1994	1995*	1996*	1997''
GROSS CAPITAL FORMATION:					
Gross Fixed Capital Formation	2,825.26	3,780.81	4,974.86	5,223.47	5,484.53
Changes in Stocks	112.23	84.17	101.00	150.00	270.00
TOTAL	2,937.49	3,864.98	5,075.86	5,373.47	5,754.53
FINANCING:					
Grants from Abroad	484.62	529.93	885.15	1,104.93	1,855.22
Net borrowing from Abroad*	-287.82	-291.06	1,030.86	211.18	1,107.88
Domestic Saving	2,740.69	3,626.11	3,159.85	4,057.36	2,791.43
TOTAL	2,937.49	3,864.98	5,075.86	5,373.47	5,754.53

* Revised.
** Provisional
*** Includes areas of Interest payments amounting to K£ 218 34 million in 1993

to save.

Factor Incomes and Gross National product:

2.29. Factor incomes in 1997 were more pronounced in the producer of Government services sub-sector which increased by K£ 598 million pounds in 1997. The private sector on the other hand recorded a nominal growth of 18.7 per cent in 1997 over 1996. The related growth in total remuneration was as a result of wage increases especially for civil servants, soldiers, teachers and also higher wages negotiated by the unions for the private sector. This increase was much higher than the inflation rate of 11.2 per cent recorded in 1997. The Gross National Product has in the last five years remained lower than Gross Domestic Product at market prices on account of significant outflows of factor incomes paid abroad. This item has nonetheless been reducing from a share of 7.9 per cent of GNP in 1993 to 2.4 per cent in 1997.

GROSS NATIONAL PRODUCT AT CURRENT PRICES 1993-1997

	1993	1994	1995*	1996*	1997**
FACTOR INCOMES					
A Non-Monetary Economy	522.45	560.86	602.14	649.76	691.13
B 1. Remuneration of Employees					
Enterprises	3,390.91	4,607 63	5,635.99	5,947.46	7,086.52
Private Households	180.58	211.13	247.21	284.17	308.74
Producers of Government Services	2,045.12	2,469 44	2,863.50	2,851.19	3,449.45
TOTAL	5,816 .81	7,288.20	8,746.70	9,082.82	10,844.71
2. Rental Surplus (including depreciation)	716.69	764.86	814.00	936.10	1,048.43
3 Other Operating Surplus (including depreciation)	7,329.66	8,289.32	9,543.56	11,777.95	13,086.32
TOTAL MONETARY ECONOMY	13,662.96	16,342.38	19,104.26	21,796.87	24,979.46
TOTAL FACTOR INCOMES = GROSS DOMESTIC PRODUCT (AT FACTOR COST)	14,185.41	16,903.24	19,706.40	22,446.63	25,750.59
Add indirect Taxes	2,495.30	3,132.84	3,577.36	3,951.80	4,322.38
Deduct Subsidies	0.07	1.06	1.05	0.04	1.54
GROSS DOMESTIC PRODUCT AT MARKET PRICES	16,680.64	20,035.02	23,282.71	26,398.39	30,071.43
Add: Factor Incomes Received From Abroad	9.70	58.60	65.95	61.24	67.50
Deduct Factor Incomes Paid Abroad	1,218.99	1,153.72	991.58	791.84	703.00
GROSS NATIONAL PRODUCT ..	15.471.35	18,939.90	22,357.08	25,667.79	29,435.93

* Revised
** Provisional

Trends in Gross Fixed Capital Formation

2.30. Real capital formation grew by 2.0 per cent from K£ 953.4 million in 1996 to K£ 974.1 million in 1997. This slower growth was expected as a result of the impasse in 1997 as a consequence of the political uncertainties at the time. This was further aggravated by reduced budgetary allocation, low activity in the construction sector and declines in donor funding. The private sector faced stiff challenge of acquiring financing from lending institutions.

GROSS FIXED CAPITAL FORMATION BY TYPE OF ASSET, 1993-1997

Table 2.9

	CURRENT PRICES					CONSTANT (1982) PRICES				
	1993	1994	1995*	1996*	1997**	1993	1994	1995*	1996*	1997**
DWELLINGS:										
PRIVATE:										
Non-Monetary	135,651	133.25	140.91	149.36	154.18	28.56	26.65	27.63	29.15	29.09
Monetary	40,345	46.63	28.85	29.71	38.73	8.49	9.33	5.66	5.61	7.31
TOTAL	176.00	179.88	169.76	179.07	192.91	37.05	35.98	33.29	34.76	36.40
PUBLIC	90,799	107.00	89.85	93.50	83.50	19.16	21.40	17.62	17.64	15.76
TOTAL	266.80	286.88	259.61	272.57	276.41	' 56.21	57.38	50.91	52.40	52.16
NON-RESIDENTIAL BUILDINGS.										
PRIVATE	38,274	35.53	38.94	45.61	49.34	7.59	6.68	6.46	7.48	8.66
PUBLIC	201,061	263.55	494.10	438.88	486.58	53.77	49.54	81.98	71.98	85.37
TOTAL	239.34	299.08	533.04	484.49	535.92	61.36	56.22	88.44	79.46	94.03
OTHER CONSTRUCTION WORKS:										
PRIVATE	155,993	165.35	252.10	428.60	402.62	41.34	41.34	41.83	78.86	80.52
PUBLIC	612,601	426.42	742.00	857.88	862.04	162.93	106.61	150 81	157.85	172.41
TOTAL	768.59	591.77	994.10	1,286.48	1,264.66	204.27	147.95	192.64	236.71	252.93
LAND IMPROVEMENT AND PLANTATION DEVELOPMENT										
PRIVATE	10,648	11.05	12.47	18.36	22.63	10.65	11.05	12.47	18.36	22.63
PUBLIC	1,144	0.25	4.09	4.03	3.32	1.14	0.25	4.09	4.03	3.32
TOTAL	11.79	11.30	16.56	22.39	25.95	11.79	11.30	16.56	22.39	25.95
TRANSPORT EQUIPMENT:										
PRIVATE	247,335	346.86	736.92	566.58	580.93	48.21	63.06	135.43	100.63	96.82
PUBLIC	94,523	122.68	116.72	134.26	161.50	18.43	24.88	21.45	23.85	26.90
TOTAL	341.86	469.54	853.64	700.84	742.43	66.64	87.94	156.88	124.48	123.72
MACHINERY AND OTHER EQUIPMENT:										
PRIVATE	975.587	1,235.06	1,929.69	2,001.47	2,140.92	244.45	257.81	346.59	355.47	343.65
PUBLIC	219.238	885.29	386.19	453.24	496.32	56.51	179.59	69.36	80.50	79.67
TOTAL	1,194.83	2,120.35	2,315.88	2,454.71	2,637.24	300.96	437.40	415.95	435.97	423.32
BREEDING STOCK AND DAIRY CATTLE:										
PRIVATE	2.09	1.90	2.00	2.00	2.00	2.09	1.90	2.00	2.00	2.00
TOTAL:										
Non-Monetary Dwellings	135,651	133,253	140.91	149.36	154.18	28.56	26.65	27.63	29.15	29.09
Other	1,470.27	1,842.38	3,000.97	3,092 33	3,237.17	362.83	391.17	550.44	568.41	561.59
TOTAL PRIVATE	1,605.92	1,975.64	3,141.88	3,241.69	3,391.35	391.39	417.82	578.07	597.56	590 68
TOTAL PUBLIC	1,219.37	1,805.19	1,832.95	1,981.79	2,093.26	311.94	382.27	345.31	355.85	383.43
TOTAL PRIVATE AND PUBLIC	2,825.29 |	3,780.82	4,974.83	5,223.48	5,484.61	703.32	800.09	923.38	953.41	974.11

* Revised

** Provisional.

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

GROSS FIXED CAPITAL FORMATION BY INDUSTRY, 1993-1997

Table 2.10

K£million

	Current Prices					CONSTANT (1982) PRICES				
	1993	1994	1995*	1996**	1997**	1993	1994	1995*	1996**	1997**
A. NON-MONETARY ECONOMY:										
Non-Monetary Dwellings	135.65	133.25	140.91	149.36	154.18	28.56	26.65	27.63	29.15	29.09
MONETARY ECONOMY:										
Enterprises and Non-profit Institutions:										
Agriculture	153.35	246.73	344.86	339.74	346.62	48.57	60.81	73.72	77.10	77.59
Forestry	4.85	12.23	12.75	5.07	6.81	1 14	2.84	2.21	0.92	1.10
Fishing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mining and Quarrying	14.71	13.96	35.75	37.06	43.84	3.72	2.84	6.43	6.58	7.05
Manufacturing	414.94	598.82	961.64	1,172.89	1,188.11	103.61	121.62	171 83	209.69	198.36
Building and Construction	233.15	149.70	307.99	301.50	348.58	44.18	32.72	54.94	53.71	57.07
Electricity and Water	142.94	177.03	256.97	391.86	401.92	58.32	37.26	45.37	70 94	73.47
Trade, Restaurants and Hotels	186.09	122.63	184.22	169.57	191.31	45.41	24.39	32 86	29.72	31 66
Transport, Storage and Communications	797.12	1,291.70	1,212 64	1,190.68	1,257.23	196 49	272.04	215.11	211.79	218.06
Finance,Insurance,Real Estate and Business Services	91.88	148.20	202.86	224.25	238.94	20.92	30.91	34.89	38.44	40.68
Ownership of Dwellings	140.57	160.64	125.80	130.84	140.61	29.01	32.16	27.62	27.69	29.10
Other Services	128.49	152.22	190.90	170.02	181.96	32.57	30 80	34.09	30.09	29.34
TOTAL	2,308.09	3,073.86	3,836.38	4,133.48	4,345.93	583.94	648.39	699.07	756.67	763.48
Producers of Government Services										
Public Administration	163.11	230.33	344.40	355.88	386.80	38.88	51.86	64.64	62.92	71.61
Defence	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Education	49.91	90.40	140.93	139.70	140.80	10.52	17.66	26.15	24.40	24.24
Health	54.68	66.02	119.82	94.60	126.91	13.39	13.88	25.53	17.60	23.16
Agricultural Services	35.94	78.45	115.65	162.68	133.80	8.39	16.27	23.36	29.55	24.09
Other Services	77.87	108.50	276.77	187.77	196.11	19.55	25.38	57.03	33.11	38.47
TOTAL	381.52	573.70	997.57	940.63	984.42	90.73	125.05	196.71	167.58	181.57
NON-MONETARY ECONOMY	135.65	133.25	140.91	149.36	154.18	28.56	26.65	27.63	29.15	29.09
MONETARY ECONOMY	2,689.61	3,647.56	4,833.95	5,07411	5,330.35	674.67	773.44	895.78	924.25	945.05
TOTAL	2,825.26	3,780.81	4,974.86	5,223.47	5,484.53	703.23	800.09	923.41	953.40	974.14
C. PERCENTAGE RATES OF GROWTH:										
Non-Monetary Economy	24.51	(1.77)	5.75	6.00	3.23	-18.63	-6 69	368	5.50	(0.21)
Monetary Economy	29.32	35.62	32.53	4.97	5.05	-1.23	14.64	15.82	3.18	2.25
TOTAL	29.08	33.82	31.58	5.00	5.00	-2.08	13.77	15.41	3.25	2.18

* Revised

** Provisional.

CHAPTER 3- POVERTY AND SOCIAL INDICATORS, 1994

Overview

Most Governments face the difficult challenge of increasing the welfare of the poorest groups in their societies. Alleviating poverty raises some serious allocation problems with respect to the available resources. Therefore, policy makers and planners need to have access to the most accurate and up-to-date information as possible. For instance, they need to know which groups in society are most in need, where they are located, what their main problems are, and how they are influenced by Government policies.

This chapter presents a summary on the many facets of poverty in Kenya, based on findings from the second round of Welfare Monitoring Survey (WMS II) conducted in 1994. Based on the main occupation and employment status of the household members, eight socio-economic groups (SEGs) were examined in-depth. These were commercial farmers, subsistence farmers, pastoralists, public sector employees, private formal sector employees, informal sector employees, casual labourers and business persons. In presenting poverty profiles, an attempt is made to relate poverty to socio-economic factors to assess their influence on the intensity and spread of poverty. The factors studied include demographic characteristics of the households, fertility, education, household amenities, health care and nutritional status for under fives.

Concepts

Poverty is a multi-faceted phenomenon whose causes are complex, and this renders its measurement more complicated. In this analysis, poverty is defined in terms of total household consumption expenditure. A household was considered to be poor if its members could not afford the recommended food energy intake plus a minimum allowance for non-food consumption. A poverty line derived from monetary value of the consumption of food and non-food items distinguishes the non-poor from the poor. Using the absolute poverty approach the overall poverty lines per adult equivalent in rural and urban areas stood at Kshs. 978 and Kshs.l, 490 per month respectively in 1994.

Using these poverty lines, two social classes were constructed; namely poor and non-poor. Based on the poverty lines, about 47 per cent of rural and 29 per cent of urban population were classified as absolute poor. The poor households had larger families compared to the non-poor. This is supported by the fertility differentials, where women from poor households had a Total Fertility Rate (TFR) of 6.6 children per woman as compared to 6.1 children recorded for their non-poor counterparts. Children from poor households had higher rates of malnutrition compared to children from non-poor households. Only 14.1 per cent of the members from the poor households had completed secondary level of education compared to 27.3 per cent of the non-poor. With respect to household amenities, the proportion of the poor households in rural areas that had no access to toilet facilities and safe water was much higher compared to the non-poor population.

Demographic Characteristics of Households and Poverty

3.2. Sex of household head: Table 3.1 shows the percentage distribution of sex of household heads by region and poverty status. Overall, the Table shows insignificant differences in poverty levels by sex of heads. Around 74.2 per cent of poor households were headed by males compared to 25.8 per cent of similar households headed by females. Comparable data for the non-poor indicates that 76.2 per cent and 23.8 per cent were headed by males and females, respectively. Nairobi with 14.7 per cent reported the lowest proportion of female-headed households among the non-poor. North Eastern province reported the lowest percentage of female-headed households (18.9 per cent) among the poor. The provinces, which recorded the highest proportion of the female-headed households were Nyanza and Western, with over 30 per cent in each of the social classes.

Percentage Distribution of Household Heads by Region, Social Class and Sex, 1994
Table 3.1

Region	Non-Poor			Poor		
	Number	Male	Female	Number	Male	Female
Nairobi	379,659	85.3	14.7	99,508	75.8	24.2
Central	500,926	78.7	21.3	182,140	80.5	19.5
Coast	263,638	80.8	19.2	148,572	75.3	24.7
Eastern	402,571	78.9	21.1	377,762	76.6	23.4
North Eastern	60,714	78.5	21.5	43,920	81.1	18.9
Nyanza	578,332	64.1	35.9	319,646	67.7	32.3
Rift Valley	774,144	79.2	20.8	386,683	78.1	21.9
Western	274,974	66.8	33.2	256,334	66.0	34.0
Rural	2.429,411	73.9	26.1	1,583,544	73.7	26.3
Urban	805,547	82.9	17.1	231,020	77.8	22.2
Total	3,234,957	76.2	23.8	1,814,565	74.2	25.8

3.3. *Household size:* Table 3.2 depicts the mean household size by social class by region. Overall, the poor had a significantly higher mean household size of 6.4 members compared to 4.6 members for the non-poor. Analysis of the poor by region indicated that North Eastern province had the highest mean household size of 7.3 followed by Coast with 7.1. Similarly, Western and North Eastern had the highest mean household size of 5.3 and 5.2, respectively, in the non-poor category. Nairobi province had the lowest mean household size for both poor and non-poor with 4.8 and 3.5 members, respectively.

3.4. In terms of rural and urban categorisation, the poor in rural areas had a mean household size of 6.5 compared to 5.2 members recorded in urban areas. Among the non-poor, urban areas had a lower mean household size of 3.6 members, while rural areas had 4.9 members. The study indicated that rural areas had greater mean household size of 5.6 members compared to overall national average household size of 5.2 members.

Mean Household Size by Region and Social Class, 1994

Table 3.8 »

Region	Number	Mean household size		
		Non-poor	Poor	Mean
Nairobi	479,167	3.5	4 8	3.7
Central	683,066	5.0	6.2	5.3
Coast	412,209	4.3	7.1	5.3
Eastern	780,333	4.9	6.6	5.8
North Eastern	104,634	5.2	7.3	6.1
Nyanza	897,978	4.5	5.9	5.0
Rift Valley	1,160,827	4.6	6.5	5.3
Western	531,307	5.3	6.4	5.8
Rural	4,012,955	4.9	6.5	5.6
Urban	1,036,567	3.6	5.2	4.0
National	5,049,522	4.6	6.4	5.2

Fertility and Poverty

3.5. A rapid population growth rate is strongly influenced by changes in fertility and is viewed as one of the main causes for deteriorating standards of living. Age Specific Fertility Rate (ASFR) trends presented in Table 3.3 depicts significant declines across all age groups over the period 1979-94. The 1989 population census results showed fertility to have peaked at ages 30-34. This is a reflection of the impact of fertility regulation programs that apparently resulted in the mothers spacing and delay in entry into effective child bearing process. However, the results from 1993 Kenya Demographic and Health Survey (KDHS) and 1994 welfare monitoring survey (WMSII) show a downward shift with fertility peaking at ages 20-24, registering 257 and 302 children per 1000 women for the respective periods.

Age Specific Fertility Rates and Total Fertility Rates, 1979-1994

Table 3.3

Age Group	1979 Census	1989 Census	1993 KDHS	1994 (WM:SII)		
				Non-Poor	Poor	Total
15-19	165	2	110	113	124	115
20-24	366	150	257	310	302	302
25-29	384	330	241	290	290	292
30-34	326	345	197	223	253	233
35-39	240	293	154	133	213	169
40-44	112	215	70	114	89	114
45-49	5	100	50	35	48	55
TFR	8.0	7.2	5.4	6.1	6.6	6.4

3.6. The comparison of ASFR by social classes showed a similar pattern. Both poor and non-poor women recorded higher rates in age groups 20-24, 25-29 and 30-34.

3.7. The relationship between fertility and mothers main occupation is presented in Table 3.4. Mothers were asked to state their main occupations and the corresponding incomes earned. The information, together with children ever born and those bom in the last 12 months prior to the survey, were used to derive the TFRs of mothers by main

occupations. Pastoralist mothers recorded the highest TFR of 6.9 children per woman, followed by subsistence farmers with 6.6 children per woman and commercial farmers 6.3 children per woman. The lowest fertility rate was from the formal sector employees who registered 3.6 children per woman followed by business women with 4.2 children per woman.

Total Fertility Rates by Main Occupation of Mother, 1994

Table 3.4

Main Occupation	Total Fertility Rate
Commercial farmer	6.3
Subsistence farmer	6.6
Pastoralist	6.9
Public sector Employee	4.5
Formal sector Employee	3.6
Informal sector Employee	5.4
Casual Labourer	4.9
Business Person	4.2
Total	6.0

3.8. *Contraceptives:* Table 3.5 presents the distribution of female population using family planning by social class. The table indicates that use of family planning methods was higher among the non-poor women in Central province followed by Eastern Province compared to other regions. The lowest usage was registered in North Eastern province for both non-poor and poor mothers.

Percentage Distribution of Women Using family Planning by region and Social Class, 1994

Table 3.5

Region	Non-Poor		Poor	
	Number	Using	Number	Using
Nairobi	417,326	31.2	150,239	37.6
Central	663,960	49.6	297,694	33
Coast	320,235	17.7	306,315	8.6
Eastern	538,885	40	618,971	27.4
North Eastern	80,442	3.1	78,845	1.6
Nyanza	695,602	19	503,911	15.5
Rift Valley	937,918	24	650,792	15.8
Western	418,265	23.2	410,565	21.8
Rural	3,155,023	27.8	2,651,475	19
Urban	917,609	33.9	365,856	32.3
Total	4,072,632	29.2	3,017,331	20.6

3.9. *Fertility by level of education:* Education is one of the social factors that influence fertility. Various studies have shown that extended formal education contributes to

delayed marriages among women. Table 3.6 presents the total fertility rates by level of education attained by the women from data collected in censuses and surveys over the period 1969-1994. The Table indicates significant declines in TFR between 1969-79 and 1979-1989, the inter-censal periods. Overall the TFR declined from 7.7 to 6.6 children per woman over the period. The TFRs derived from KDHS and Welfare WMSII were similar with an overall downward trend.

Total Fertility Rates by Mothers Level of Education, 1994

Table 3.6

Level of Education	1969-1979 Census	1979-1989	1989 KDHS	1993 KDHS	1994 WMSII		
					Non-Poor	Poor	Total
None	7.8	7.5	7.2	6.0	6.8	7.7	7.3
Primary	7.9	7.1	7.5	6.2	6.1	6.5	6.3
Secondary	5.4	5.0	6.5	5.0	5.0	5.8	5.1
Post Secondary			4.9	4.0	4.8		4.8
National	7.7	6.6	6.8	5.4	6.1	6.6	6.4

3.10. The distribution of TFR by the mother's level of education also recorded a declining trend over the period particularly for mothers with primary level of education whose TFR of 7.9 children per woman declined steadily to 7.1 in 1979-89 and to 6.3 in 1994. Total fertility rate for mothers with secondary and no education also depicted a similar downward trend over the period.

3.11. Non-poor mothers with no education had a TFR of 6.8 children per woman compared to 7.7 children for the poor mothers. Women with primary and secondary levels of education also recorded differences in TFR between the social classes with significant differences being observed between mothers with no education and those with secondary education. In general, the poor with and without education had higher fertility than the non-poor.

Education and Poverty

3.12. Table 3.7 shows that majority of non-poor and poor members had completed primary level of education. However, the observed differences are larger for secondary education where 14.1 per cent of the poor compared to 27.3 per cent of the non-poor had completed this level of education. The survey indicated no significant differences between the poor and non-poor with respect to non-formal education.

3.13. Gross Enrolment Rates (GER) The overall enrolment rate for primary school and tertiary level for both poor and non-poor were quite comparable as indicated in Table 3.8. However, substantial disparities are observed for secondary level with the percentages of enrolled non-poor almost doubling that of the poor. Regionally, among the poor, North Eastern recorded the least gross enrolment rate for primary education and worse still for secondary education. Coast province, on the other hand, recorded the lowest GER in primary education among the non-poor. The findings are consistent with those observed in higher levels of education.

Percentage Distribution of Household Members by Region, Level of Education, and Social Class, 1994

Table 3.7

Region	Non-Poor						Poor					
	Highest level reached						Highest level reached					
	Number	None	Primary	Secondary	Post secondary	University	Number	None	Primary	Secondary	Post Secondary	University
Nairobi	1,094,356	7.5	41.3	37.9	7.1	6.1	352,010	7.1	58.9	31.7	1.6	0.7
Central	1,639,255	5.3	65.4	27.1	1.3	0.8	749,117	5.0	80.7	13.2	1.0	0.1
Coast	676,985	8.6	65.3	23.4	2.2	0.5	530,722	8.5	78.3	12.5	0.5	0.2
Eastern	1,272,917	4.2	69.9	23.3	2.2	0.4	1,504,611	4.1	81.4	13.2	1.0	0.2
North Eastern	79,615	8.4	64.4	24.4	1.6	1.1	41,225	23.8	72.0	3.2	0.1	0.8
Nyanza	1,705,422	8.2	71.4	18.0	1.9	0.6	1,219,408	7.5	79.6	12.5	0.2	0.1
Rift Valley	2,283,107	7.8	70.5	18.8	2.1	0.8	1,446,955	7.4	81.7	10.4	0.2	0.2
Western	1,042,950	5.1	69.4	23.3	1.4	0.7	1,100,760	8.2	78.3	12.8	0.6	0.2
Rural	7,518,820	66	71.8	19.6	1.5	0.6	6,064,722	6.7	81.3	11.3	0.5	0.1
Urban	2,275,787	7.2	46.7	36.8	5.6	3.7	880,086	7.4	64.2	26.6	1.2	0.6
Total	9,794,606	6.7	65.9	23.6	2.4	1.3	6,944,807	6.8	79.1	13.3	0.6	0.2

Gross Enrolment Rates by Level of Education, Region and Social Class

Table 3.8

Region	Non-Poor			Poor		
	Primary	Secondary	Tertiary	Primary	Secondary	Tertiary
Nairobi	99.4	57.7	10.7	77.8	42.5	5.8
Central	91.1	40.5	1.9	94.8	10.8	4.0
Coast	79.2	33.1	3.6	72.2	10.9	5.5
Eastern	98.3	31.8	4.9	99.4	12.4	5.0
North Eastern	39.0	18.2	9.8	18.9	1.0	15.9
Nyanza	100.0	31.8	4.0	107.9	20.4	1.8
Rift Valley	94.5	28.4	5.9	89.6	15.5	4.6
Western	111.9	42.3	9.7	99.8	21.1	4.8
Rural	95.8	30.1	5.1	93.0	14.4	4.5
Urban	92.0	59.0	7.7	85.5	33.6	5.4
Total	95.2	35.4	5.8	92.4	16.0	4.6

3.14. *Net Enrolment Rates (NER):* In the 1994 WMS II the age categories used for the net enrolment were identical to the ones used for calculating the gross enrolment rate. The primary net enrolment rate was 72.7 and 65.0 per cent for non-poor and poor respectively as shown in Table 3.9. The secondary NER for the poor was reported to be almost one-third of non-poor with smaller differences in tertiary levels. The data shows that the poor are relatively worse off at all levels of education regardless of their place of residence (rural/urban) and that urban poor are particularly disadvantaged in terms of secondary education.

Net Enrolment Rates by Level of Education, Region and Social Class, 1994

Table 3.9

Region	Primary		Secondary		Tertiary	
	Non-poor	Poor	Non-poor	Poor	Non-poor	Poor
	Percent	Percent	Percent	Percent	Percent	Percent
Nairobi	83.6	69.2	40.6	32.5	9.3	3.9
Central	78.1	74.0	21.4	6.6	0.7	2.6
Coast	58.7	49.7	17.5	2.9	2.5	3.7
Eastern	77.1	69.2	14.0	5.4	4.1	4.3
North Eastern	29.0	15.5	12.6	0.4	5.3	3.8
Nyanza	71.2	73.8	14.4	7.5	3.1	1.5
Rift Valley	71.0	61.5	11.7	5.5	5.6	4.2
Western	80.2	69.0	15.1	5.5	4.9	4.6
Rural	71.6	64.7	12.3	4.9	3.6	3.7
Urban	78.6	68.2	38.3	20.7	6.9	3.3
Total	72.7	65.0	17.0	6.2	4.5	3.6

3.15. Regionally, North Eastern performed poorly in terms of NER in primary for both the poor and non-poor with the poor reporting only half the rate registered by the non-poor. The secondary rates were even more unequal. It is only in Nairobi that the poor had enrolment rates that were comparable to the non-poor in primary and secondary levels. It is important to note that in Coast and Central provinces tertiary enrolment for the poor surpassed the non-poor reflecting probably an easier entry option for the poor.

3.16. *Child Delivery:* Place of child delivery where medical attention and hygienic conditions exist greatly reduces the risk of complications and infections to both mother and child. Table 3.10 gives the percentage distribution of children by place of delivery and social class. Almost 59.0 per cent of non-poor children were bom in hospitals while 41.0 per cent were delivered at home compared to 62.1 per cent of children from poor households delivered at home.

Percentage Distribution of children by Place of Delivery by Region and Social Class, 1994

Table 3.10

	Non-Poor				Poor			
Region	Number	Hospital health facility	At home	Other	Number	Hospital/ health facility	At home	Other
Nairobi	168,034	885	11.5		75,107	640	36.0	
Central	674,554	78.6	20.4	1.0	252,987	68.2	31.5	0.3
Coast	188,912	40.9	58.5	0.7	137,623	22.1	77.9	
Eastern	408,376	69.1	306	0.4	396,242	386	61.3	0.1
North Eastern	53,232	8.8	90.8	0.4	45,296	1.3	97.7	1.1
Nyanza	376,389	48.0	51.2	0.8	236,054	39.3	58.2	2.4
Rift Valley	641,473	45.0	549	0.1	359,855	24.2	75.5	0.3
Western	233,631	39.5	596	0.9	222,016	263	72.8	0.9
Rural	2,270,996	53.5	459	0.6	1,543,502	338	65.5	0.7
Urban	473,604	823	17.5	0.2	181,677	66.7	33.2	0.1
Total	2,744,600	68.4	41.0	0.8	1,725,179	37.3	82.1	0.8

Agriculture and poverty

3.17. Agriculture accounts for approximately one third of the Gross Domestic Product (GDP) and employs more than two thirds of the labour force, accounting for about 70 per cent of the export earnings. It generates almost all the country's food requirements and provides a significant proportion of raw materials for the agro-based industries. Overall, the small holder sub-sector contributed about 75 per cent of the country's total value of agricultural output, 55 per cent of the marketed agricultural output, and just over 85 per cent of total employment within agricultural sector. For this reason, it has a major role in the economy and consequently on the design of poverty eradication programmes.

3.18. *Land Use:* In the context of WMSII survey, a landless household was defined as that residing on a piece of land/plot without practising agriculture. This included those practising agriculture on tinny plots (generally less than 0.01 of a hectare =0.025 acres) or rearing livestock on open communal land were classified as landless during the analysis

regardless of whether a household owned or did not own land within or outside the district. Table 3.11 shows that during the survey period, the non-poor on average cultivated smaller plots of land than the poor. Overall, about 78.4 per cent of the poor operated or had access to land. This clearly demonstrates that operating land did not necessarily prevent one from being poor. Effective utilisation and ability to engage the resources productively may constitute a constraint.

Percentage Distribution of Land Use by Region and Social Class, 1994

Table 3.11

	Non-Poor					Poor				
	Land holding size (acres) in ranges					Land holding size (acres) in range				
Region	No cultivation	0.01-0.99	1.0-1.99	2.0-299	3.0+	No cultivation	0.01-0.99	1 0-1.99	2.0-2.99	3.0+
Nairobi	95.2		3.0	-	1.7	100.0		-		
Central	28.4	0.9	36.1	15.9	18.7	24.5	0.6	40.6	11.9	22.3
Coast	61.0	1.6	5.7	8.4	23.2	29.6	1.6	11.6	9.9	47.3
Eastern	11.8	0.3	15.8	20.2	51.8	11.2	0.6	13.6	19.3	55.2
North Eastern	75.6	0.3	3.7	3.9	16.5	71.6	0.2	3.6	9.0	15.6
Nyanza	11.5	1.7	14.3	19.6	52.8	8.7	1.1	13.9	18.5	57.8
Rift Valley	28.5	0.6	13.8	14.1	43.1	23.6	1.6	18.3	15.5	40.9
Western	10.8		20.4	19.8	49.0	4.0		28.5	21.8	45.6
Rural	14.5	0.9	20.0	18.5	46.0	12.1	0.8	20.2	17.9	49.0
Urban	89.4	0.2	4.2	1.6	4.6	87.6	0.8	5.3	2.2	4.2
Total	33.1	0.6	16.1	14.3	36.7	21.6	0.8	16.3	15.9	43.4

3.19. *Livestock ownership:* Livestock is a source of livelihood for a large proportion of our population particularly the pastoralists. In this chapter, the concept of livestock is limited to ownership of cattle, goats and sheep. Table 3.12 shows a somewhat similar pattern to that of land holding size. For cattle, sheep and goats the non-poor households owned fewer heads compared to the poor. The national average per poor household stood at 4.5 cattle and 4.3 goats and sheep. At provincial level, North Eastern province had the highest average number of cattle with 39 heads and 49 goats and sheep per poor household. Rift Valley was a distant second with 7.8 cattle and 7.0 goats and sheep. The number of livestock kept in rural areas was larger compared to that in urban areas, with those in urban areas being kept predominantly by the poor.

3.20. However, by province and social class, Coast, Eastern, North Eastern and Rift Valley provinces, the average number of cattle per poor households was greater than in the non-poor households. The reverse was true in the other provinces except for Central province where they were equal.

Mean Livestock Ownership by Region and Social Class, 1994

Table 3.12

Region	Cattle owned at present		Sheep and Goats owned at present	
	Non-poor	Poor	Non-poor	Poor
Nairobi	0.1	0.0	0.1	0.0
Central	1.0	1.0	0.7	0.9
Coast	1.3	1.7	1.7	3.4
Eastern	3.1	5.0	3.4	4.2
North Eastern	35.1	39.0	38.3	49.3
Nyanza	2.3	2.1	1.6	1.6
Rift Valley	5.8	7.8	8.1	7.0
Western	2.6	1.7	0.9	0.7
Rural	4.1	5.0	4.7	4.7
Urban	1.1	0.5	0.7	1.5
Total	3.3	4.5	3.7	4.3

3.21. *Agricultural Incomes:* As shown in Table 3.13, the value of crop production at the national level for non-poor households exceeds that of poor households by more than double. For both poor and non-poor households, Rift Valley had the highest value of crop production. The urban value of crop production was naturally quite small as expected. Crop production per poor household were less than those of the non-poor in all the provinces except in North Eastern and Nyanza provinces. Within the poor households, the proportion of households operating or owning land was higher than that of non-poor as indicated in Table 3.11. However, yields from poor households were lower compared to those obtained from non-poor households probably because such households have better access to credit, irrigation and fertilizers compared to the poor.

Mean Value of Crop Production by Region and Social Class, 1994

Table 3.13

Region	Non-poor	Poor
	Kshs	Kshs
Nairobi	32.6	
Central	4,588.2	1,661.9
Coast	5,875.1	2,078.4
Eastern	6,326.7	1,362.8
North Eastern	360.2	456.7
Nyanza	4,823.4	4,831.3
Rift Valley	13,509.4	7,323.7
Western	6,665.2	1,636.0
Rural	8,269.7	3,651.4
Urban	898.4	155.7
Total	6,823.8	3,284.5

Absolute Poverty : Rural=Kshs. 978 27 Urban=Kshs 1,489.63 per month per adult equivalent

3.22. *Income from crops:* Table 3.14 presents the mean value of crop production by various socio-economic groups (SEG). The commercial farmers accounted for the highest

value of crop production. The public sector employees on the other hand had higher levels of income than the subsistence farmers.

Mean Monthly Crop Income(Kshs) by Socio-economic Groups

Table 3.14

Socio-economic group	Number	Mean income
Commercial farmer	886,949	1,694.5
Subsistence farmer	13,460,973	482.9
Pastoralist	1,039,611	98.7
Public sector employee	3,219,598	520.6
Formal sector employee	3,548,958	175.5
Informal sector employee	272,002	138.3
Casual labour	843,485	164.7
Business person	2,792,812	282.0
Total	26,423,559	439.8

socio-economic Groups

3.23. Socio-economic groups (SEGs) were used to classify the population according to their economic activities. Table 3.15 shows that 44.8 per cent of the surveyed households were subsistence farmers, while the formal sector employees and the public sector employees formed 17.4 per cent and 14.2 per cent of the total households, respectively. Similarly, a look at the total population shows the same trend with the subsistence farmer category taking a share of 51.6 per cent, formal sector employment (private) employees and the public sector employees taking respective shares of 13.6 per cent and 12.4 per cent. On the other hand, public sector males and females accounted for 14.1 per cent and 6.7 per cent of the economically active population respectively. The males and females in the formal sector accounted for 19.5 per cent and 5.7 per cent, respectively. Gender disparities in the subsistence farmer category indicates that almost two thirds of active female population are in subsistence farming compared to slightly over a third of the males.

Distribution of the Households, Total Population
and Economically Active Population by Social Class, 1994

Table 3.15

Socio Economic Groups	Total Households		Total Population		Active Population			
					Male		Female	
	Number	per cent	Number	per cent	Number	per cent	Number	percent
Commercial Fanner	163,530	3.3	886,949	3.4	141,154	2.7	126,393	2.1
Subsistence Farmer	2,222,669	44.8	13,460,973	51.6	2,231,620	42.5	4,063,466	68.8
Pastoralist	179,727	3.6	1,039,611	4.0	220,112	4.2	205,613	3.5
Public Sector Employee	705,278	14.2	3,219,598	12.4	738,253	14.1	397,352	6.7
Formal Sector Employee	862,919	17.4	3,548,958	13.6	1.023,483	19.5	339,391	5.7
Informal Sector Employee	70,113	1.4	272,002	1.0	83,252	1.6	31,184	0.5
Casual Labour	160,223	3.2	843,485	3.2	239,489	4.6	176,745	3.0
Business Person	598,538	12.1	2,792,812	10.7	570,562	10.9	564,028	9.6
Total	4,962,996	100.0	26,064,367	100.0	6,247,926	100.0	6,904,172	100.0

Household incomes and expenditures

3.24. *Overall household income:* The analysis of household income indicates that on average the non-poor earned almost twice as much as the poor. The main source of household income for both the poor and non-poor households was wage earnings. The second important source of income for both social classes was livestock and livestock products followed by income from other non-agricultural sources. Further, the composition of sources of income for the two classes were similar.

Mean Monthly Household Income(Kshs) by Source, Region, and Social Class, 1994

Table 3.16

	Non-poor					Poor				
Region	Household wages	'Other non-agricultural income	Livestock income	Crop income	Total household income	Household wages	non-agricultural income	Livestock income	Crop income	Total household income
Nairobi	14,660 3	2,880.8	538.4	3.1	18,082 7	7,532.5	1,0631	439	0.0	8,6395
Central	4,5686	1,790.3	1,276.4	915 9	8,551 2	3,386 1	947.2	712.2	374.4	5,419.8
Coast	5,231.3	1,601.2	597.5	1,438 5	8,868 5	3,555 0	1,397 8	666.7	719.8	6,339.3
Eastern	3,8598	1,565.9	2,046 4	888 2	8,360 3	2,047.6	671.2	1,275.0	249.4	4,243.2
North Eastern	3,586 6	1,930 8	5,823.8	198	11.361 0	1,202.7	1,241.5	1,987.9	44.6	4,476.8
Nyanza	3,057.3	1,6271	1,525 .3	7498	6,959 6	2,164.0	1,1433	1,0263	282.2	4,615.8
Rift Valley	5,134 9	1,3891	2,722.4	2,5989	11,845 3	2,3892	6940	1,478.5	1,449.7	6,011.4
Western	3,252.3	1,412.2	1,970.1	1,841.1	8,475.8	2,0382	8059	1,085 7	320.5	4,250.4
Rural	3,596.3	1,465.6	2,202.4	1,663.1	8,927.4	2,129 7	822.4	1,233.1	630.9	4,816.1
Urban	11,055.9	2,488.2	4463	135.8	14,126.2	6,434 0	1,437.9	118.7	22.3	8,012.9
Total	6,453.1	1,720.3	1,766.1	1,282.8	10,222.0	2,677.7	900.7	1,091.3	663.4	6,223.1

3.25. Regional analysis shows that the most important source of income was still wages for both the urban and rural households, with urban households deriving more of the incomes from wages than rural counterparts. The second most important source of income for the urban households was income from non-agricultural activities for both the poor and the non-poor. Rural households, both poor and non poor derived a significant share of their incomes from crop sales compared to their urban counterparts. Households in North Eastern Province, especially the non-poor, derived more income from livestock and livestock products compared to households from other provinces while households in Rift Valley and Western provinces derived the highest proportion of income from crops compared to households in other provinces.

3.26. *Household expenditure:* Expenditures by broad categories are presented in Table 3.17. As with income analysis at national level, the table shows that the non-poor households total expenditure was more than double that of poor households, i.e. monthly expenditures of Kshs 7,264.80 for the non-poor compared to. Kshs 2,873.20 for the poor. On average, food purchases took the largest proportion of household expenditures for both non-poor and the poor households, accounting for 52.7 per cent and 57.7 per cent, respectively. On the other hand, expenditures on non-food items accounted for 37.5 per cent and 25.5 per cent for the non-poor and poor, respectively. Imputed consumption from own produce had a share of 9.8 per cent and 16.8 per cent for non-poor and poor,

respectively. On average, urban households spent more than their rural counterparts, as incomes were higher in urban areas. The data shows that the rural non-poor spent more than the urban poor. It may therefore be generalised that the main determinant of expenditures was income levels and not the area of residence.

Household Amenities and Poverty

3.27. *Ownership of main dwelling:* The distribution of households by ownership and by social class is presented in Table 3.18. About 86.0 per cent and 71 per of non-poor and poor households respectively lived in their own dwellings. In rural areas, over 90 per cent of the houses were self-owned. More than 68 per cent of both categories of households lived in rented houses in urban areas.

3.28. *Toilet Facilities:* From Table 3.19, pit latrine was the most common type of toilet facility for both the poor and the non-poor households in rural and urban setting. In urban households the pour flush and water closet (WC) were the most prevalent for both classes. Nationally, 27.1 per cent of poor households had no access to any toilet facility compared to 15.5 per cent of the non-poor households. This is explained by the high percentage of the poor households without toilets in the rural areas (30 per cent) compared to urban areas (7 per cent).

3.29. *Cooking Fuel:* The distribution of households by main source of cooking fuel and by social class is presented in Table 3.20. Firewood collected as a source of fuel was used by 58.4 per cent of the non-poor and 80.7 per cent of poor households. Firewood was the most common source of cooking fuel for all rural households, both poor and non-poor, while in urban areas charcoal and paraffin were preferred. Gas was only popular with the urban non-poor. The high cost associated with cooking using electricity limited its use particularly to the affluent population in major urban centres.

Mean Monthly Expenditure* (Kshs.) by Category, Region and Social Class (plus total household income), 1994

Table 3.17

	Poor									Non-Poor								
Region	Education	Health	Infrequent non-food expenditure	Durable non food expenditure	Total food purchased	Total own-food/crop consumption	Total value of livestock and livestock products own consumption	Total household expenditure	Total household income	Education	Health	Infrequent nonfood expenditure	Durable non-food expenditure	Total food purchased	Total own-food/crop consumption	Total value of livestock and livestock products own-consumption	Total household expenditure	Total household income
Nairobi	137.7	93.4	1013.9	14.9	2428.6	0.0	36.4	3725.0	8639.5	587.4	528.9	5905.6	898.5	5896.2	5 .4	83 .2	13905.2	18082.7
Central	150.5	59.9	413.9	16.0	1729.6	365.1	80 .1	2815.1	5419.8	204.3	147.6	1484.3	229.3	3633.2	503.9	194.3	6397.0	8551.2
Coast	143.1	62 .1	592.7	5.2	2373.0	255.2	57.2	3488.6	6339.3	164.3	200 .1	1786.3	41.0	4516.5	165.4	98.2	6991 .7	8666.5
Eastern	154.0	84.2	463.2	7.1	1413.2	459.6	93.9	2675.2	4243.2	205.4	210.2	1642.9	56.8	3103.8	821.1	246.9	6289.1	8360.3
North Eastern	51.8	12.6	756.4	2.7	1981.1	126.3	462.5	3393.4	4476.8	175.5	126.5	2488.0	13.4	4909.4	105.8	845.5	8664.0	11361.0
Nyanza	155.3	103.1	400.4	6.0	1503.4	442.9	81.8	2692.9	4615.8	220 .0	229.8	1117.9	82.9	3499.2	593.8	135.2	5878.8	6959.6
Rift Valley	176.5	72.2	500.6	15.2	1575.2	335.5	201.6	2877.0	6011.4	263.6	212.6	1593.6	105.9	3275.5	477.7	424.4	6353.3	11845.3
Western	202.0	89.5	305.5	10.1	1517.3	445.5	78.6	2648.6	4250.4	471.8	274.9	1108.5	32.8	3754.4	722.4	174.6	6539.5	8475.8
Rural	156.0	77.4	417.2	9.7	1523.8	416.4	125.1	2725.6	4816.1	238.7	188.6	1265.3	93.2	3401.4	619.2	290.2	6096.7	8927.4
Urban	196.7	100 .0	916.4	13.1	2578.8	42.0	38.0	3884.8	8012.9	432.6	415.4	4195.9	500.1	5120.8	52.9	69.7	10787.4	14126.2
Total	161.2	80.3	480.8	10.1	1658.1	368.7	114.0	2873.2	5223.1	287 0	245.1	1995.1	194 .6	3829.6	478.2	235.3	7264.8	10222.0

Percentage Distribution of Households by Type of Ownership, Region and Social Class, 1994

Table 3.18

Region	Non-poor					Poor				
		Home ownership					Home ownership			
	Number	Owner	Rents	Free	Other	Number	Owner	Rents	Free	Other
Nairobi	372,827	12.8	62.0	19.4	5.8	97,740	6.6	78.6	14.8	
Central	499,961	79.5	16.0	3.1	1.4	180,866	82.5	10.8	3.4	3.3
Coast	253,873	56.2	37.6	5.4	0.7	147,909	84.5	12.5	1.9	1.1
Eastern	392,533	89.0	8.6	1.2	1.2	374,364	94.6	3.7	1.3	0.3
North Eastern	60,034	77.4	14.2	6.0	2.4	42,447	98.7	0.5	0.4	0.4
Nyanza	576,746	87.7	9.3	1.7	1.3	316,739	94.1	4.4	1.4	0.1
Rift Valley	769,453	74.4	18.5	5.3	1.8	381,782	85.6	9.1	5.2	0.1
Western	270,604	86.6	9.1	2.9	1.4	252,626	95.8	3.8		0.4
Rural	2,403,832	90.7	5.3	2.9	1.1	1,569,524	95.4	2.1	2.0	0.6
Urban	792,198	14.5	68.5	12.5	4.6	224,950	21.0	68.3	9.8	0.8
Total	3,198,031	71.9	20.8	5.3	1.9	1,794,474	88.0	10.4	2.9	0.6

Percentage Distribution of Households by Type of Toilet, by Region and Social Class, 1994

Table 3.19

Region	Non-poor							Poor						
	Number	Pit	V.I.P latrine	Bucket	W.C.	Pour Flush	None	Number	Pit	V.I.P. latrine	Bucket	W.C.	Pour Flush	None
Nairobi	372,827	37.8	5.8		30.0	26.4		97,740	46.7			13.5	31.1	8.8
Central	499,961	89.4	2.6	0.2	3.6	3.8	0.4	180,868	94.7	1.4		0.9	1.6	1.4
Coast	253,873	68.2	2.2		8.0	3.4	18.2	147,909	55.4	1.0		5.3	0.4	37.9
Eastern	392,533	74.6	4.4	0.7	0.4	2.1	17.7	374,364	68.2	2.3	0.0	0.2	0.0	29.3
North Eastern	60,034	30.5	2.3	2.4	1.2		63.6	42,447	8.3	0.1	1.4			90.2
Nyanza	576,746	65.2	2.5		2.6	2.2	27.5	316,739	68.5	2.0		0.3	0.3	28.8
Rift Valley	769,453	69.7	2.2	0.2	2.1	4.1	21.7	381,782	56.5	0.9	0.3	0.2	1.2	409
Western	270,604	83.4	3.3		6.0	2.6	46	252,626	88.2	1.1		0.2	1.1	9.4
Rural	2,403,832	76.1	2.2	0.2	0.6	0.6	20.2	1,569,524	68.7	1.3		0.1	0.0	30.0
Urban	792,196	48.0	5.7	0.4	23.3	21.5	1.1	224,950	60.2	2.6	0.8	10.9	18.5	7.0
Total	3,196,031	69.2	3.1	0.2	6.3	5.8	15.6	1,794,474	67.6	1.4	0.1	1.4	2.4	27.1

Percentage Distribution of Households by Main Source of Cooking Fuel, by Region and Social Class, 1994

Table 3.20

Region	Non-poor							Poor						
	Number	Main source of cooking fuel at present						N	Main source of cooking fuel at present					
		Firewood (c)	Firewood (p)	Charcoal	Paraffin	Electricity	Gas/ Other		Firewood (c)	Firewood (p)	Charcoal	Paraffin	Electricity	Gas/Other
Nairobi	372,827	2.9	2.7	8.3	66.3	7.5	12.3	97,740	6.0	3.6	27.2	63.1	-	-
Central	499,961	51.2	25.2	10.5	10.4	0.4	2.3	180.868	69.7	20.5	5.1	4.2	0.2	0.3
Coast	253,873	43.4	6.5	21.0	25.3	1.0	2.8	147,909	79.9	1.4	7.3	8.4	1.3	1.8
Eastern	392,533	78.8	8.1	7.7	3.6	1.2	0.7	374,364	92.1	4.3	2.1	1.0	0.4	
North Eastern	60,034	63.5	12.4	15.7	4.9	3.4	0.2	42,447	94.6	2.9	2.0			0.6
Nyanza	576,746	74.9	11.6	7.6	4.6	0.2	1.1	316,739	86.7	6.8	4.9	1.4	0.1	
Rift Valley	769,453	644	10.3	15.1	9.0	0.7	0.6	381,782	82.6	9.5	5.8	1.9		0.2
Western	270,604	78.6	7.3	8.2	5.1	0.1	0.6	252,626	88.6	6.2	2.4	2.0	0.6	0.2
Rural	2,403,832	76.7	13.8	5.6	3.3	0.3	0.5	1,569,524	90.2	7.8	1.0	0.5	0.3	0.1
Urban	792,198	2.8	3.2	28.4	52.0	5.0	8.6	224,950	14.6	4.7	368	41.6	0.8	1.5
Total	3,196,031	68.4	11.2	11.2	16.3	1.4	2.6	1,794,474	80.7	7.4	5.5	6.7	0.3	0.3

(c) = Collected
(p) = Purchased

3.30. *Water and Sanitation:* In WMS II safe water was defined to include treated surface water and untreated but contaminated water sources such as, piped water, roof catchment, protected springs and wells. From Table 3.21, the proportion of poor households exposed to unsafe water was much higher compared to that of non-poor especially in the North Eastern, Nyanza, Eastern and Rift Valley provinces. The observed differences were evident among the rural poor where 67.6 per cent were found to be exposed to unsafe water compared to 8.7 per cent of the urban poor.

Percentage distribution of households by access to water type by region and Social Class, 1994

Table 3.21

Region	Non-poor			Poor		
	Number	Unsafe Water	Safe Water	Number	Unsafe Water	Safe Water
Nairobi	372,827	3.1	96.9	97,740	6.7	93.3
Central	499,961	48.7	51.3	180,868	58.2	41.8
Coast	253,873	24.4	75.6	147,909	45.9	54.1
Eastern	392,533	53.0	47.0	374,364	70.2	29.8
North Eastern	60,034	62.5	37.5	42,447	78.7	21.3
Nyanza	576,746	68.6	31.4	316,739	72.0	28.0
Rift Valley	769,453	57.6	42.4	381,782	69.4	30.6
Western	270,604	42.3	57.7	252,626	44.4	55.6
Rural	2,403,832	61.2	38.8	1,569,524	67.6	32.4
Urban	792,198	5.6	94.4	224,950	8.7	91.3
Total	3,196,031	47.4	52.6	1,794,474	60.2	39.8

331.***Time Taken:*** The distribution of households by time taken to fetch water by region and social class is presented in Table 3.22. The survey indicated that only 17.6 per cent of the poor households took less than 5 minutes to collect water during dry season. Among the poor, a significant proportion of households in North Eastern (44.4 per cent), Eastern (10.9 per cent) and Coast (14.6 per cent) provinces took more than two hours to fetch water. This phenomenon is partly explained by scarcity of water in arid and semi-arid districts in these provinces where household members walk long distances to obtain water. In urban areas, more than 60.0 per cent of the households (poor and non-poor) took less than five minutes to collect water. Nairobi, Mombasa and Central provinces had the largest percentage of households with sources of water close to their premises.

Percentage Distribution of Households by Time taken to Collect Water, Region and Social Class

Table 3.22

Region	Non-poor									Poor								
	Time taken (mins) to collect water during dry season									Time taken(mins) to collect water during dry season								
	Number	0-5	6-15	16-30	31 -45	46-60	61 -90	91 -120	120+	Number	0-5	6-15	16-30	31 -45	46-60	61 -90	91 -120	120+
Nairobi	372,827	87.1	7.5	4.6		0.7				97,740	68.1	23.4	8.6					
Central	499,961	38.3	17.9	33.0	4.6	3.6	1.0	0.8	08	180,868	25.0	18.1	37.4	7.0	7.5	3.0	1.0	1.1
Coast	253,873	39.0	18.5	17.4	5.3	6.8	1.0	4.4	7.6	147,909	23.9	14.7	17.6	7.1	10.8	1.3	9.9	14.6
Eastern	392,533	18.8	19.9	20.7	5.9	11.8	3.4	9.2	10.3	374,364	8.5	19.7	22.2	6.1	17.5	7.0	8.0	10.9
North Eastern	60,034	26.9	8.1	17.1	6.6	8.3	4.1	3.9	25.1	42,447	4.6	9.2	20.3	6.0	8.2	1.5	5.8	44.4
Nyanza	576,746	16.5	21.5	27.3	8.1	10.7	54	3.9	6.6	316,739	16.7	20.7	334	8.6	9.3	2.8	3.7	4.9
Rift Valley	769,453	25.8	21.3	27.0	4.5	94	4.0	3.6	4.4	381,782	15.8	18.3	31.1	5.7	14.0	3.8	6.7	4.7
Western	270,604	19.0	20.2	33.7	7.9	11.6	3.0	2.9	1.8	252,626	8.7	269	36.7	11.4	9.4	4.0	2.2	0.8
Rural	2,403,832	18.3	20.8	29.7	6.5	10.1	3.9	4.5	6.3	1,569,524	11.4	19.9	30.9	7.6	12.8	4.3	5.7	7.5
Urban	792,198	77.1	11.4	7.6	1.4	1.4	0.1	0.5	0.4	224,950	61.3	20.9	11.4	3.4	1.7	0.2	0.8	0.3
Total	3,196,031	32.9	18.5	24.2	5.2	8.0	2.9	3.5	4.9	1,794,474	17.6	20.0	28.5	7.0	11.4	3.8	5.1	6.6

3.32. Table 3.23 presents percentage distribution of households by access to safe and unsafe water sources by socio-economic groups. The data shows that among the SEGs, subsistence farmers and pastoralist groups, which constituted significant proportion of the households, were worse off compared to other groups as almost 70 per cent of these households were exposed to unsafe water sources.

Percentage Distribution of Households by Socio-economic Groups and Type of Water

Table 3.23

Socio-economic groups	Number	Type of water	
		Unsafe	Safe
Commercial farmer	161,804	58.5	41.5
Subsistence farmer	2,238,906	69.7	30.3
Pastoralist	179,360	69.8	30.2
Public sector employee	672,562	36.2	63.8
Formal sector employee	845,779	30.6	69.4
Informal sector employee	71,062	29.8	70.2
Casual labour	168,018	44.5	55.5
Business person	591,773	35.1	64.9
Total	4,929,264	52.5	47.5

3.33. *Sanitation:* The Percentage distribution of households by type of sanitation by region and social class is presented in Table 3.24. Nairobi had the highest proportion of households with safe type of sanitation followed by Central province. North Eastern province had the highest number of households (91.6 per cent) using unsafe sanitation followed by Rift Valley (41.2 per cent), Coast (37.9 per cent), Eastern (29.3 per cent) and Nyanza (28.8 per cent). These results suggest a strong inter-relationship between poverty and unsafe sanitation.

Percentage Distribution of Households by Sanitation, Region and Social Class, 1994

Table 3.24

Region	Non-poor			Poor		
	Type of sanitation			Type of sanitation		
	Number	Unsafe	Safe	Number	Unsafe	Safe
Nairobi	372,827	0.0	100.0	97,740	8.8	91.2
Central	499,961	0.6	99.4	180,868	1.4	98.6
Coast	253,873	18.2	81.8	147,909	37.9	62.1
Eastern	392,533	18.5	81.5	374,364	29.3	70.7
North Eastern	60,034	66.0	34.0	42,447	91.6	8.4
Nyanza	576,746	27.5	72.5	316,739	28.8	71.2
Rift Valley	769,453	21.9	78.1	381,782	41.2	58.8
Western	270,604	4.6	95.4	252,626	9.4	90.6
Rural	2,403,832	20.3	79.7	1,569,524	30.0	70.0
Urban	792,198	1.5	98.5	224,950	7.8	92.2
Total	3,196,031	15.7	84.3	1,794,474	27.2	72.8

Nutrition Situation of Children

3.34. Food poverty and not the absolute poverty measure was used for assessing the nutritional status of children because of the direct inter-relationship between food and growth of children. The children from food poor households are those households whose food expenditure is below the food poverty line of Kshs.703 per adult equivalent (The amount of expenditure required to meet the recommended daily allowance of 2,250 calories based on the agreed food basket). Non food poor children were members of households spending more than Kshs.703 per adult equivalent.

Malnutrition

3.35. Malnutrition as defined by stunting, underweight and wasting levels for the under fives.

Malnutrition in Children Under fives by Food Poverty and Mothers Education

Table 3.25

Mother's Education	Number	Food poverty Non-poor			Food poverty Poor		
		stunting	moderately wasted	Underweight	stunting	moderately wasted	Underweight
		< -2SD	< -2SD	< -2SD	< -2SD	< -2SD	< -2SD
None	2,723	36.6	11.0	28.9	36.7	13.2	34.5
Primary	3,999	33.5	6.2	19.5	38.9	5.8	23.1
Secondary	1,557	25.2	5.9	12.9	28.4	5.6	16.4
Post Secondary	132	26.8	2.7	11.6	10.0	10.0	
University	36	37.5	6.3	21.9			
Total	8,447	32.1	7.1	19.8	36.4	8.8	26.7

3.36. *Mother's level of education:* It is evident from Table 3.25 that for all the three nutritional indices used, the rate of malnutrition decreased as mother's level of education increased. Children from poor households where the mother had no education were the most malnourished as evidenced by stunting, underweight and wasting. The survey further revealed that 38.9 per cent of the children from poor households where the mother had some primary education were stunted, 23.1 per cent were underweight and 5.8 per cent were wasted. However, the malnutrition rates in children from non-poor households presented a mixed picture when the mother's level of educational attainment was taken into account. Children of university educated non-poor mother had the highest levels of stunting (37.5 per cent), underweight (21.9 per cent) and wasting (6.3 per cent). Time allocated by mothers to infant feeding, child care and child stimulation influences growth and hence the nutritional status. Mothers who had better education and more demanding jobs most likely spent less time on childcare.

3.37. *Education of household head:* As mentioned earlier, maternal literacy and education levels have a strong influence on the nutritional status of children. Malnutrition levels of children by the education levels of both male and female household head were analysed for the social classes as presented in Table 3.26. Both the male and female non-educated

household heads of poor households had the highest levels of malnutrition as evidenced by stunting, underweight and wasting. Children of female-headed food poor households with no education had 41.9 per cent stunting, 36.8 per cent underweight and 13.4 per cent wasting. The male headed food poor households with no education had 35.9 per cent stunting, 33.2 per cent underweight and 12.7 per cent wasting. The malnutrition rates in the same food poor households dropped as the levels of education increased for both the male and female headed households.

Malnutrition in children under five by level of education of household head and food poverty, 1994

Table 3.28

Food poor

Level of Education	Male household head			Female household head		
	Stunting	Moderately Wasted	Underweight	Stunting	Moderately Wasted	Underweight
	<-2SD	<-2SD	<-2SD	<-2SD	<-2SD	<-2SD
None	35.9	12.7	33.2	41.9	13.4	36.8
Primary	39.1	5.0	22.7	38.2	9.1	25.1
Secondary	29.6	5.8	17.0	24.7	5.2	14.4
Post secondary	13.3			40.0		
University						
National	36.3	8.5	26.5	37.3	10.5	27.9

Malnutrition in children under five by level of education of household head and food poverty, 1994

Table 3.28 Cont

Food non poor

Level of Education	Male household head			Female household head		
	Stunting	Moderately Wasted	Underweight	Stunting	Moderately Wasted	Underweight
	<-2SD	<-2SD	<-2SD	<-2SD	<-2SD	<-2SD
None	36.0	10.9	28.1	33.8	9.0	25.9
Primary	33.2	6.2	19.1	35.2	6.1	21.2
Secondary	25.6	6.5	13.1	23.9	3.5	11.9
Post secondary	23.9	3.4	13.6	37.5		4.2
University	37.5	6.3	21.9			
National	32.0	7.4	19.9	32.3	6.2	20.0

CHAPTER 4 - EMPLOYMENT, EARNINGS AND CONSUMER PRICES

Overview

The poor performance of the economy in 1997 adversely affected employment creation in all sectors of the economy. New jobs created by the domestic economy declined from 467.2 thousand in 1996 to 372.6 thousand in 1997. Inflation rate, which had attained the single digit level in both 1995 and 1996, reverted to double-digit level, rising moderately from 9.0 per cent in 1996 to 11.2 per cent in 1997. Nominal average earnings per person increased by 20.6 per cent to K£ 5,004.6 per annum in 1997. Real average earnings in the modern sector rose by 8.5 per cent to K£ 870.1 per annum in 1997.

Employment

4.2. The number of persons engaged outside small-scale farming and pastoralists activities rose by 8.6 per cent to 4.7 million persons in 1997. However, the additional jobs created by the domestic economy declined from 467.2 thousand in 1996 to 372.6 thousand in 1997. As shown in Table 4.1, most of the additional jobs were created within the expanding informal sector, as employment in the modern sector expanded by only 1.8 per cent in 1997.

PERSONS ENGAGED: RECORDED TOTALS: JUNE, 1994 -1997

Table 4.1 '000'S

	1994	1995	1996	1997*
Modern Establishments - Urban and Rural Areas:				
Wage Employees	1,505.5	1,557.0	1,618.8	1,647.4
Self-employed and unpaid family workers	58.3	61.1	63.2	64.1
Informal Sector''	1,792.4	2,240.5	2,643.8	2,986.9
TOTAL	3,356.2	3,656.6	4,325.8	4,658.4

* Provisional
** Revised Series

4.3. *Modern Sector* - Employment in the modern sector rose from 1,682.0 thousands in 1996 to 1,711.5 thousands in 1997. However, wage employment within the sector grew by a lower rate of 1.8 per cent compared to a growth rate of 4.0 per cent recorded in 1996. The slow growth is attributed to the harsh economic environment that was aggravated by the el nino rains prevailing during the last quarter of the year. Also, the ongoing public sector reforms have reduced employment in the public sector, while the relaxation of redundancy procedures as part of liberalisation of the labour market has led to increasing retrenchment of employees in the private sector. Non-wage employment in the form of self-employed and unpaid family workers stood at 64.1 thousand persons, and accounted for 4.0 per cent of the total modern sector employment in 1997. The slight increase in wage employment in the modem sector was confined to the private sector as wage employment in the public sector remained marginally below the 1996 level.
employment in the private sector expanded by 3.1 per cent, 2.8 percentage points below the 5.9 per cent growth recorded for 1996, to 946.8 thousand persons in 1997.

4.4. Table 4.2 gives an analysis of wage employment by broad industrial classification of economic activities. Of the leading industries in the private sector, wage employment in the agricultural activities rose by 1.7 per cent compared with the 4.3 per cent growth in 1996. The slow down in employment was mainly attributed to poor performance of the agricultural sector, largely occasioned by drought in late 1996 that continued to first quarter of 1997. The el nino rains that started during the last quarter of the year further aggravated the situation. Wage employment in the manufacturing activities within the private sector expanded at a modest rate of 2.8 per cent compared with the 4.1 per cent recorded in 1996, mainly due to weak performance of some manufacturing activities, and particularly the agro-based industries. Other notable changes in employment within the private sector were in the financial sector, which grew by 4.5 per cent.

WAGE EMPLOYMENT BY INDUSTRY AND SECTOR, 1993 -1997

Table 4.2 '000

	1993	1994	1995	1996	1997**	% change
PRIVATE SECTOR:						
Agriculture and Forestry	205.9	213.1	226.8	236.6	240.6	1.7
Mining and Quarrying	3.8	3.9	4.0	4.1	4.3	4.9
Manufacturing	154.3	158.2	165.5	172.3	177.1	2.8
Electricity and Water	1.2	1.2	1.3	1.3	1.4	7.7
Building and Construction	42.4	44.2	47.1	49.6	51.6	4.0
Wholesale and Retail Trade, Restaurants and	114.1	119.7	127.9	136.2	141.7	4.0
Hotels Transport and Communications	36.4	37.2	38.1	41.4	43.1	4.1
Finance,Insurance, Real Estate and Business services	54.8	57.1	59.7	62.6	65.4	4.5
Community, Social and Personal Services	176.6	182.6	196.6	213.8	221.6	3.6
TOTAL PRIVATE SECTOR	789.5	817.2	867.0	917.9	946.8	3.1
PUBLIC SECTOR:						
Agriculture and Forestry	68.3	67.9	67.2	66.4	65.0	-2.1
Mining and Quarrying	0.7	0.7	0.7	0.7	0.7	0.0
Manufacturing	39.3	39.3	39.3	38.2	37.4	-2.1
Electricity and Water	21.2	21.1	21.6		22.0	0.0
Building and Construction	30.2	29.3	29.3	29.2	28.3	-3.1
Wholesale and Retail Trade, Restaurants and Hotels	6.9	6.9	7.0	7.0	6.5	-7.1
Transport and Communications	41.2	41.0	41.0	44.8	42.7	-4.7
Finance, Insurance, Real Estate and Business services	17.9	17.9	18.3	18.4	17.8	-3.3
Community, Social and Personal Services	460.3	464.2	465.6	474.2	480.2	1.3
TOTAL PUBLIC SECTOR	686.0	688.3	690.0	700.9	700.6	0.0

* Provisional.

4.5. Prior to 1990, public sector hiring increased rapidly, mainly due to deliberate absorption of trainees and university graduates in Government employment and staffing of parastatals. However, the public sector reform programme has led to reduction in the size of the public sector through trimming of the Civil Service and continued privatisation of non-strategic public enterprises. The reforms' efforts are reflected in the declining share of public sector's employment to the total wage employment in the modern sector. The share has declined steadily from 51.1 per cent in 1991 to 46.5 per cent in 1993 and further to 42.5 per cent in 1997. Further, the number of persons employed in the sector declined from 700.9 thousand in 1996 to 700.6 thousand in 1997. As shown in Tables 4.2, public sector employment expanded only in the community, social and personal services; largely in the teaching and medical services in the course of 1997.

4.6. Table 4.3 presents employment data in the public sector by type of employer. After declining by 3.0 per cent in 1996, employment in the Central Government declined further by 4.4 per cent to 226.3 thousand persons in 1997. The declining trend is largely attributed to the ongoing Civil Service Early Retirement Scheme, the freeze on new recruitment of low cadre staff, and restrictions on hiring Government casuals and work-paid staff. The number of persons employed by the Teachers Service Commission (TSC rose by 3.6 per cent, from 232.9 thousand persons in 1996 to 241.3 thousand persons in 1997. The growth was mostly in the teaching force, caused by absorption of graduates from local universities and trainees from teachers colleges. As a result of privatisation and restructuring programmes, employment in the parastatals and institutions with a majority control by the Government remained almost at the 1996 levels. Employment in the local authorities grew slightly by 2.8 per cent to 59.7 thousand persons in 1997.

WAGE EMPLOYMENT IN THE PUBLIC SECTOR, 1993 -1997

Table 4.3 000s

	1993	1994	1995	1996	1997*	Annual Percentage Change 1997/1996
Central Government	267.9	254.9		236.7	1163	-4.4
Teachers Service Commission	211.9	223.3	231.7	232.9	241.3	3.6
Parastatal Bodies**	107.7	109.2	111.4	119.8	119.8	0.0
Majority Control by the Public Sector*	48.9	49.8	50.3	53.4	53.5	0.2
Local Government	49.6	51.1	52.7	58.1	59.7	2.8
TOTAL	686.0	688.3	690.0		700.6	0.0

* Provisions

** Refers to Government wholly-owned corporations prior to any divestiture
*** Refers to institutions where the Government has 51 per cent or more shareholding, but does not fully own them.

4.7. Wage employment in the modern sector is not uniformly distributed among the eight provinces of Kenya. As shown in Table 4.4, Nairobi province commanded the highest share of 25.2 per cent, but had the lowest expansion in wage employment among the provinces; decelerating from 2.7 per cent in 1996 to 1.0 per cent in 1997. Rift Valley province was the second largest employer with 367.0 thousand paid employees, and its paid work force grew by 2.6 per cent. On the other extreme, North Eastern province with the smallest share of only 0.9 per cent of total wage employment registered a notable growth of 2.0 percent in wage employment in 1997.

4.8. Some 124.6 thousand jobs were generated in the urban areas during the last five years, giving an overall increase of 17.2 per cent. Table 4.5 shows that Nairobi City had the highest wage employment among other towns, but its share in urban wage employment declined from 49.2 in 1992 to 46.7 per cent in 1997. As a reflection of the decline of Nairobi share in urban wage employment, the city recorded the lowest growth of 11.2 per cent in wage employment among other towns in the six urban-based industries over the same period. Further, within the transport and communication sector in Nairobi, there was a slight decline in wage employment between 1996 and 1997, mainly due to deteriorating road infrastructure. High employment growth rate over the last five years of 46.8 per cent was recorded for Eldoret town largely due to increased activities in the manufacturing and

construction industries. Nakuru and Malindi towns recorded the second and third highest growths in employment of 37.5 per cent and 32.7 per cent respectively. Though tourism sector is the largest employer in Malindi town, its employment stagnated due to poor road infrastructure and insecurity problems. Community, social and personal services were the largest employer of the urban labour force, followed by manufacturing and domestic trades. Within the five-year period, domestic trades and manufacturing activities recorded high employment growth rates of 25.3 per cent and 22.0 per cent, respectively.

4.9. Wage employment in the modern sector by industry and gender is set out in Table 4.6. Participation of females in wage employment in the modern sector remained low, but their share increased marginally from 28.5 per cent in 1996 to 28.7 per cent in 1997. Majority of females employed in the modern sector (57.9 per cent) were working in the community, social and personal services in 1997; where females accounted for 40.1 per cent of persons employed in the educational services and 37.7 per cent of workers in public administration. Nonetheless, the proportion of females employed in industries traditionally dominated by males still remains low. In 1997, female employees in building and construction industry constituted 6.7 per cent, while 16.3 per cent of paid workers in manufacturing industries were females. Of the total 1,647.4 thousand wage employees, 1346.6 thousand were on regular terms of employment of which 382.3 thousands were females.

WAGE EMPLOYMENT BY PROVINCE, 1994 -1997

Table 4.4 '000's

Province	1994	1995	1996	1997*	Percentage Change 1996/1995
Nairobi	393.7	400.1	410.9	414.9	1.0
Coast	189 6	194 5	201.3	203 6	1.1
North Eastern	13 8	14.3	14 8	15.1	2.0
Eastern	129.2	132.4	136.1	137.9	1.3
Central	212.4	219.9	230.1	235.2	2.2
Rift Valley	320.3	338. 4	357.6	3670	26
Nyanza	146.7	153.8	160.7	1644	2.3
Western	99.8	103 6	107.3	109.3	1.9
TOTAL	1,505.5	1,557.0	1.618.8	1,647.4	1.8

* Provisional

WAGE EMPLOYMENT BY MAJOR TOWNS AND SELECTED INDUSTRIES, 1992 AND 1997

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	1992	1997*	1992	1997*	1992	1997*	1992	1997*	1992	1997*	1992	1997*	1992	1997*
Nairobi	66.6	75.5	36.3	39.8	47.3	55.5	27.8	29.9	41.3	41.9	136 8	153.5	356.1	396.1
Mombasa	25.0	30.6	5.8	6.3	16.9	21.3	25.4	30.9	9.2	13.1	40.9	48.2	123.2	150.4
Kisumu	5.0	7.0	2.5	2.2	3.2	4.2	1.5	1.8	2.1	2.5	16.3	19.5	30.6	37.2
Nakuru	6.3	8.5	1.6	2.6	4.1	5.5	1.1	1.6	1.3	2.4	8.8	11.3	23.2	31.9
Thika	12.7	15.1	0.5	0.6	2.1	3.0	0.3	0.4	1.2	1.5	4.1	5.8	209	26.4
Eldoret	9.7	16.1	1.0	1.9	3.5	4.0	0.7	0.9	2.2	2.8	3.4	4.4	20.5	30.1
Malindi	0.4	0.4	0.1	0.3	2.1	2.8	0.2	0.3	0.3	0.4	2.4	3.1	5.5	7.3
Kericho	2.9	3.8	1.4	1.0	0.5	1.2	0.1	0.2	0.2	0.5	5.1	6.0	10.2	12.7
Others	19.4	24.6	13.0	17.6	14.3	20.3	5.2	8.3	4.5	4.8	77.0	80.5	1334	156.1
TOTAL	148.0	181.6	62.2	72.3	94.0	117.8	62.3	74.3	62.3	69.9	294.8	332.3	723.6	848.2

* Provisional.

WAGE EMPLOYMENT BY INDUSTRY AND SEX, 1996 AND 1997

Table 4.6 '000's

INDUSTRY	MALES		FEMALES		TOTAL	
	1996	1997*	1996	1997*	1996	1997*
Agriculture and Forestry	226.4	230.0	76.6	75.6	303.0	305.6
Mining and Quarrying	3.5	3.7	1.3	1.3	4.8	5.0
Manufacturing	176.7	179.5	33.8	35.0	210.5	214.5
Electricity and Water	19.3	19.3	4.0	4.1	23.3	23.4
Building and Construction	72.5	74.7	6.3	5.2	78.8	79.9
Trade, Restaurants and Hotels	106.8	108.8	36.4	39.4	143.2	148.2
Transport and Communications	68.5	68.4	17.7	17.4	86.2	85.8
Finance, Insurance, Real Estate and Business Services	60.3	61.9	20.7	21.3	81.0	83.2
Community, Social and Personal Services-						
Public Administration	108.1	105.0	64.7	63.6	172.8	168.6
Education Services	173.6	175.5	110.6	117.4	284.2	292.9
Domestic Services	56.4	59.4	38.9	39.4	95.3	98.8
Other Services	85.4	87.8	50.3	53.7	135.7	141.5
TOTAL	1,157.5	1,174.0	461.3	473.4	1,618.8	1,647.4
Of which'Regular	961.6	964.3	372.5	382.3	1,334.1	1,346.6
Casual	195.9	209..7	88.8	91.1	284.7	300.8

• Provisional

Wage Earnings in the Modern Sector

4.10. Table 4.7 presents analysis of wage payments by sector and industrial activity for the period 1992 to 1997. The overall nominal wage bill increased "by 22.7 per cent to K£ 8,244.9 million in 1997; compared to a higher increase of 26.7 per cent recorded for 1996. With the noted slow down in wage employment, the modest expansion in overall wage bill was largely due to improvements in average nominal wages. Due to their large share in wage employment, the community, social and personal services absorbed 37.6 per cent of the total wage bill in 1997. On the other extreme, agricultural activities as the second largest employer absorbed only 8.6 per cent of the total wage bill, partly due to low average earning prevailing in the industry.

ESTIMATED TOTAL WAGE PAYMENTS BY INDUSTRY AND SECTOR, 1994-1997

Table 4.7 K£million

	1994	1995	1996	1997*
PRIVATE SECTOR:				
Agriculture and Forestry	255.8	328.6	421.4	513.2
Mining and Quarrying	7.7	9.3	11.3	13.3
Manufacturing	485.5	636.3	811.9	1,008.4
Electricity and Water	3.8	5.1	6.6	9.2
Building and Construction	114.0	154.0	200.4	250.0
Wholesale and Retail Trade, Restaurants and Hotel	495.1	661.3	885.3	1,066.3
Transport and Communications	174.6	218.8	289.6	360.9
Finance, Insurance .Real Estate and Business Services	339.3	430.2	542.9	672.6
Community, Social and Personal Services	439.1	610.4	810.0	1,029.4
TOTAL PRIVATE SECTOR	2,314.9	3,054.0	3,959.4	4,943.3
PUBLIC SECTOR:				
Agriculture and Forestry	94.5	125.0	158.5	192.9
Mining and Quarrying	2.4	2.7	3.0	3.6
Manufacturing	97.8	129.0	146.2	173.6
Electricity and Water	89.8	107.5	126.2	154.1
Building and Construction	70.7	85.1	104.1	123.2
Wholesale and Retail Trade, Restaurants and Hotels	24.2	30.3	35.8	40.3
Transport and Communications	153.7	190.7	260.6	301.5
Finance, Insurance .Real Estate and Business Services	120.3	158.5	195.7	247.5
Community, Social and Personal Services	1.249.3	1,420.9	1.728.8	2,064.9
TOTAL PUBLIC SECTOR	1,902.7	2,248.7	2,758.9	3,301.6
TOTAL PUBLIC AND PRIVATE	4.217.6	5,303.7	6,716.3	5,244.9

* Provisional.

4.11. Total wage payments in the private sector rose by 24.8 per cent to K£ 4,943.3 million in 1997. The growth is lower than the 29.6 per cent recorded in 1996, partly due to deceleration of growth in wage employment. Trades and hotels industry absorbed the highest shares of 22.0 per cent of private sector wage bill. These were followed by community, social and personal services and manufacturing industries, with respective shares of 20.8 per cent and 20.4 per cent of private sector wage bill. Growths in total payments in all industries in the private sector, except electricity and water, were slightly below the corresponding growths in 1996. A steady slow down in public sector employment over the recent years has resulted in its wage bill being lower than the private sector since 1993; and accounted for 40.0 per cent of the total wage bill in the modern sector in 1997.

4.12. Table 4.8 summarises wage payments in the public sector by type of employer. Despite a decline in the number of persons employed by the Central Government, the Government's wage bill increased by 13.1 per cent to K£ 1,075.1 million in 1997, and accounted for 32.6 per cent of public sector wage bill. The wage bill for the Teachers Service Commission rose by 25.6 per cent to K£ 915.3 million, and absorbed the second largest share of public sector wage bill in 1997. The growth was largely attributed to recruitment of additional teachers. Wage payments for parastatals rose by 18.3 per cent, mainly due to increases in staff salaries as employment recorded zero growth.

TOTAL WAGE PAYMENTS IN THE PUBLIC SECTOR, 1994-1997

Table 4.8 K£million

	1994	1995	1996	1997*
Central Government	744.4	847.8	950.7	1,075.1
Teachers Service Commission**	503.2	584.6	728.8	915.3
Parastatal Bodies***	354.6	423.4	533.0	630.3
Majority Control by the Public Sector**	173.2	221.9	294.0	364.8
Local Government	127.3	172.0	252.4	316.1
TOTAL	1,902.7	2249.7	1758.9	3,301.6

* Provisional

** Refers to position as at 30th June. However the June figures are annualized by multiplying by 12.

** Refers to Government wholly-owned corporations prior to any divestiture

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

4.13. Table 4.9 shows that average earnings increased by 20.6 per cent, from K£ 4,150.1 per annum in 1996 to K£ 5,004.6 per annum in 1997. The noted growth in annual earnings per person is largely attributed to several upward wage adjustments during the year under review. Average earnings in the private sector expanded by 21.0 per cent to K£ 5,221.1 per annum in 1997, and have been higher than the corresponding earnings for workers in the public sector. Analysis across different activities within the private sector shows that average earnings in the financial activities have traditionally been higher than in other industries. On the other hand, average earnings in primary activities of agriculture; mining and quarrying were below the national average earnings during the 1994 - 1997 period. Wage differentials in the private sector are generally attributed to firm's profitability, workers skill levels, and the strength of collective bargaining.

4.14. Average earnings in the public sector registered a slower increase of 19.7 per cent; compared to 21.0 per cent growth recorded for the private sector employees in 1997. Within the public sector, average earnings for employees of the Central Government rose by 18.3 per cent to K£ 4,750.8 per annum. Average earnings for employees of the Teachers Service Commission rose from K£ 3,129.2 in 1996 to K£ 3,793.2 per annum in 1997. However, it should be noted that the 21.2 per cent rise in earnings for employees of the Teachers Service Commission excludes salary increments resulting from implementation of a new salary scheme for teachers that was negotiated by the Kenya National Union of Teachers (KNUT) and the Government in October, 1997. The exclusion of the first increment backdated to 1st July, 1997 results from the fact that the analysis of average earnings is based on the June, 1997 payroll for Teachers Service Commission employees. Average earnings for employees of parastatals and other institution with majority control by the Government were higher than for civil servants and teachers employed by Teachers Service Commission.

AVERAGE WAGE EARNINGS PER EMPLOYEE, 1994-1997

Table 4.9 K£ per annum

	1994	1995	1996	1997*
PRIVATE SECTOR:				
Agriculture and Forestry	1,200.8	1,448.8	1,781.3	2,133.2
Mining and Quarrying	1,974.8	2,331.9	2,728.1	3,121.8
Manufacturing	3,065.9	3,845.4	4,712.4	5,694.8
Electricity and Water	2,485.8	4,027.9	4,970.4	6,334.1
Building and Construction	2,580.7	3,268.8	4,042.0	4,842.3
Trade, Restaurants and Hotels	4,135.5	5,169.8	6,354.1	7,666.1
Transport and Communications	4,694.9	5,745.1	6,988 1	8,365.2
Finance, Insurance .Real Estate and Business Services	5,945.5	7,204.0	8,671.0	10,290.3
Community, Social & Personal Services	2,404.2	3,104.5	3,788.5	4,645.0
TOTAL PRIVATE SECTOR	2,832.1	3,522.6	4,313.4	5,221.1
PUBLIC SECTOR				
Agriculture and Forestry	1,390.7	1,858.8	2,388.8	2,969.4
Mining and Quarrying	3,311.2	3,809.8	4,239.8	5,083.3
Manufacturing	2,487.7	3,282.1	3,831.8	4,639.6
Electricity and Water	4,269.1	4,974.5	5,729.3	7,019.5
Building and Construction	2,409.5	2,901.2	3,563.2	4,348.1
Trade, Restaurants and Hotels	3,477.8	4,346.0	5,122.8	6,179.1
Transport and Communications	3,754.1	4,654.0	5,811.5	7,052.4
Finance, Insurance .Real Estate and Business Services	6,724.1	8,652.6	10,615.5	13,899.1
Community, Social & Personal Services	2,692.3	3,052.0	3,646.0	4,300.1
TOTAL PUBLIC SECTOR	2,764.1	3,2603	3,936.3	4,712.2
TOTAL PRIVATE AND PUBLIC SECTOR	2,801.0	3,409.0	4,150.1	5,004.6
MEMORANDUM ITEMS IN PUBLIC SECTOR:				
Central Government	2,920.4	3,476.0	4,016.5	4,750.8
Teachers Service Commission**	2,253.5	2,523.1	3,129.2	3,793.2
Parastatal Bodies***	3,247.3	3,800.7	4,449.1	5,261.3
Majority Control by the Public Sector	3,477.9	4,411.5	5,505.6	6,818.7
Local Government	2,491.2	3,263.8	4,344.2	5,294.8
TOTAL PUBLIC SECTOR	2,764.1	3,260.3	3,936.3	4,712.2

* Provisional
** Refers to position as at 30th June. However the June figures are annualised by multiplying by 12.
** Refers to Government wholly-owned corporations

4.15. Table 4.10 presents changes in wage employment and average earnings. Between 1992 and 1997, total wage employment in the modern sector has grown by 12.7 per cent, with wage employment in the private sector rising by 24.1 per cent. Due to public sector reforms, public sector employment stagnated over the same period and only expanded in the teaching and medical services falling under community, social and personal services. In fact employment in the Central Government declined by 15.9 per cent over the same period. Due to continued expansion of the Kenyan educational system, employment by the Teachers Service Commission rose by 15.7 per cent between 1992 and 1997. Over the same period, wage employment in the local authorities grew by 17.5, largely due to creation of additional districts.

Table 4.10

	EMPLOYMENT		AVERAGE EARNINGS	
	1997*/1992	1997*/1996	1997*/1992	1997*/1996
PRIVATE SECTOR:				
Agriculture and Forestry	18.5	1.7	170.6	19.8
Mining and Quarrying	14.7	4.9	113.0	14.4
Manufacturing	17.3	2.8	148.8	20.8
Electricity and Water	31.5	7.7	196.8	27.4
Building and Construction	22.9	4.0	168.2	19.8
Trade, Restaurants and Hotels	27.7	4.0	155.7	20.6
Transport and Communications	27.5	4.1	134.8	19.7
Finance, Insurance .Real Estate and Business Services	27.1	4.5	121.0	18.7
Community, Social & Personal Services	29.4	3.6	157.2	22.6
TOTAL PRIVATE SECTOR	24.1	3.1	153.3	21.0
PUBLIC SECTOR:				
Agriculture and Forestry	-8.3	-2.1	181.1	24.3
Mining and Quarrying	-5.6	0.0	83.3	19.9
Manufacturing	-4.8	-2.1	141.5	21.1
Electricity and Water	3.5	0.0	119.9	22.5
Building and Construction	-9.2	-3.1	145.1	22.0
Trade, Restaurants and Hotels	-12.8	-7.1	113.5	20.6
Transport and Communications	-0.9	-4.7	148.3	21.4
Finance, Insurance .Real Estate and Business Services	-7.0	-3.3	148.7	30.9
Community, Social and Personal Services	4.2	1.3	111.9	17.9
TOTAL PUBLIC SECTOR	0.3	0.0	123.2	19.7
TOTAL PUBLIC AND PRIVATE	12.7	1.8	140.0	20.6
MEMORANDUM ITEMS IN PUBLIC SECTOR:				
Central Government	-15.9	-4.4	107.7	18.3
Teacher's Service Commission**	15.7	3.6	123.7	21.2
Parastatal Bodies***	3.9	0.0	116.8	18.3
Majority Control by the Public Sector ****	7.0	0.2	167.4	23.9
Local government	17.5	2.8	204.1	21.9
TOTAL PUBLIC SECTOR	0.3	0.0	123.2	18.7

** Refers to position as at 30th June. However the June figures are annualised by multiplying by 12.
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

4.16. Between 1992 and 1997, overall average earnings more than doubled from their 1992 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 electricity and water, agriculture and forestry, and building and construction industries. Local Government employees have benefitted from a significant growth in earnings per person during the last five years.

ESTIMATED REAL AVERAGE WAGE EARNINGS' PER EMPLOYEE. 1994-1997

Table 4.11 K£ per annum

	1994	1995	1996	1997**
PRIVATE SECTOR:				
Agriculture and Forestry	257.0	305.4	344.4	370.9
Mining and Quarrying	422.7	491.5	527.4	542.7
Manufacturing	656.2	810.5	911.0	990.1
Electricity and Water	532.1	849.0	960.9	1,101.2
Building and Construction	552.4	689.0	781.4	841.9
Trade, Restaurants and Hotels	885.2	1,089.6	1,228.4	1,332.8
Transport and Communications	1,004.9	1,210.9	1,350.9	1,454.3
Finance, Insurance .Real Estate 4 Business Services	1,272.6	1,518.4	1,676.3	1,789.0
Community, Social 4 Personal Services	514.6	654.3	732.4	807.6
TOTAL PRIVATE SECTOR	606.2	742.5	833.9	907.7
PUBLIC SECTOR:				
Agriculture and Forestry	297.7	391.8	516.2	516.2
Mining and Quarrying	708.7	803.0	819.6	883.8
Manufacturing	532.5	691.8	740.8	806.6
Electricity and Water	913.8	1,048.5	1,107.6	1,220.4
Building and Construction	515.7	611.5	688.8	755.9
Trade. Restaurants and Hotels	744.4	916.0	990.3	1,074.3
Transport and Communications	803.5	980.9	1,123.5	1,226.1
Finance. Insurance .Real Estate 4 Business Services	1,439.3	1,823.7	2,052.2	2,416.4
Community, Social 4 Personal Services	576.3	643.3	704.8	747.6
TOTAL PUBLIC SECTOR	591.6	687.2	761.0	819.2
TOTAL PRIVATE AND PUBLIC	599.5	718.5	802.3	870.1
MEMORANDUM ITEMS IN PUBLIC SECTOR:				
Central Government	625.1	732.6	776.5	825.9
Teacher's Service Commission**	482.4	531.8	604.9	659.5
Parastatal Bodies***	695.1	801.1	860.1	914.7
Majority Control by the Public Sector+	744.4	929.8	1,064.3	1,185.5
Local government	533.2	687.9	839.8	920.5
TOTAL PUBLIC SECTOR	591.6	687.2	761.0	819.2

* 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 position as at 30th June However the June figures are annualised by multiplying by 12.

**** Refers to Government wholly-owned corporations

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

4.17. The composite Nairobi Consumer Price Index (CPI) is used in deflating nominal average earnings to real average earnings presented in Table 4.11. The real earnings depict the extent to which inflationary pressures erode workers' earnings. Average earning in real terms amounted to K£ 870.1 per annum in 1997, with their growth decelerating from 11.7 per cent in 1996 to 8.4 per cent in 1997. This was mainly attributed to a modest rise in the CPI during the year. Real average earnings in the private sector rose by 8.8 per cent to K£ 907.7 per annum in 1997; while earnings in the public sector rose at a slightly lower rate of 7.6 per cent to K£ 819.2 per annum.

CHANGES IN WAGE EMPLOYMENT, PRICES AND REAL EARNINGS, 1994 - 1997

Table 4.12 Percentage

	1994	1995	1996	1997*
Wage employment	2.0	3.4	4.0	1.8
Average earnings at current prices	18.2	21.7	21.7	20.6
Consumer prices (Inflation rates)**	28.8	1.6	9.0	11.2
Real average earnings	8.3	19.8	11.7	8.5

* Provisional

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

Employment in the Informal Sector

4.18. The ongoing structural changes in the domestic economy have resulted in significant changes in the labour market. Among the changes, there has been a significant shift of surplus labour to the informal sector. This is reflected in the steady expansion of the sector over the recent years where the number of persons engaged has expanded from 1,792.4 thousands in 1994 to 2,986.9 thousand in 1997. Also, Table 4.1 shows that the share of informal sector employment, excluding employment in small-scale farming activities, has risen rapidly from 53.4 per cent in 1994 to 63.6 per cent in 1997. The notable employment creation potential of the sector is attributed to a number of factors: among them the multiplicity of informal sector activities, the use of simple and inexpensive technologies demanding less specialised skills, ease of entry into and exit from the sector and little capital investment. Other factors include absence of registration and other legal formalities, and a gradual shift of labour from subsistence farming to informal sector as the economy increasingly becomes market oriented.

4.19. The informal sector, locally referred to as "Jua Kali" sector, covers all semi-organised and unregulated small-scale activities largely undertaken by the self-employed or those who employ a few workers. It excludes all farming and pastoralist activities. Informal sector activities are carried out by artisans, traders and other operators under a variety of work sites such as temporary structures, markets, both developed and undeveloped plots, residential premises or street pavements. The sector uses simple technology and its main legal feature is that the businesses are not registered with the Registrar of Companies. Further, operators of the informal sector may or may not have licences from relevant authorities for carrying out businesses. After recognising its central role in job creation and poverty alleviation, the Government has promoted the informal sector in a variety of ways.

INFORMAL SECTOR, 1994-1997
NUMBER OF PERSONS ENGAGED BY PROVINCE

Table 4.13 '000's

Province	1994	1995	1996	1997*
Nairobi	433.0	538.4	623.9	716.4
Central	281.6	356.7	417.7	470.4
Nyanza	213.6	268.3	319.9	359.4
Western	131.5	156.5	187.7	210.5
Rift Valley	332.3	421.0	502.3	563.0
Eastern	164.4	217.2	253.8	284.0
Coast	229.9	274.3	325.2	368.3
North Eastern	6.1	8.1	133.3	14.9
TOTAL	1,792.4	2,240.5	2,643.8	2,986.9
Of which				
Urban	1,165.0	1,470.3	1,692.0	1,939.7
Rural	627.3	770.2	951.8	1,047.2

* Provisional

4.20. Table 4.13 shows that most of the informal sector activities are based in urban areas, which absorbed 64.9 per cent of informal sector employment in 1997. Geographical distribution shows that Nairobi Province had the highest informal sector employment of 716.4 thousand persons, and accounted for 24 0 per cent of total persons engaged in the sector in 1997. Rift Valley and Central Provinces occupied the second and third positions in providing informal sector employment of 563.0 thousand and 470.4 thousand persons, respectively. Despite its potential in job creation, the poor performance of the domestic economy that is linked to the informal sector via the household sector led to a decline in the number of additional jobs in the informal sector from 403.3 thousand persons in 1996 to 343.1 thousand persons in 1997. The deceleration in job creation was felt in all the provinces, as the overall number of persons engaged in the sector grew by 13.0 per cent in 1997 compared with a higher growth of 18 0 per cent recorded in 1996. It should be noted nevertheless that urban informal sector employment in 1997 grew faster than in 1996.

4.21. Distribution of informal sector employment by industry is presented in Table 4.14. Workers in the sector were concentrated in the wholesale and retail trades, hotels and restaurants industry, which absorbed 63.3 per cent of persons engaged in the sector. The expansion in persons engaged in the trades, hotels and restaurants industry may be attributed to the continued liberalisation of the economy. Despite having the smallest share of persons engaged in the sector, the construction industry had die highest growth in employment among other industries of 17.5 per cent in 1997.

Wage Awards and Collective Agreements

4.22. The Government has started liberalising the labour market to be in line with other liberalised markets in Kenya. As part of the liberalisation process, wage guidelines that were introduced in 1973 to guide the Industrial Court in adjudicating trade disputes and in considering registration of collective agreements have been extensively liberalised since 1994. The guidelines now allow workers and employers greater freedom in wage negotiations based on labour productivity and prevailing inflation rates. The Government is reviewing the guidelines with a view to modifying and eventually abolishing them. The Government has also relaxed redundancy procedures, and encourages continued dialogue between parties concerned with workers issues.

INFORMAL SECTOR. 1994-1997
NUMBER OF PERSONS ENGAGED BY ACTIVITY

Table 4.14 000s

Activity	1994	1995	1996	1997*
Manufacturing	492.4	616.8	710.9	804.7
Construction	26.0	31.6	36.0	42.3
Wholesale and Retail Trade, Hotels and Restaurants	1,126.2	1,405.5	1,675.5	1,891.7
Transport and Communications*	28.9	35.1	41.5	46.9
Community, Social and Personal Services	118.9	151.5	179.9	201.3
TOTAL	1,792.4	2,240.5	2,643.8	2,986.9

* Provisional
** Includes mainly support services to transport activity

4.23. The Government raised the minimum monthly wages for workers who fall under the Wages General Order by 10.0 per cent, with effect from the Labour Day of 1997. It also raised general minimum wages for workers falling under rural Agricultural Industrial Wages Order by 10.0 per cent. During the year under review, workers within the public sector were awarded a pay rise ranging between 10.0 per cent and 30 per cent by the Salary Review Commission with effect from 1st July 1997. Further, all civil servants benefited from a Presidential award of about 10.0 per cent pay rise announced on 20th October 1997. After staging a nation-wide strike, teachers benefited from a phased salary increase resulting from implementation of a new salary scheme for teachers that was negotiated by the Kenya National Union of Teachers (KNUT) and the Government in October, 1997. The awards included salary increments ranging between 150 per cent and 200 per cent to be spread over five years, and allowances and benefits to be paid in full within a period of between two to three years. The first increment was backdated to 1st July 1997.

4.24. Table 4.15 represents the gazetted basic monthly wages for the rural agricultural workers. On average, minimum wages were raised by 10.0 per cent to Kshs 1,362 per month in 1997. The under 18 years unskilled employees who are the lowest paid, had their wages raised from Kshs 710 per month in 1996 to Kshs 781 per month in 1997. The highest paid i.e. the farm foremen and farm clerks had their wages raised from Kshs 1,794 per month in 1996 to Kshs 1,973 in 1997.

4.25. Table 4.16 presents gazetted monthly basic wages in urban areas. On average, monthly basic wages for workers in Nairobi and Mombasa were raised by the Government from Kshs 3,293 per month in 1996 to Kshs 3,926 per month in 1997 Workers in other municipalities including Mavoko and Ruiru town councils had their minimum wages raised, on average, from Kshs 3,054 per month to Kshs 3,420 per month during the same period. On average, workers in all other towns had the minimum wage raised on average by 12.0 per cent in 1997.

BASIC GAZETTED MINIMUM MONTHLY WAGES FOR AGRICULTURAL INDUSTRY, 1995-1997

Table 4.15 Kshs.

Type of Employee	1995	1996	1997
UNSKILLED EMPLOYEES			
18 years 4 above	939	995	1,095
Under 18 years	670	710	781
STOCKMAN, HERDSMAN AND WATCHMAN			
Under 18 years	777	824	906
18 year & above	1,083	1,148	1,263
SKILLED AND SEMI-SKILLED EMPLOYEES			
House servant or cook	1,071	1,135	1,249
Farm foreman	1,692	1,794	1,973
Farm clerk	1,692	1,794	1,973
Section foreman	1.096	1,162	1,278
Farm artisan	1,123	1,190	1,309
Tractor driver	1,190	1,261	1,387
Combined harvester driver	1,310	1,389	1,528
Lorry driver or car driver	1,375	1,458	1,604
AVERAGE	1,168	1,238	1,362

GAZETTED MONTHLY BASIC MININUM WAGES IN URBAN AREAS (EXCLUDING HOUSING ALLOWANCE), 1995 - 1997

Table 4.16 Kshs.

Occupation	Nairobi Area& Mombasa			Other Municipals plus Mavoko & Ruiru Town Councils			All other towns		
	1995	1996	1997*	1995	1996	1997*	1995	1996	1997*
General Labourer	1,904	2.094	2,345	1,755	1,931	2,163	1,070	1,117	1,251
Miner, stone cutter, tumboy, waiter, cook	2,055	2,261	2,532	1,823	2,005	2,246	1,174	1,291	1,446
Night watchman	2,124	2,336	2.616	1,969	2,166	2,426	1,212	1,333	1,493
Machine attendant	2,156	2,372	2,657	2,007	2,208	2,473	1,627	1,790	2,005
Machinist	2,462	2,708	3,033	2,304	2,534	2,838	1,884	2,072	2,321
Plywood machine operator	2,568	2,825	3,164	2,371	2,608	2,921	1,961	2,157	2,416
Pattern designer	2,932	3,225	3,612	2,680	2,948	3,302	2,285	2,514	2,816
Tailor, Driver (medium vehicle)	3,231	3,554	3,981	2,970	3,267	3,659	2,647	2,912	3,262
Dyer, Crawler, Tractor driver, Salesman	3,567	3,924	4,395	3,328	3,661	4,100	3,004	3,304	3,701
Saw doctor. Caretaker (building)	3,947	4,342	4,863	3,685	4,054	4,541	3,434	3,777	4,230
Cashier, Driver (heavy commercial)	4,295	4,725	5,292	4,041	4,445	4,979	3,790	4,169	4,669
Artisan (Upgraded)	2,568	2,825	3,164	2,371	2,608	2,921	1,961	2,157	2,416
Artisan Grade III	3,231	3,554	3,981	2,970	3,267	3,659	2,647	2,912	3,268
Artisan Grade II	3,567	3,924	4,396	3,328	3,661	4,100	3,004	3,304	3,701
Artisan Grade I	4.295	4,725	5,792	4,041	4,445	4,979	3,790	4,169	4,669
AVERAGE	2,993	3,293	3,722	2,776	3,054	3,420	2,366	2,599	2,911

*Provisional

4.26. Table 4.17 presents collective agreements registered by the Industrial Court in 1996 and 1997. These agreements concern rules and conditions pertaining to work and pay determined collectively between trade unions and employers or employers' associations. The number of collective agreements registered by the Industrial Court increased by 13.0 per cent from 269 in 1996 to 304 in 1997. However, a rise in the number of registered agreements does not necessarily lead to a rise in the number of unionised workers covered by the agreements. It depends on the employment levels in the firms involved in the trade disputes. Therefore, the agreements benefited 60,459 unionised employees compared to 84,272 employees covered by the 1996 agreements. Electricity and water industry had only one agreement, while wholesale and retail trades, hotels and restaurants industries

recorded the highest number of 40 agreements. The 1997 agreements offered, on average, a basic minimum wage of Kshs 6,015 per month, which represents 41.3 per cent increase over what was offered by the agreements registered in 1996. Also notable is an average basic housing allowance of Kshs 1,155 per month offered by the 1997 agreements as compared to Kshs 881 per month offered by the 1996 agreements.

COLLECTIVE AGREEMENTS REGISTERED BY THE INDUSTRIAL COURT, 1996 AND 1997

Table 4.17

Industry	No .of Agreements		No. of Unionisable Employees		Monthly Basic Wage Offered (Kshs)		Monthly Basic Housing Allowance Offered (Kshs)	
	1996	1997*	1996	1997*	1996	1997*	1996	1997*
Agriculture Hunting Forestry & Fishing	22	17	12,901	8,510	4,403	2,346	924	516
Mining & Quarrying		6		438		3,730		616
Food, Beverage & Tobacco	30	34	15,844	7,459	4,132	10,692	746	950
Textile, Wearing Apparels & Leather Industry	32	26	6,622	4,650	3,257	4,129	785	955
Wood & Wood Industry	3	2	477	1,587	3,780	2,894	550	775
Paper & Paper Products, Printing & Publishing	6	16	477	906	3,568	7,562	734	574
Chemical Petroleum Rubber & Plastic Product	26	24	1,703	1,992	4,319	4,375	828	775
Glass, Ceramic & Cement	5	8	790	883	2,971	10,860	536	904
Motor Mechanic & Engineering Products		2		63		3,448		750
Electronics & Electrical Products	30	31	1,622	2,661	3,310	5,037	805	905
Other Manufacturing Products	2	2	149	162	4,601	4,376	875	1,032
Electricity and Water		1		6,718		7,219		4,760
Building & Construction	1	4	23	269	8,078	6,535		685
Wholesale & Retail Trade, Restaurant & Hotels	29	40	28,887	5,256	3,695	11,161	,984	1,033
Transport and Communication	27	26	9,553	13,167	4,577	6,296	1,087	1,484
Finance, Insurance, Real Estate & Business Services	24	26	2,363	2,248	5,093	7,738	1,594	1,696
Community & Social Services	32	39	2,861	3,490	3,809	3,856	999	1,220
Total	269	304	84,272	60,459	4,257	6,015	881	1,155

* Provisional

Consumer Prices

4.27. In the recent past different forms of inflation rates have been published by different institutions. These forms need to be defined to avoid any misinterpretation of price data. Although there are different ways of computing inflation rates, the process involves comparison of the Consumer Price Indices (CPI) over two periods. The inflation rate usually reported by Central Bureau of Statistics is computed as percentage change of Nairobi general CPI. The general CPI uses prices of all consumer goods and services contained in the "market basket". This basket may be broken down into two categories: (i) items whose prices are not affected by policy but by normal supply and demand and other transitory factors; and (ii) items whose prices are affected directly by fiscal and monetary policies, in addition to demand and supply forces. The resultant index is obtained by summing the weighted annual average indices for Lower, Middle and Upper income groups - where the average annual indices are computed by simply summing up the twelve monthly indices for each year and dividing the sum by twelve. The Lower, Middle and Upper income group indices are assigned weights of 0.768 , 0.209 and 0.023, respectively. These weights were derived as proportions of households in Nairobi who were falling in the respective income groups given in the footnote accompanying Table 4.18; and refer to

1986 prices. The resultant inflation rate may be called the "general" inflation rate, since it captures price movements for all items included in the CPI basket of goods and services. Further, it is a general "average annual" inflation rate.

4.28 Other variations in computation of inflation rates exist. In particular there is the "underlying inflation" which is of great interest to the Central Monetary Authorities. The underlying inflation is computed by including in the Consumer Price Index only those goods and services whose prices are affected directly by fiscal and monetary policies, in addition to demand and supply forces. There are, however, some items that are included in the underlying index like charcoal, which are not affected directly by policy but by other transitory factors. The underlying index excludes items like maize, meat, fruits and vegetables; and is computed net of rent which has a different set of time based determinants. Both the general inflation rate and the underlying inflation rate may be computed using different approaches. The "average annual" inflation is computed by summing up the twelve monthly indices for each year and dividing the sum by twelve. The "month-on-month" inflation rate is calculated as percentage change between the CPIs for the same month over two consecutive years, e.g. percentage change of CPI for the month of July in 1996 and the month of July in 1997. The "3-month annualized" inflation rate is computed as a percentage change of the CPI for first month of the current quarter and CPI for first month of the previous quarter (i.e. the lagged third month), and raising the resultant index to the power of four. Because computation of inflation rates depends on their perceived end use, die Central Bureau of Statistics publishes the general inflation rate based on the price movements for the 12 months of two consecutive years for wider usage and application.

PERCENTAGE INCREASES IN NAIROBI CONSUMER PRICES*, 1993/2 - 1997/96

Table 4.18

Income Group **	1993/92	1994/93	1995/94	1996/95	1997/96
Nairobi Lower Income Index..	45.8	29.0	0.8	8.8	12.0
Nairobi Middle Income Index	45.9	27.9	4.0	9.3	8.4
Nairobi Upper Income Index	53.3	30.6	3.9	8.9	10.9
Weighted Average Increases for 12 Months (Inflation rates)***	46.0	28.8	1.6	9.0	11.2

* 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

4.29. Based on the Nairobi Consumer Price Indices given in Tables 4.19, 4.20 and 4.21, the general inflation rate, computed as weighted average of price increases for 12 months, accelerated from 9.0 per cent in 1996 to 11.2 per cent in 1997. As shown in Table 4.18, the inflationary pressures were more pronounced in the lower income group, whose price index rose by 12.0 per cent from 508.3 in 1996 to 569.4 in 1997. Price indices for the Middle and Upper income groups rose by 8.4 per cent and 10.9 per cent, respectively above their 1996 levels.

4.30. The increase in inflation was most pronounced in the first half of the year, following the shortfall in agricultural output caused by the widespread drought in late 1996 and early 1997. Other factors included frequent increases in the prices of petrol and petroleum related products, slight increase of Value Added Tax (VAT) from 15 per cent to 16 per cent and depreciation of the Kenya shilling following the withholding of donor aid under Enhanced Structural Adjustment Facility (ESAF). Increased duty on motor vehicles, tobacco, beer and other household goods in August, 1997 and tax measures introduced to bridge the expenditure-revenue gap occasioned by the lapse of the IMF assistance under ESAF program further fuelled inflationary pressures. Increases in transportation and production costs led to general increases in prices for consumer goods. However, reduced expansion in the money supply and credit by the banking system helped to moderate the effects on inflation by the depreciation of the shilling in the foreign exchange market.

4.31. The first quarter of 1998 witnessed rapid increases in the prices of cereals and vegetables in the food category as a result of recent floods caused by the el nino phenomena. Transport and communication index, especially for the lower income group, rose steeply due to recent increases in public transport fares occasioned by deterioration of road infrastructure. Upward revision on prices of petroleum products and VAT rates in early March 1998, are expected to induce general price rises in all consumer goods and services. However, the continued pursuit of tight monetary policy by central monetary authorities is expected to contain inflation to desired levels in 1998. In addition, the new Central Bank of Kenya (Amendment) Act, 1996 that became law on 18th April, 1997 will limit Government's borrowing from the Central Bank and therefore contribute to easing inflationary pressures.

4.32. Tables 4.19, 4.20 and 4.21 present a six-year series of the Nairobi Consumer Price Indices for the lower, middle and upper income groups. Consumer price indices for all income groups rose modestly in 1997, especially in the first half of the year. During the year, the lower income group index rose from 508.33 in 1996 to 569.4 in 1997. This growth of 61.07 points was the highest among die three income groups. The middle income group index rose by 46.1 points from 546.64 to 592.74, while the upper income group index rose by 59.64 points. The noted rise in the lower income group index was largely reflected in the food subgroup index.

NAIROBI REVISED LOWER INCOME GROUP CONSUMER PRICE INDEX, 1992-1997

Table 4.19 Base: Feb/March 1986=100

Months	1992	1993	1994	1995	1996	1997
January	203.90	276.24	445.59	456.52	481.96	537.1
February	205.39	302.41	463.17	462.05	484.57	545.91
March	224.17	305.73	473.19	465.28	491.37	579.88
April	226.36	327.72	486.58	462.42	492.55	583.4
May	235.06	338.77	477.63	467.16	496.01	595.87
June	265.74	363.32	469.96	465.85	510.73	584.74
July	261.84	367.00	474.18	465.85	519.35	570.2
August	262.51	381.46	464.91	468.29	521.29	561.38
September	267.00	405.93	457.36	473.88	524.02	569.04
October	262.62	409.28	459.31	472.03	524.24	569.33
November	267.10	414.51	443.56	470.08	525.32	565.72
December	275.13	418.55	446.25	476.25	528.52	570.28
Annual average	246.40	359.24	463.47	467.14	508.33	569.40

NAIROBI REVISED MIDDLE INCOME GROUP CONSUMER PRICE INDEX, 1992-1997

Table 4.20 Base Feb/March 1988=100

Months	1992	1993	1994	1995	1996	1997*
January	228.91	280.27	452.67	483.04	522.37	568.21
February	232.64	289.73	455.60	485.79	523.75	572.54
March	250.80	318.34	476.44	487.92	534.75	579.20
April	251.54	335.82	487.90	490.05	538.43	586.87
May	255.47	349.50	494.73	491.83	542.22	586.78
June	259 93	380.05	481.28	499.59	549.90	590.02
July	259.37	397.85	482.44	500.13	551.97	583.60
August	261.87	405.42	486.54	502.68	553.44	594.96
September	266.13	423.08	479.11	505.63	555.85	607.34
October	266.67	430.58	484.30	507.93	559.96	609.58
November	269.60	432.21	487.81	508.50	561.01	613.50
December	276.26	449.03	476.70	513.16	566.06	620.31
Annual average	256.60	374.32	478.79	498.02	546.64	592.74

* Provisional

4.33. Table 4.22 presents the Nairobi Consumer Price Indices for food, rent and all other item groups combined for the three income groups. The food index for the lower income group rose from 584.14 at the end of the first quarter of 1996 to 594.27 at the end of the second quarter of 1997. This compares with an increase from 468.7 to 492.01 for the corresponding period in 1996. The increase was attributed to drought, which caused price rises of maize, cabbages, kales and tomatoes. The food index for middle income group rose from 562.74 in the first quarter to 597.93 in the last quarter 1997. Similarly, the food index for upper income group rose from 584.71 in the first quarter 1997, to 608.10 in the last quarter 1997.

NAIROBI REVISED UPPER INCOME GROUP CONSUMER PRICE INDEX, 1992-1997

Table 4.21 Base: Feb/March 1986=100

Months	1992	1993	1994	1995	1996	1997*
January	223.61	265.85	452.29	502.95	522.51	582.63
February	224.33	270.12	459.92	505.5	522.78	586.37
March	233.95	309.89	481.99	496.93	540.29	595.25
April	235.65	330.23	483.37	495.62	544.51	596.07
May	239.53	356.55	504.78	493.44	544.34	599.24
June	244.27	385.09	494.96	496.97	550.73	602.52
July	246.02	393.02	493.05	498.5	552.98	600.2
August	246.36	400.62	489.82	503.25	554.13	614.76
September	250.73	431.86	495.94	509.79	556.44	628 .62
October	251.81	434.68	488.25	516.38	563.17	630.83
November	254.54	436.59	492.39	515.54	564.57	633.62
December	262.86	449.17	493.14	519.24	576.61	638.55
Annual average	242.81	372.14	485.83	504.51	549.42	609.06

4.34. The rent index went up for all the income groups in 1997. Rent index for the lower income group increased by 5.93 points from first to second quarter of 1997, while the same index for middle and upper income groups increased by 3.73 points and 5.48 points respectively. The middle income group index rose from 579.2 in the first quarter to 620.31 in the last quarter, while upper income group index increased from 595.25 to 638.55 during the same period. However, the lower income group index that rose from first quarter to second quarter, dropped in the third quarter before marginally rising in the fourth quarter of 1997.

4.35. The inflation rates prevailing in Nairobi during the year under review were also experienced in the other three major urban centres as deduced from Table 4.23. Inflation rates of 11.2 per cent, 11.5 per cent and 9.1 per cent were recorded for Mombasa, Kisumu and Nakuru respectively, compared to inflation rates of 8.0 per cent for Mombasa and 10.1 per cent for both Kisumu and Nakuru recorded in 1996.

REVISED NAIROBI CONSUMER PRICE INDICES, 1996 AND 1997

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
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
1997*		March	584.14	707.66	470.06	579.88
		June	594.27	713.59	466.48	584.74
		September	562.83	694.42	476.17	569.04
		December	560.66	695.94	482.08	570.28
	MIDDLE INCOME	Weights	0.21	0.30	0.49	1.00
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
1997*		March	562.74	735.28	489.39	579.20
		June	590.94	749.01	490.82	590.02
		September	584.70	771.00	515.52	607.34
		December	597.93	787.47	526.19	620.31
	UPPER INCOME	Weights	0.14	0.32	0.54	1.00
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
1997*		March	584.71	695.35	537.59	595.25
		June	597.82	703.83	542.60	602.52
		September	597.26	734.33	572.96	628.62
		December	601.10	745.93	581.65	638.55

* Provisional

CONSUMER PRICE INDICES" FOR MOMBASA, KISUMU AND NAKURU, 1992-1997

Table 4.23 — Base: 1976=100

YEAR		Mombasa	Kisumu	Nakuru
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	Annual Average	1286.15	1251.49	1360.39
1997*	March	1383.98	1377.83	1490.52
	June	1412.29	1391.37	1484.03
	September	1445.11	1391.88	1486.75
	December	1481.07	1418.38	1474.33
	Annual Average	1430.61	1394.87	1483.91

* Provisional

** These Indices refer to households In the lower/middle Income groups and exclude rent

CHAPTER 5 - MONEY, BANKING AND FINANCE

Overall Trends

The monetary policy pursued in 1997 aimed at maintaining price stability capable of supporting a meaningful and sustainable economic growth. In order to achieve this goal, the Central Bank used indirect monetary policy instruments to regulate the growth of money supply and to influence the lowering of interest rates through the continued use of Open Market Operations (OMO) and Repurchase Agreements (REPOs). Prudent Government budgetary operation given the limit imposed on Government borrowing from Central Bank supported the use of these instruments. In addition, commercial banks and non-bank financial institutions (NBFIs) were allowed to lower the mandatory minimum cash and liquidity ratios to 15.0 per cent and 20.0 per cent, from the previous year ratios of 18 per cent and 25 per cent, respectively.

5.2. During the year, net foreign assets of the banking system increased moderately by 5.7 per cent, while domestic credit registered 15.8 per cent growth. Money Supply (M3) which was targeted at 11.0 per cent growth rate, only expanded by 9.8 per cent during the year. Commercial banks and NBFIs registered average cash ratios of 18.0 per cent and 18.2 per cent respectively, while the average liquidity ratio stood at 40.0 per cent and 43.0 per cent. High interest rates prevailed over the second half of 1997, with the inflation rate, which had remained at single digit for the last two consecutive years standing at 11.2 percent in 1997.

Monetary Indicators

5.3. Monetary indicators are summarised in Table 5.1. During 1997, net foreign assets increased over the first quarter to peak at K£ 2,003 million in June, "after which there was a gradual fall by K£ 403 million in the third quarter, followed by a further drop of K£ 86 million in the fourth quarter. The decline was attributed to a lapse in the drawings from the IMF under the Enhanced Structural Adjustment Facility arrangement, coupled with the investor's uncertainties during the election period. The Central Bank also used large amounts in the third quarter to meet the Governments' external debt obligations. The net effect was that the net foreign assets increased marginally by 5.7 per cent in 1997 as compared to fourfold increase in 1996.

MONETARY INDICATORS, 1993 -1997

Table 5.1

As at end of		Net Foreign Assets K£m	DOMESTIC CREDIT K£m Private*	Govt*	Total	Money*** Supply(M3) K£m	Commercial Bank Liquidity Ratio per cent	Advances/ Deposits Ratio Per cent
1993	December	975.20	5,170.54	2,444.35	7,614.89	8,079.47	50	61
1994	December	664.55	6,403.51	3,782.10	10,185.61	10,291.10	53	64
1995	December.	345.65	8,551.31	3,726.26	12,277.57	11,582.25	41	79
1996	December	1,432.25	9,886.35	3,719.53	13,605.88	13,424.46	42	76
1997	March	1,911.27	10,229.76	4,003.51	14,233.27	14,192.42	42	77
	June	2,003.48	10,573.59	3,670.11	14,243.70	4,081.88	42	77
	September	1,600.61	11,183.77	3,615.78	14,799.55	13,739.26	39	87
	Dec	1,514.36	11,582.69	4,177.93	15,760.62	14,734.72	37	84

Source: Central Bank of Kenya

* Includes parastatal bodies

Excludes cleared items awaiting transfer to the PMG

See Table 5.2 for Coverage

5.4. Total domestic credit increased by 15.8 per cent in 1997 compared to 20.5 per cent and 10.8 per cent in 1995 and 1996 respectively. Private sector borrowing, which accounted for 73.5 per cent of the total domestic credit, increased by 17.2 per cent in 1997 compared with 15.6 per cent recorded in 1996. Credit to the public sector rose by 12.3 per cent from K£ 3,719 million in 1996 to K£ 4,177 million in 1997. Public borrowing, which had declined by 0.2 per cent in 1996, increased by 12.3 per cent in 1997. The rise was due to increased domestic borrowing by the public sector in the form of Kenya Treasury bills and bonds as the Government increasingly relied on the domestic sources to finance budget deficit.

5.5. The average liquidity that had stabilised at 42 per cent at the end of 1996 maintained the same position by June 1997. This scenario changed in the second half of 1997 when the average liquidity ratio decreased to 39 per cent in September, before settling at 37 per cent in December 1997. This was the lowest average liquidity ratio recorded since 1992 when it stood at 31 per cent. This was still above the mandatory minimum liquidity ratio of 20 per cent. The decrease is mainly attributed to reduced cash ratio requirement from 18 per cent to 15 per cent. The advances/deposits ratio edged upwards in the first two quarters of 1997, then increased sharply to peak at 87 per cent in September before dropping to 84 per cent by end of the year.

Money Supply

5.6. Money Supply (M3), defined as broad money encompassing money supplied by the Central Bank and deposits of commercial banks and NBFIs, excluding central Government deposits, increased from K£ 13,424 million in 1996 to K£ 14,735 million in 1997 equivalent to a growth of 9.8 per cent. This was, however, below the targeted growth rate of 11.0 per cent. The slowdown in growth of Broad Money (M3) was attributed to a parallel slowdown in net foreign assets. The deceleration in Money Supply (M3) helped in containing inflation within a manageable level of 11.2 per cent by the end of 1997.

MONEY AND QUASI MONEY SUPPLY, 1993 - 1997

Table 5.2 K£million

		Money and Quasi-Money (MS)			Quasi-Money	Adjustments	
	As at end of	Money*	Quasi-Money**	Total (M2)	(NBFIs)		Total (M3)
1993	December	3,028.92	3,212.50	6,241.42	2,168.70	-330.65	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	5,982.89	9,648.91	2,215.90	-282.55	11,582.26
1996	December	3,970.83	7,972.53	11,943.37	1,769.12	-287.99	13,424.50
1997	January	3,933.83	8,036.50	11,970.33	1,801.50	-250.02	13,521.81
	February	4,093.76	8,520.47	12,614.23	1,498.08	-251.07	13,861.24
	March	4,147.48	8,749.56	12,897.04	1,490.00	-194.63	14,192.41
	April	3,996.98	8,780.49	12,777.47	1,456.46	-179.46	14,054.47
	May	4,129.27	8,837.50	12,966.77	1,367.65	-177.82	14,156.60
	June	4,092.87	8,831.03	12,923.90	1,356.48	-198.50	14,081.88
	July	4,126.02	8,816.55	12,942.57	1,356.36	-218.80	14,060.13
	August	4,378.04	9,180.61	13,558.65	1,016.89	-173.11	14,402.43
	September	4,072.30	8,784.05	12,856.35	1,024.85	-141.94	13,739.26
	October	4,140.19	8,795.25	12,935.44	1,004.24	-161.87	13,777.81
	November	4,192.33	8,924.56	13,116.89	972.36	-168.21	13,921.04
	December	4,560.82	9,354.10	13,914.92	1,011.95	-192.15	14,734.7

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 S

5.7. Table 5.2 gives a breakdown of Money Supply (M3) by its major components. Narrow money (Ml) comprising of demand deposits and currency outside banks, increased by 14.9 per cent in 1997 compared to 8.3 per cent in 1996. Money Supply (M2) which comprises Narrow Money (Ml) and Quasi-Money supplied by the Central Bank and deposits of commercial banks, increased by 16.5 per cent from K£ 11,943 million in 1996 to K£ 13,914 million in 1997. This growth may be attributed partly to deposits of NBFIs, which converted to or merged with commercial banks. Quasi-Money held by NBFIs, which had declined in 1995, and 1996 continued their downward trend to record a decline of 42.8 per cent by end of 1997. This decline is expected to continue but at a slower pace as majority of NBFIs have already converted into commercial banks. The decline is reflected by the share of Quasi-Money (NBFIs) in Money Supply (M3) which stood at 19.1 per cent in 1995, 13.2 per cent in 1996 and 6.9 per cent in 1997.

Consolidated Accounts of the Banking Systems

5.8. Consolidated accounts of the banking system are presented in Table 5.3. The expansion of assets and liabilities observed from 1993 continued into 1997 but at a decreasing rate. Assets and liabilities increased by 14.9 per cent from K£ 15,038 million in 1996 to K£ 17,274 million in 1997. This continued growth is a reflection of stability enjoyed by the banking sector, which has continued to instil public confidence in the banking system. Money Supply (M2) which recorded a high increase in 1996 of 23.8 per cent, slowed down to 16.5 per cent in 1997. Time deposits, which recorded the highest increase of 61.1 per cent in 1996, managed a rise of only 19.9 percent in 1997.

CONSOLIDATED ACCOUNTS OF THE BANKING SYSTEM, 1993 - 1997

Table 5.3

K£Million

	AS AT THE END *OF*							
					1997			
	1993	1994	1995	1996	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Liabilities-								
1. Money (M1):								
1.1 Demand Deposits	1,961.17	2,123.46	2.221.47	2,451.13	2.584.62	2,634.95	2,565.72	2,751.73
1.2 Currency outside banks	1,067.75	1.240.85	1,444.55	1,519.70	1.562.86	1,457.92	1,506.58	1,809.09
Sub-Total	3.028.92	3,364.31	3.666.02	3,970.83	4.147.48	4.092.87	4,072.30	4,560.82
2. Quasi-Money(MS):								
2 1 Call + 7 days Notice Deposits	657.58	637.74	797.34	776.54	949.99	991.75	923.74	944.71
2 2 Savings Deposits	1,420.27	2.063.03	2,332.86	2.599.38	2.661.94	2,704.81	2,694.28	2,896.70
2.3 Time Deposits	934.65	2,071.21	2.852.69	4.596.61	5,137.63	5,134.41	5,166.03	5,512.69
Sub-Total	3,212.50	4,771.96	5.982.89	7,972.53	8,749.56	8,831.03	8,764 .05	9,354.10
Money Supply (M2)	6,241.42	8,136.29	9.648.91	11,943.36	12,897.04	12523.90	12,856.35	13,914.92
3 Quasi-Money (NBFIs)	2,168.70	2.653.66	2.215.92	1,769.12	1,490.00	1,356.47	1,024.85	1,011.95
Adjustments for Cross Bal	-330.65	-498.85	-282.57	-288.02	-194.63	-198.50	-141.94	-192.15
Total Money Suppty(M3)	8,079.47	10,291.10	11,582.26	13,424.46	14,192.42	14,081.88	13,739.26	14,734.72
4. Other Hems (Net)	510.60	559.05	1,041.00	1,613.65	1,952.11	2.165.30	2,660.90	2,540.26
TOTAL	6,590.07	10,650.15	12.623.26	15,038.11	16,144.53	16,247.18	16,400.16	17,274.96
ASSETS-								
4. Net Foreign Assets	975.20	664.53	345.65	1,432.25	1,911.27	2,003.48	1,600.61	1,514.36
5. Domestic Credit								
5.1 Central Govt. (Net)…	2,444.36	3.782.11	3,726.26	3,719.53	4,003.51	3,670.11	3,615.78	4,177.93
5.2 Private Sector	4,950.61	6,115.90	8.282.95	9,601.51	9,952.60	10,292.26	10,849.74	11,174.15
5.3 Other Public Bodies ..	219.90	287.61	268.40	284.84	277.15	281.33	334.03	408.54
TOTAL	8,590.07	10,850.15	12.623 .26	15,038.13	16,144.53	16,247.18	16,400.16	17,274.98

Source:Central Bank of Kenya.

Sources of Changes in Money Supply and Financial Aggregates Real Values

5.9. Changes in Money Supply ana sources of these changes are summarised in Table 5.4. The increase of K£ 1,310 million in Money Supply (M3) in 1997 was supported by K£ 2,154 million increase in total domestic credit and K£ 926 million increase in other items net of liabilities of the banking system.

CHANGES IN MONEY SUPPLY AND SOURCES OF CHANGES, 1993 -1997

Table 5.4 K£million comparing year-end values

	1993	1994	1995	1996	1997
MONEY SUPPLY—					
1. Currency plus demand deposits	558.76	335.39	301.71	304.82	589.99
2. Quasi-money(MS)	718.07	1,559.48	1,210.91	1,989.65	1,381.56
3. Quasi-money(NBFIs)	294.24	484.96	-437.76	-446.78	-757.17
4 Cross Bal. Adjustments	-96.34	-168.20	216.30	-5.45	95.87
5. Total money supply	1,474.73	2,211.63	1,291.16	1,842.24	1,310.25
SOURCES OF CHANGES—					
6. Net foreign assets	1,328.51	-310.65	-318.90	1,086.60	82.11
7 Domestic credit —					
(a) to Central Government(net)	472.39	1,337.74	-55.84	-6.71	458.40
(b) to other public sector	-4.05	67.70	-19.20	16.45	123.70
(c) to private sector	175.79	1,165.29	2,167.05	1,318.55	1,572.64
(d) all domestic credit	644.13	2,570.73	2,092.01	1,328.29	2,154.77
8 Other Items (Net)	497.91	48.45	481.95	572.65	926.63
9 Total sources of change	1,474.73	2,211.63	1,291.16	1,842.24	1,310.25

5.10. Table 5.5 presents real values of selected financial aggregates obtained by deflating the nominal values by the weighted Consumer Price Index (CPI). Money supply (M3) in real terms decreased from K£ 2,595 million in 1996 to K£ 2,543 million in 1997 at constant (1986) prices, a decline of 2.0 per cent. Total liabilities of the banking system in real terms increased marginally by 2.6 per cent, while commercial banks' credit to private sector grew by 8.2 per cent in 1997, which was 6.2 percentage points below the previous year's growth.

TRENDS IN THE REAL VALUE OF CERTAIN FINANCIAL AGGREGATES', 1993-1997

Table 5.5 K£million at constant (1986; purces

	1993	1994	1995	1996	1997
1 Money Supply(M3)	2228.0	2202.8	2441.2	2595.2	2543.8
2 Commercial bank credit to private sector	864.1	898.7	1313.4	1502.1	1624.7
3 Total commercial bank credit	928.4	968.3	1382.0	1570.2	1766.9
4 Total liabilities of banking system	2368.8	2322.4	2660.6	2907.2	2983.2
5 NBFIs credit to private sector	497.4	431.4	438.7	358.5	241.2
6 Total NBFIs Credit	759.1	660.8	515.7	390.7	281.0
7 Total liabilities of non-bank financial institutions	939.7	831.2	704.0	557.6	347.1
Memorandum Item:					
8 Line 7 as per cent of line 4	39.7	35.8	26.5	19.2	11.6

* Deflated by average Consumer Price Indices

In real terms, total commercial banks' credit increased by 12.5 per cent in 1997 compared with 13.6 per cent in 1996. Both NBFIs credit to the private sector and total NBFIs credit in real terms decreased by 32.7 per cent and 28.1 per cent, respectively. Total liabilities of

NBFIs declined by 37.8 per cent in real terms. To a large extent these declines were as a result of higher inflation rate which stood at 11.2 per cent while declines related to NBFIs were aggravated by more conversions into commercial banks.

Interest Rates

5.11. During the first half of 1997, the interest rates were on a declining trend, which reversed during the second half of the year. These developments followed the Central Bank urging the banking institutions to lower interest rates to facilitate economic growth, and, by encouraging borrowers in the money market to bargain for lower rates. Moreover, the Central Bank accepted only lower interest rate on Treasury bills. These tended to lower interest rates that prevailed in the money market. Later in the year, however, the Central Bank intervened in the money market by using Treasury bills to mop up excess liquidity injected in the system when the Bank intervened to stabilise the exchange rate market. There was also, a high demand for credit from the banking system, with credit to private and public sectors increasing by 16.4 and 14.5 per cent respectively as reflected in Table 5.3. All these developments created an upward pressure on interest rates particularly during the second half of the year. In May 1997, the Central Bank changed the method of computing interest rates. The new method uses the "average of average" approach both at the individual bank level and at the banking industry level and has a wider coverage. The new method results in higher average interest rates for all banks than the old method, whicn used "simple average" of the maximum and minimum interest rates. All these developments are reflected in Table 5.6.

5.12. Interest rates (yields) on 91 days Treasury bills which decreased by 0.14 percentage points in 1996, eased further by 2.09 percentage points in June, 1997 before increasing by 6.9 percentage points to stand at 26.36 per cent in December 1997. Interest on secured advances by the Central Bank to commercial banks and discount rates on all other Government securities, decreased to 24.96 per cent in June 1997 before settling at 31.26 per cent in December 1997. Treasury bonds with a maturity of 2 years or more were suspended for sometime during the year. By the end of the period, the coupon rates for one year and two years Treasury bonds remained at their 1996 levels while the coupon rates for the five years Treasury bonds decreased from 17.0 per cent in 1996 to 16.0 per cent in 1997.

PRINCIPAL INTEREST RATES, 1995 - 1997

Table 5.6 Percentage

	1995	1996	1997	
			June	December
CENTRAL BANK OF KENYA				
Interest rate on 91-days. Treasury Bill	21.67	21.53	19.44	26.36
Advances Against Treasury Bills	23.50	26.88	24.96	31.26
Bills and Notes under Crop Finance Schema:				
Discounts	24.50	26.88	24.96	31.26
	24.50	26.88	24.96	31.26
Other Bills and Notes				
Discounts	24.50	26.88	24.96	31.26
Advances	24.50	26.88	24.96	31.26
Treasury Bonds (Coupon Rates):				
One Year	15.00	15.00	-	15.00
Two Years	16.50	15.50	-	15.50
Five Years	17.00	17.00	-	16.00
KENYA COMMERCIAL BANKS				
Time Deposits:*				
0 - 3 Months	10.48-18.07	12.69-19.36	-	19.62
3 - 6 Months	11.34-16.32	13.26-18.05	14.49	17.27
6 - 9 Months	10.65-14.27	12.85-17.24	14.54	15.52
9 - 12 Months	10.12-13.47	12 44-16.64	13.63	13.85
Over 12 Months	12.69-15.66	13.84-19.02		13.85
Savings Deposit	6.89-12.09	7.97-14.49	10.59	9.77
Loans and Advances(Maximum)**	33.14	34.60	28.52	30.43
Inter-bank Rate	20.60	16.00	26.59	30.00
Overdraft	29.22	28.90	28.57	30.40
OTHER FINANCIAL INSTITUTIONS				
Kenya Post Office Savings Bank deposits	6.00	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- 18.50	8.00-23.00	8.00-17.68	8.40-24.00
Loans	23.00-33.50	8.00-36.50	33.63	33.70
Building Societies:				
Deposits	4.00-30.00	4.00-28.00	6.83-17.23	6.2-19.10
Loans	26.00	31.00	32.00	25.00

Source: Central Bank of Kenya.

* For all commercial banks consolidated

** Loans and advances for less than 3 years

5.13. Commercial banks' interest rates, which had eased by June, 1997 reversed their downward trend in the latter part of the year. The average interest rate on 3 months deposits stood at 19.62 per cent in 1997 compared with (maximum) 19.36 per cent in 1996. The average weighted savings deposits interest rate decreased from 10.59 per cent in June 1997 to 9.77 per cent in December 1997 compared with maximum rate of 14.49 per cent observed in 1996. The maximum interest rate on loans and advances decreased from 34.60 per cent in December 1996 to 28.52 per cent in June 1997 before settling at

the declining trend in 1996, further decreased to register 28.57 per cent in June, 1997 before increasing to 30.40 per cent in December, 1997.

5.14. On the interest rates offered by other financial institutions, Kenya Post Office Savings Bank (POSB) deposit rate maintained the 1996 level of 6.0 per cent. Interest charged on loans extended by the Agricultural Finance Corporation remained at 20.0 per cent for the fifth consecutive year. Merchant banks' average interest rate on loans in 1997 remained fairly stable but lower than the 1996 maximum interest rate. The maximum time deposits interest rate increased from 23.00 per cent in 1996 to 24.00 per cent in 1997. On the other hand, the Building Societies' maximum interest rate on time deposits decreased from 28.00 per cent in 1996 to 19.10 per cent in 1997. Interest rate charged on loans, which had increased from 31.00 per cent in 1996 to 32.00 per cent in June 1997, eased to 25.0 per cent by December 1997.

TRENDS IN SELECTED REAL INTEREST RATES, 1995 - 1997

Table 5.7 Percentage

		Year	Nominal Interest	Inflation Rate*	Real Interest**
1	Interest Rate on Treasury Bills	1995	21.7	1.6	20.1
		1996	21.5	9.0	12.5
		1997	26.4	11.2	15.2
2	Advances against Treasury Bills				
		1995	23.5	1.6	21.9
		1996	26.9	9.0	27.9
		1997	31.3	11.2	20.1
3	Commercial bank savings deposits (ave)				
		1995	9.5	1.6	7.9
		1996	11.2	9.0	2.2
		1997	9.8	11.2	-1.4
4	Commercial bank loans and advances (max)				
		1995	33.1	1.6	31.5
		1996	34.6	9.0	25.6
		1997	30.4	11.2	19.2
5	Inter-Bank Rate				
		1995	20.6	1.6	19.0
		1996	16.0	9.0	7.0
		1997	30.0	11.2	18.8
6	POSB deposits-				
		1995	6.0	1.6	4.4
		1996	6.0	9.0	-3.0
		1997	6.0	11.2	-5.2
7	Building society loans (max)				
		1995	30.0	1.6	28.4
		1996	31.0	9.0	22.0
		1997	25.0	11.2	13.8

* Taken from Table 4 .15.

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

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

5.15. Summary of interest rates adjusted for inflation rate as measured by the weighted Consumer Price Index (CPI) is presented in Table 5.7. Although it was not possible to contain inflation rate at single digit in 1997, all real interest rates were positive except for Commercial banks' savings deposits and POSB deposits rates.

Central Bank Assets and Liabilities

5.16. Assets and Liabilities of Central Bank are summarised in Table 5.8. The assets and liabilities increased from K£ 5,830 million in 1996 to K£6,507 million in 1997 representing an 11.6 per cent increase which was 7.2 percentage points higher than 1996. Treasury bills and bonds increased sharply from K£ 1,564 million in 1996 to peak at K£ 4,007 million in the third quarter of 1997. These assets registered 130.8 per cent increase by the end of 1997. This increase largely reflected the securitization of overdrafts and advances to Government, which reduced the outstanding overdraft and advances and re-discounting of floating rate Treasury bonds during the second quarter. Advances and discounts to banks increased marginally by 1.0 per cent while foreign exchange reserves declined by 6.1 per cent, a rather dismal performance compared to 1996 growth of 87.6 per cent.

CENTRAL BANK OF KENYA ASSETS AND LIABILITIES 1993-1997

Table 5.8 K£million

ASSETS	1993	1994	1995	1996	1997			
					1st Qr	2nd Qr	3rd Qr	4th Qr
1. Foreign Exchange-								
1.1 Balances with External Banks	1,500.32	1,312.75	1,183.00	2,251.20	2,670.45	2,718.40	2,065.75	2,082.50
1.2 Treasury Bills	92.29	6.45	3.80	3.10	2.45	1.65	2.25	1.75
1.3 Other Investments	48.80	37.50	43.10	57.05	91.40	91.10	86.90	85.40
1.4 Special Drawing Rights	10.32	3.65	3.55	2.10	2.35	1.10	1.65	2.20
TOTAL	1,651.73	1,360.35	1,233.45	2,313.45	2,766.65	2,812.25	2,156.55	2,171.85
2. Securities issued or Guaranteed by Kenya Government	1,122.90							
3 Advances & Disc to Banks	574.20	503.60	488.30	452.80	453.20	460.70	633.50	456.20
4 Direct Advances & Overdraft to Kenya Government	10.00	1,037.75	2282.10	1,499.65	1,257.10		284.20	268.35
5 Other Assets including Kenya Treasury Bills & Bonds	2,534.80	1,467.00	1,579.25	1,564.50	1,614.35	3,405.55	4,007.10	3,611.10
TOTAL ASSETS	5,893.63	4,368.70	5,583.10	5,830.40	6,091.30	6,678.50	7,081.35	6,507.50
LIABILITIES :								
1. Capital and General Resources Fund	25.00	29.65	42.95	83.60	83.60	113.20	113.20	113.20
2. Currency in Circulation-								
2.1 Notes	1,216.51	1,432.90	1,667.00	1,776.10	1,698.90	1,635.70	1,720.75	2,108.55
2.2 Coins	22.35	25.30	32.75	40.80	43.50	45.90	46.80	50.05
TOTAL CURRENCY	1,263.86	1,487.85	1,742.70	1,900.50	1,826.00	1,794.80	1,880.75	2,271.80
3. Deposits-								
3.1 Kenya Government	1,914.46					972.15	869.90	584.90
3.2 Kenya Banks *	867.75	1,307.60	1,860.30	2,032.70	2,337.40	2,029.40	2,267.05	1,634.05
3.3 External Banks	1,301.61	967.65	1,119.70	1,014.35	951.55	879.45	849.45	779.85
3.4 Other	277.95	158.75	271.75	296.45	312.55	330.95	381.95	438.85
TOTAL	4,361.77	2,434.00	3,251.75	3,343.50	3,601.50	4,211.95	4,368.35	3,437.65
4 Revaluation Account								
5. Other Liabilities	268.00	446.85	588.65	586.40	663.80	671.75	832.25	798.05
TOTAL LIABILITIES	5,893.63	4,368.70	5,583.10	5,830.40	6,091.30	6,678.50	7,081.35	6,507.50

Source: Central Bank of Kenya

* Kenya Banks - deposits from commercial banks and non-bank financial Institutions (NBFIs).

5.17. On the liabilities side, currency in circulation grew by 18.8 per cent. Total deposits grew by 2.8 per cent in 1997 while deposits of Kenya banks decreased by 19.6 per cent. The capital and general resources fund increased by 35.4 per cent from K£ 83.6 million in 1996 to K£ 113.2 million in 1997. Other liabilities increased gradually over the period from K£ 586 million in 1996 to K£ 798 million in 1997.

Commercial Banks - Credit and Liquidity

5.18. Commercial banks bills, loans and advances are summarised in Table 5.9. Total credit by commercial banks to the economy increased by 25.2 per cent from K£ 8,122 million in 1996 to K£10,166 million in 1997. Public sector borrowing increased by 46.4 per cent in 1997 compared to 8.4 per cent in 1996. Borrowing by the parastatals and other public entities accounted for 73.4 per cent of the total public sector borrowing.

COMMERCIAL BANKS - BILLS, LOANS AND ADVANCES', 1993-1997

Table 5.9 K£million

	1993 Dec.	1994 Dec.	1995 Dec.	1996 Dec.	1997 Dec.
PUBLIC SECTOR:					
Central Government	39.47	56.43	63.53	72.70	108.86
Local Government	10.97	12.46	15.21	17.87	28.61
Enterprises, Parastatal bodies and other Public entities	181.53	256.00	246.33	261.85	378.61
TOTAL PUBLIC SECTOR	231.97	324.89	325.07	352.42	516.08
PRIVATE ENTERPRISES:					
Agriculture	478.79	594.52	723.91	742.99	895.94
Mining and Quarrying	12.18	50.52	76.49	82.14	120.96
Manufacturing	775.47	960.91	1,608.18	1,954.77	2,146.76
Building and Construction	177.89	210.86	304.58	437.72	575.39
Transport, Storage and Communication	136.25	205.67	329.71	376.58	548.61
Trade	461.75	654.03	1,089.89	1,321.39	1,643.25
Financial Institutions	94.83	76.89	162.10	157.86	258.24
Other Business	873.90	1,288.67	1,691.51	2,435.43	3,159.12
TOTAL PRIVATE ENTERPRISES	3,011.06	4,042.07	5,986.37	7,508.88	9,348.27
COMMUNITY AND PERSONAL SERVICES (including non-profit making institutions)	122.33	156.77	244.82	260.93	301.88
TOTAL BILLS, LOANS AND ADVANCES	3,365.36	4,523.73	6,556.26	8,122.23	10,166.23

Source: Central Bank of Kenya

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

Borrowing by the central Government increased by 49.7 per cent in 1997 compared with 14.4 per cent in 1996. Borrowing by parastatals and other public entities rose by 44.6 per cent and the credit to local Government increased by 60.1 per cent. The share of the public sector credit to total credit by commercial banks increased from 4.3 per cent in 1996 to 5.1 per cent in 1997.

5.19. Lending to the private sector increased from K£ 7,509 million in 1996 to K£9,348 million in 1997 representing a 24.5 per cent increase. Credit to agriculture, which had increased by only 2.[y]6 per cent in 1996, increased by 20.6 per cent in 1997. Credit to manufacturing and building and construction went up by 9.8 per cent and 31.5 per cent in 1997, respectively. Lending to the trade sector increased by 24.4 per cent while lending to financial institutions increased by 63.6 per cent. The share of credit to manufacturing dropped from 24.1 in 1996 to 21.1 per cent in 1997 while that of trade and agriculture declined to 16.2 and 8.8 per cent in 1997 down from 16.3 and 9.1 per cent in 1996, respectively. On the other hand, share of credit to building and construction increased from 5.4 per cent in 1996 to 5.6 per cent in 1997.

COMMERCIAL BANKS - DEPOSIT LIABILITIES AND LIQUID ASSETS', 1994 -1997

Table 5.10

		Deposit Liabilities K£ mn	Liquid Assets'' K£ mn	Current Liquidity Ratio** per cent
1994	December	6,813.19	3,606.86	53
1995	December	7,909.97	3,276.89	41
1996	December	10,383.47	4,310.65	42
1997-				
	January	10,655.75	4,311.85	40
	February	10,291.50	4,381.70	43
	March	8,906.25	3,780.45	42
	April	11,521.05	5,070.80	44
	May	11,676.45	4,983.80	43
	June	11,738.45	4,887.60	42
	July	11,821.65	4,699.00	40
	August	12,476.00	4,901.80	39
	September	12,252.49	4,776.28	39
	October	12,133.65	4,432.60	37
	November	12,262.07	4,370.46	36
	December	12,637.95	4,708.05	37

Source: Central Bank of Kenya.

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

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

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

5.20. Commercial banks deposit liabilities and liquid assets are presented in Table 5.10. Deposit liabilities increased by 21.7 per cent from K£ 10,383 million in 1996 to K£ 12,638 million in 1997. Liquid assets on the other hand, increased from K£ 4,311 million in 1996 to K£ 4,708 million in 1997 registering a 9.2 per cent growth which was significantly lower than the 31.5 per cent increase recorded in 1996. The slowdown in the rate of increase is explained by reduction of cash ratio requirement from 18.0 per cent to 15.0 per cent effective from October 1997.

Non-bank financial institutions

5.21. Total assets and liabilities of NBFIs are summarised in Table 5.11. Total assets and liabilities stood at K£ 1,996 million in 1997 from K£ 2,884 million in 1996, a decline of 30.8 per cent. The decrease in assets and liabilities will continue as more NBFIs convert to or merge with commercial banks. Under liabilities, deposits of central and local Government increased from K£28.1 million in 1996 to K£ 38.3 million, equivalent to 36.3 per cent. Deposits of other public sector decreased from K£ 257 million in 1996 to K£ 224 million in 1997, a 12.8 per cent decline. Deposits of private sector decreased from K£ 1,630 million in 1996 to K£ 821 million signifying a 50.0 per cent reduction while other liabilities declined by 5.1 per cent.

ASSETS AND LIABILITIES OF NON-BANK FINANCIAL INSTITUTIONS, 1993-1997

Table 5.11 K£million

	AS AT END OF							
					1997			
	1993	1994	1995	1996	1st Or	2nd Qr	3rd Qr	4th Qr
LIABILITIES:								
Deposits-								
Central & Local Government	36.56	29.33	33.95	28.12	31.72	32.01	33.33	38.33
Other Public Sector	368.70	342.61	234.32	256.77	230.74	232.86	220.89	223.75
Other Depositors	1,924.39	2,481.58	2,041.57	1,630.55	1,352.01	1,190.06	827.97	821.31
Other Liabilities	1,078.03	1,029.90	1,030.15	968.93	932.32	959.42	886.74	912.84
TOTAL LIABILITIES	3,407.68	3,883.42	3,339.99	2,884.37	2,546.79	2,414.35	1,968.93	1,996.23
ASSETS:								
Cash and Banks	289.05	437.05	649.41	596.90	546.23	423.89	217.63	257.43
Other Financial Institutions .	149.85	119.25	32.93	56.34	35.51	5.33	5.33	2.59
Associated Companies	44.10	23.01	19.89	11.78	11.94	11.69	10.20	9.62
Investments, Bills,								
Loans 4 Advances -								
Public Sector	949.17	1,071.95	365.31	166.59	158.23	204.80	245.28	228.42
Private Sector	1,803.73	2,015.47	2,081.31	1,854.55	1,617.59	1,596.42	1,356.33	1387.64
Other Assets	171.78	218.69	191.14	198.21	177.29	172.22	134.16	110.53
TOTAL ASSETS	3,407.68	3,883.42	3,339.99	2,884.37	2,546.79	2,414.35	1,968.93	1,996.23

Source: Central Bank of Kenya

5.22. On the assets side, cash in hand arid balances with banks recorded a further decline of 56.9 per cent 1997 from K£ 596 million in 1996 to K£ 257 million in 1997. Balances with other financial institutions decreased from K£ 56.3 million in 1996 to K£ 2.6 million in 1997. NBFIs assets with associated companies declined from K£ 11.8 million in 1996 to K£ 9.6 million. Lending to public sector in the form of bills, loans and advances increased from K£ 167 million in 1996 to K£ 228 million in 1997 while private sector lending decreased from K£ 1,855 million in 1996 to K£ 1,388 million in 1997. Other assets decreased by 44.2 per cent by December 1997.

Developments in the Financial Sector

Money Market Developments.

5.23. During 1997, there were 53 operational commercial banks compared with 48 in 1996. One commercial bank collapsed and was consequently placed under liquidation by the Deposit Protection Fund, while two commercial banks merged during the year. The number of NBFIs decreased from 24 to 16 with 8 NBFIs converting into or merging with commercial banks. The number of Building Societies and Mortgage Finance Companies remained at 4 and 2, respectively. The number of Foreign Exchange Bureaux, which stood at 31 in 1996, increased to 37 in 1997.

5.24. In April 1997, the Central Bank of Kenya (Amendment) Act, of 1996 became law. The amendments grant more operational autonomy to the Bank and essentially ensure that the task of managing the supply of money in the economy is separated from that of spending. In accordance to Section 4B of the Act, the Central Bank of Kenya issued the first Monetary Policy Statement. In order for monetary policy to succeed, it requires

some protection from outside interference and the Act therefore will be an insulator. The Act requires that the Central Bank shall at intervals of not more than six months submit to the Minister for Finance the Monetary Policy Statement for the next twelve months. The statement shall specify:

i. The policies and the means by which the bank intends to achieve the policy targets
ii. State the reasons for adopting such policies and means and,
iii. Contain a review and assessment of the progress of the implementation by the Bank of Monetary Policy during the period to which the preceding Policy Statement relates.

5.25. In order to enhance efficiency of the banking operations, the commercial banks launched Magnetic Ink Character Recognition (MICR) system. The process involves computerised cheque clearing and Electronic Fund Transfer (EFT) between banks, which is supposed to reduce local cheque clearing to 2 days. A number of commercial banks also introduced Automated Teller Machines (ATM) cash withdrawal services.

5.26. To promote regional trade within the framework of regional co-operation, the commercial banks were encouraged to open correspondent banking accounts in African countries and overseas. Both residents and non-residents in Kenya were allowed to open foreign currency accounts; banks were given authority to extend foreign currency denominated loans; and residents encouraged were also to borrow overseas. By the end of 1997, two commercial banks had opened subsidiary companies in Uganda and Tanzania.

5.27. Public confidence in the banking system remained top priority of the Central Bank. Towards this end, paid up capital of locally incorporated commercial banks and NBFI's were fixed at K£ 10 million and K£ 7.5 million respectively. Commercial banks and NBFIs were also required to publish their audited balance sheets and profit and loss statement in the local newspapers.

Developments in Capital Market

5.28. In 1997 the capital market continued to expand in terms of volume of business transacted, number of players and complexity of the market. The number of listed companies at the Nairobi Stock Exchange (NSE) increased from 56 in 1996 to 58 in 1997 while that of stockbrokers remained at 20. The auspices body, the Capital Markets Authority continued its role of supervision, guidance and regulator of the capital markets development.

5.29. During the review period three issues were floated in the primary market realising a total of 63.9 million shares valued at K£ 97.5 million. In the secondary market (of the Nairobi Stock Exchange) shares traded increased to 143.6 million in 1997 compared to 113.6 million in 1996 and 59.4 million in 1995, recording a 26.4 per cent increase. Market capitalisation increased from K£ 4,947 million in 1996 to K£ 5,715 million in 1997 an increase of 15.5 per cent, while the number of transactions increased from 63,304 to 80,546. The NSE share index that stood at 3,114.1 in December 1996 increased to 3530.4 by June 1997 before finally dropping to 3,115.1 in December 1997. This was due to depressed share prices, which prevailed at the stock exchange was as a result of investors' uncertainty during the election period.

5.30. During the year several incentives were provided by Government to encourage growth of capital markets. Amongst the incentives was a "tax exempt status" for 10 years for approved venture capital funds. Incentives were also put in place for licensed dealers (market markers) as well as insurance companies to encourage them to participate in the market. The two types of institutions will now not be taxed on capital gains arising from trading in listed securities thereby putting them on the same footing as other institutional investors. The policy will lead to increased competition as more players enter the market leading to increased liquidity and price stability. Other policies implemented over 1997 include encouragement of listed companies and other issuers of corporate debt securities to seek credit rating services. The Government effected this by allowing expenses that are related to credit rating services to be tax deductible. Finally, the policy thrust has been directed at facilitating and encouraging entry and participation of foreign brokerage and fund management firms in the domestic capital market through local firms. Local beneficial ownership will be limited to 30.0 per cent for fund management firms and 51.0 per cent for stock brokerage firms. The eventual achievement will be development of capita] market with international exposure able to transfer skills and technology beneficial to the local firms as well as capturing a share of the global funds.

Insurance Sector Developments

5.31. During 1997, the number of licensed and operational insurance companies increased to 38 from 37 in 1996. Other supporting institutions in the insurance industry were three re-insurance companies and 148 licensed brokers. The number of licensed insurance surveyors increased from 15 in 1996 to 19 in 1997 while risk managers dropped from 4 to 2. The number of registered insurance agents also dropped from 2,700 to about 2,300 in 1997. A total of 160 loss assessors and 18 registered loss adjusters were in operation in 1997.

CHAPTER 6 - PUBLIC FINANCE

Overview

Among the challenges that the 1997/98 budget set out to address were, reduction of domestic borrowing by the Government to reduce domestic interest rates; achievement of greater fiscal discipline by improving the management of public finance and restoration of the state of our economic infrastructure to a sound level.

6.2. The Government therefore planned, through the budget process, to maintain a tight fiscal policy so as to reduce the budget deficit and consequently lower domestic borrowing. Expenditure by the Government was to be maintained at 26.0 per cent of GDP and fresh Government borrowing kept to 2.0 per cent of GDP. During the financial year, however, extra funds were required to cover the general elections, higher salary awards to teachers and civil servants, grants to the public universities, relief operations, following effects of heavy rains and security operations in clash hit areas. The situation was further aggravated by the suspension of the Enhanced Structural Adjustment Facility (ESAF) by the International Monetary Fund.

Overall Results

6.3. Despite a 15.2 per cent growth in the current revenue between 1996/97 and 1997/98, the greater increase in current expenditure of K£ 1,662.6 million, led to a current deficit of K£ 401 million. Furthermore, the increase in capital expenditure, which was not matched, by increase in external grants led to an increase in overall deficit from K£ 393 million in 1996/97 to K£ 906 million in 1997/98. The deficit was mainly financed by domestic borrowing, which grew by 33 per cent from K£ 955 million in 1996/97 to K£ 1,273 million in 1997/98. In the absence of additional revenue, or effective control of unexpected expenditures, the government had to issue more Treasury bills to finance the deficit and redeem internal public debt. Redemption of internal public debt increased more than eightfold from K£ 348 million in 1996/97 to K£ 2,884 million in 1997/98 as shown in Table 6.1. The volume of internal debt is currently a constraint in achieving rapid economic growth.

CENTRAL GOVERNMENT OUT-TURN OF REVENUE AND EXPENDITURE*, 1993/94 -1997/96

Table 6.1 K£million

	1993/94	1994/95	1995/96	1996/97**	1997/98+	Percentage Increases 1993/94 to 1997/98
Current Revenue	5,039.37	6,097.82	7,142.17	7,290.38	8,397.14	66.63
Current Expenditure***	5,914.03	5,888.84	6,747.65	7,135.37	8,797.95	48.76
Current Surplus (+)/Deficit (-)	-874.66	208.98	394.52	155.01	-400.81	-54.18
Capital Revenue	12.31	38.62	29.02	79.08	18.86	53.21
Capital Expenditure	566.67	715.17	896.50	762.19	886.57	56.45
Net Lending	35.90	29.52	15.92	154.40	-35.85	-199.86
External Grants	458.15	661.45	290.70	289.15	327.00	-28.63
OVERALL DEFICIT	-1,006.77	164.36	-198.18	-393.35	-905.67	-10.04
FINANCING OF DEFICIT:						
External Loans (Net)	-56.75	-106.50	-3.25	-331.70	-289.25	409.69
Total Domestic Borrowing	1,212.15	401.90	-108.15	955.10	1,273.45	5.06
Long-term(net)	-168.80	-376.70	-352.45	-206.05	-26.00	-84.60
Short-term(net)	1,380.95	778.60	244.30	1,161.15	1,299.45	-5.90
CHANGES IN CASH BALANCES:						
Increase = (-)	-148.63	-459.76	309.58	-230.05	-78.53	-47.16
MEMORANDUM ITEMS:						
Public Debt Redemption	2,461.34	1,579.62	1,463.96	1,265.79	3,906.66	58.72
(a) External	1,018.70	944.87	960.33	917.96	1,022.24	0.35
(b) Internal	1,442.64	634.75	503.63	347.83	2,884.42	99.94

Source CBS and MoF

* This Table details Kenya Government's deficit and its financing
Basic aggregates in the Table can be reconciled as follows:
1. Current Revenue plus Capital Revenue shown in the Table equals Revenue on Recurrent Account as shown in Table 6 4
2. The sum of Current Expenditure, Capital Expenditure, Net Lending and memorandum items equals total Expenditure in Table 6 9.

** Provisional

*** For details, see Table 6.9

\+ Estimates

6.4. Analyses of key fiscal trends for the last five fiscal years are presented in Table 6.2. Current balance as a percentage of current revenue declined from a surplus of 2.1 per cent in 1996/97 to a deficit of 4.8 per cent in 1997/98 due to faster growth in current expenditure, which was not matched by the growth in current revenue. Total Government expenditure as a percentage of GDP increased from 33.3 percent in 1996/97 to 45.4 percent in 1997/98.

6.5. Table 6.3 gives a comparison of the budget estimates and the actual out-turn of expenditure and revenue. In 1997/98 the revised revenue estimates are expected to surpass the budgeted amount by K£ 40 million due to improved revenue collection. On the other hand, development expenditure and net lending are expected to drop due to re-allocation of development funds to recurrent expenditure to finance unexpected expenditures in the course of 1997/98.

ANALYSIS OF KEY FISCAL TRENDS, 1993/94-1997/98

Table 6.2 — 000's

	1993/94	1994/95	1995/96	1996/97*	1997/98**
1. Current Surplus/Deficit as % of Current Revenue	-17.3	3.4	5.5	2.1	-4.8
2. Current Surplus/Deficit as % of Capital Expenditure plus Net Lending	-145.0	28.0	43.2	16.9	-47.7
3. Ratio of Capital Expenditure to Current Expenditure	9.6	12.1	13.3	10.7	10.1
4. Overall Deficit as % of Current Revenue	-20.0	2.7	-2.8	-5.4	-11.8
5. Overall Deficit as % of Total Expenditure	-11.2	2.0	-2.2	-4.2	-7.3
6 External Grants and Loans as % of Capital Expenditure plus Net Lending	66.6	74.5	31.5	-4.6	4.4
7. Net Short-Term Borrowing as % of Capital Expenditure plus Net Lending	229.2	104.6	-26.8	124.0	152.7
8. Current Revenue as % of GDP at Current Market Prices	27.5	28.2	28.8	25.9	28.0
9. Total Government Expenditure as % of GDP at Current Market Prices	49.1	38.2	37.0	33.3	45.4
10. Overall Deficit as % of GDP at Current Market Prices	-5.5	0.8	-0.9	-1.4	-3.0

* Provisional
** Estimates

CENTRAL GOVERNMENT
COMPARISON OF BUDGET ESTIMATES WITH ACTUAL OUT-TURNS, 1994/95 -1995/96

Table 6.3. — K£million

	1994/95			1995/96		
	Budget	Actual	Difference	Budget	Actual	Difference
Recurrent Revenue	7,403.89	6,136.89	-1,267.00	7,192.58	7,157.94	-34.64
Recurrent Expenditure	6,855.49	6,974.53	119.04	7,437.07	7,795.46	368.39
Recurrent Balance	548.40	-837.64	-1,386.04	-244.49	-637.52	-393.03
Development Expenditure + Net Lending	2,031.58	1,335.74	-695.84	1,961.22	1,400.08	-561.14
External Financing (Net)**	1,186.65	554.95	-631.70	499.55	286.93	-212.62
Balance for Domestic Financing (Net)	-296.53	-1,618.43	-1,321.90	-1,706.16	-1,750.67	-44.51
	1996/97*			1997/98***		
	Budget	Actual	Difference	Budget	Actual	Difference
Recurrent Revenue	7,538.29	7,332.80	-20. 49	8,367.71	8,407.55	39.84
Recurrent Expenditure	7,616.65	8,027.04	410.39	11,070.05	11,586.02	515.97
Recurrent Balance	-78.36	-694.24	-615.88	-2,702.34	-3,178.47	-476.13
Development Expenditure • Net Lending	2,143.35	1,502.87	-640.48	2,333.62	1,994.64	-338.96
External Financing (Net)**	923.75	-42.55	-966.30	37.75	-54.90	-92.65
Balance for Domestic Financing (Net)	-1,297.96	-2,239.66	-941.70	-4,998.21	-5,228.01	-229.80

* Provisional
** Includes external grants
*** Estimates
\+ As at 30th April, 1998

CENTRAL GOVERNMENT

GROSS RECEIPTS ON RECURRENT ACCOUNT, 1993/94 -1997/98

Table 6.4 K£million

	1993/94	1994/95	1995/96	1996/97"	1997/98+
DIRECT TAXATION:					
Income Tax	1,838.36	2,175.29	2,40412	2,418.75	2,840.26
Other					
Tota	1,838 36	2,175.29	2,404 12	2,418.75	2,840.26
INDIRECT TAXATION:					
Sales Tax/VAT on Domestic Manufactures	651.24	675.00	737.56	727.09	763.09
Sales Tax /VAT on imports	798.48	551 69	682 63	765.41	809 66
Import Duties	739.64	929.91	1,058 78	1,129.70	1,197.49
Excise Duties	556.27	966.61	1,130.59	1,184.36	1,464.63
Export Duties	0.30				
Trading Licences ..	11.01	18.83	17.47	10.60	15.99
Licences and Fees Under Traffic Act	19.53	21.30	22.97	35.87	45.40
Other Taxes, Licences and Duties .	89.38	66.90	83.15	78.18	91.82
TOTAL	2,865 85	3,230.24	3,733.15	3,931.21	4,388.08
OTHER REVENUE AND INCOME:					
Compulsory Fees, Fines and Penalties	76.16	64.83	85.03	93.02	99.08
Income From Property	58.91	155.53	385.28	264.67	376.84
Current Transfers	9.66	28.71	9.90	20.32	11.95
Sales of Goods and Services	101.90	361.99	480 30	504.69	635.10
Other	100.84	119.95	73.41	136.80	64.69
TOTAL	347.47	731.01	1,033.92	1,019.50	1,187.66
TOTAL	5,051.68	6,136.54	7,171.19	7,369.46	8,416.00
MEMORANDUM ITEM:					
Loan Repayments to Government	29.69	51.70	55.58	57.77	61.20

* 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

\+ Estimates

6.6. Revenue on the recurrent account is expected to increase by 14.2 per cent in 1997/98. Receipts from income tax are expected to yield K£ 2,840 million compared to K£ 2419 million in 1996/97. The improved yield will be mainly as a result of higher FA YE following upward adjustments of salaries and wages of civil servants and other public sector employees.

6.7. The three major sources of indirect taxes namely VAT on domestic and imported manufactures, import duties and excise duties are expected to improve over their 1996/97 performances due to increased imports and slightly higher sales of some excisable commodities, and a general upward adjustment of VAT rate on goods and services. Revenue from VAT on domestic manufactures and imports are expected to grow from K£ 727 million to K£ 763 million and from K£ 765 million to K£ 810 million respectively. On the other hand, excise duties are expected to grow by 23.7 per from K£ 1,184 million in 1996/97 to K£ 1,465 million in 1997/98, while import duties are expected to increase marginally from K£ 1,130 million in 1996/97 to K£ 1,197 million in 1997/98.

6.8. The expected improved performance of revenue from sale of goods and services is mainly due to the increase in road maintenance levy, which will also be boosted by the recent upward adjustment of the levy, and pre shipment inspection fees among others.

CENTRAL GOVERNMENT
IMPORT DUTY COLLECTIONS, 1993-1997

Table 6.5 K£million

END-USE CATEGORY	1993	1994	1995	1996	1997*
Food, drinks and tobacco	17.88	56.35	70.98	104.02	111.70
Basic materials	69.95	77.91	84.28	58.68	57.90
Fuels	102.34	195.13	187.18	221.19	211.04
Chemicals	108.80	115.29	121.18	93.55	85.65
Textiles	27.53	29.24	37.16	18.26	15.83
Semi-manufactures	38.02	45.06	72.85	78.37	81.55
Metals	57.05	73.23	114.57	73.26	64.26
Transport Equipment	80.54	151.45	255.46	173.46	180.93
	113.25	139.48	208.65	147.76	148.54
Miscellaneous commodities	27.49	39.09	49.87	52.26	54.21
TOTAL	642.85	922.23	1,202.18	1,020.81	1,011.61

* Provisional

6.9. Table 6.5 shows import duty collections by end-use category. Total import duty collections decreased marginally from K£ 1,021 million in 1996 to K£ 1,012 million in 1997. Fuels category maintained its lead in import duty yields although at a lower level than in 1996, recording a decrease of about K£ 10 million between 1996 and 1997. This was despite increased import of fuels. The other major sources of import duty collections were transport equipment and machinery, which showed an improvement of 4.6 per cent from K£ 173 million in 1996 to K £ 181 million in 1997.

CENTRAL GOVERNMENT
EXCISE REVENUE BY COMMODITIES, 1993 -1997

Table 6.6 K£000

	1993	1994	1995	1996	1997*
Beer and spirits	255,923	289,585	332,274	364,901	378,441
Sugar	18,505		21	12	
Cigarettes	164,764	193,873	211,033	223,329	234,697
Other commodities	36,537	38,250	49,002	53,325	52,945
TOTAL	475,729	521,708	592,330	641,567	666,083

* Provisional
** Includes transfer adjustments not allocated by commodity
Source: Kenya Revenue Authority, Customs and Excise

6.10. Excise revenue of some locally manufactured commodities grew by 3.8 per cent in 1997 as shown in Table 6.6. Excise revenue from beer increased by about 3.7 per cent from K£ 365 million in 1996 to K£ 378 million in 1997 while yields from cigarettes grew by 4.8 per cent from K£ 223 million to K£ 235 million over the same period. The "other commodities", (wines, mineral water, matches, locally assembled vehicles and cosmetics), recorded poorer revenue yields as a result of preference by consumers to

cheaper imports of similar commodities.

6.11. Details of financing of capital expenditure and net lending are shown in Table 6.7. Capital expenditure is expected to grow slightly from K£ 762 million in 1996/97 to K£ 887 million in 1997/98. In 1997/98 net lending is estimated to record a gain of about K£ 35.85 million. This means that the Government is expected to receive more in loan repayments than it is going to spend on purchase of equity in enterprises, loans to households, enterprises and general Government agencies put together.

CENTRAL GOVERNMENT
FINANCING OF CAPITAL EXPENDITURE AND NET LENDING. 1993/94 -1997/98

Table 6.7 K£million

	1993/94	1994/95	1995/96	1996/97*	1997/98**
EXPENDITURE:					
Capital Expenditure	566.67	715.17	896.50	762.19	886.57
Net Lending	35.90	29.52	15.92	154.40	-35.85
TOTAL	602.57	744.69	912.42	916.59	850.72
FINANCING:					
Surplus on Current Account ..	-873.27	208.98	394.52	155.01	-400.81
Capital Revenue	12.31	38.62	29.02	79.08	18.86
External Loans (Net)	-56.75	-106.50	-3.25	-331.70	-289.25
External Grants	458.15	661.45	290.70	289.15	327.00
Long-Term Domestic Borrowing (Net)	-168.80	-376.70	-352.45	-206.05	-26.00
SHORT TERM BORROWING:					
Cereals and Sugar Finance Corporation (Net)					
Treasury Bills (Net)	1,522.60	-1,121.45	287.05	1,773.95	879.40
Other Short-Term Borrowing (Net).	-141.65	1,900.05	-42.75	-612.80	420.05
Change in Cash Balances(decrease =+)	-150.20	-459.76	309.58	-230.05	-78.53
TOTAL	602.39	744.69	912.42	916.59	850.72

* Provisional
** Estimates

6.12. Total expenditure on main services increased by K£ 4,241 million representing a 45.2 per cent growth in total Government expenditure as shown in Table 6.8. The share of development expenditure to total expenditure increased slightly from 14.3 per cent in 1996/97 to 14.9 per cent in 1997/98. The main services, which had substantial increases in expenditure, were general administration, education, health, economic services, agriculture and public debt. These increases were due to extra expenditure on the last general elections, higher salary awards to teachers, increased expenditure on health services, more allocation for agricultural activities and increased public debt servicing. Recurrent expenditure is going to take up to 95.0 per cent of total expenditure for educational outlays. Development expenditure accounted for 52.0 per cent of the total expenditure on economic services.

CENTRAL GOVERNMENT EXPENDITURE ON MAIN SERVICES, 1994/95- 1997/98

Table 6.8 K£million

	1994/95			1995/96			1996/97*			1997/98+		
	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	483.40	490.29	973.69	613.43	274.19	887.62	764.27	438.20	1,202.47	909.96	516.90	1,426 86
External Affairs	102.76	5.30	108.06	128.30	13.66	141.96	119.21	9.64	128.85	140.88	1.78	142.66
Public Order and Safety	371.14	12.64	383.78	391.24	15.95	407.19	459.20	20.90	480.10	553.26	17.40	570.66
TOTAL	957.30	508.23	1,465.53	1,132 .97	303 80	1,436.77	1,342.68	468.74	1,811 42	1,604.10	536.08	2,140.18
Defence	308.57	6.29	314.86	440.06	11.89	451.95	515.67	7.92	523.59	533.45	6.03	539.48
Education	1,326.21	87.57	1,413.78	1,495.73	94.94	1,590.67	1,590.99	82.20	1,673.19	2,260.00	118.74	2,378.74
Health	295.28	55.50	350.78	371.87	83.86	455.73	397.22	131.01	528.23	495.07	316.62	811.69
Housing and Community Welfare	77.32	78.09	155.41	96.67	154.19	250.86	105.35	78.49	183.84	116.40	111.77	228.17
Social Welfare	2.40	0.00	2.40	2.44	0.00	2.44	1.95	0.00	1.95	4.00	0.00	1.95
ECONOMIC SERVICES:												
General Administration	53.88	51.81	105.69	63.45	58.31	121.76	67.03	74.75	141.78	86.81	214.21	301.02
Agriculture. Forestry and Fishing,	184.36	192.25	376.61	216.10	170.43	386.53	220.15	128 .03	348.18	252.86	298.39	551.25
Mining,Manufacturing & Construction	74.99	13.94	88.93	70.39	11.35	81.74	86.91	27.27	114.18	103.50	26.61	130.11
Electricity. Gas, Steam and Water	53.37	84.81	138.18	54.88	113.35	168.23	57.68	102.90	160.58	66.02	124.69	190.71
Roads	136.61	132.14	268.75	190.73	194.05	384.78	416.56	149.29	565 85	273.54	239.94	513.48
Other Transport & Communications	10.36	94.94	105.30	11. 84	184.47	196.31	15.82	94.18	110.00	60.11	19.47	79.58
Other Economic Services	46.49	0.65	47.14	46.47	3.52	49.99	49.27	3.29	52.56	21.46	17.92	39.38
TOTAL ECONOMIC SERVICES	560.06	570.54	1,130.60	653.86	735.48	1,389.34	913.42	579.71	1,493.13	864.30	941.23	1,805.53
OTHER SERVICES; INCLUDING PUBLIC DEBT	3,447.34	0.00	3,447.34	3,601.86	0.00	3,601.86	3,159.55	0.00	3,159.95	5,708.69	0.00	5,708.69
TOTAL"	6,974.48	1,306.22	8,280.70	7,795.46	1,384.16	9,179.62	8,027.23	1,348.07	9,375.30	11,586.01	2,030.47	13,616.48

* Provisional

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

\+ Revised Estimates

CENTRAL GOVERNMENT
ECONOMIC ANALYSIS OF EXPENDITURE, 1993m -1997/98

Table 6.9 K£million

	1993/94	1994/95	1995/96	1996/97*	1997/98**
CURRENT EXPENDITURE:					
CONSUMPTION EXPENDITURE ON GOODS AND SERVICES:					
Labour Costs	1,064.38	1,170.30	1,312.55	1,435.03	1,539.11
Other Goods and Services	1,061.13	1,255.10	1,607.04	2,040.30	2,721.00
TOTAL	2,125.51	2,425 .40	2,919.59	3,475.33	4,260.11
SUBSIDIES	0.09	2.03	0.06	0.02	3.05
INTEREST:					
Foreign	515.53	473.55	533.52	405.06	455.55
Domestic	2,222.44	1,294.85	1,466.04	1,277.21	1,108.37
TRANSFERS TO:					
Households and Unincorporated Enterprises including Private Non-profit Institutions	97.17	247.25	277.54	517.71	
Financial and Non-Financial Enterprises	1.55	0.86			
General Government	914.25	1,204.27	1,444.78	1,412.48	2,974.44
Rest of the World	27.75	24.29	28.37	31.98	
Funds	9.68	216.04	77.08	0.57	
TOTAL TRANSFERS	1,050.40	1,692.71	1,827.77	1,962.74	2,974.44
OTHERS	0.06	0.05	0.66	15.02	-3.58
1. TOTAL CURRENT EXPENDITURE	5,914.03	5,888.59	6,747.64	7,135.38	8,797.94
2. CAPITAL EXPENDITURE:					
Gross Fixed Capital Formation	465.30	687.34	818.25	690.20	835.87
Capital Transfers	101.37	27.83	78.25	71.99	50.70
TOTAL	566.67	715.17	896.50	762.19	886.57
3. NET LENDING:					
Purchase of Equity in Enterprises	3.45	1.33		136.33	3.50
Loans to Households, Enterprises and General Government Agencies	62.14	79.89	71.50	75.84	21.85
Less Loan Repayments to Government	-29.69	-51.70	-55.25	-57.77	-61.20
TOTAL	35.90	29.52	16.25	154.40	-35.85
4 PUBLIC DEBT REDEMPTION	2,461.36	1,579.62	1,463.96	1,265.79	3,906.66
5. Total Expenditure (1 +2+3+4)	8,977.96	8,212.90	9,124.35	9,317.76	13,555.32

** Revised Estimates

6.13. Economic analysis of expenditure is presented on Table 6.9. Both labour costs and goods and services showed a significant increase in expenditure. Labour costs were expected to increase by 7.2 per cent from K£ 1,435 million in 1996/97 to K£ 1,539 million in 1997/98. The increase is as a result of more allocations to meet higher salaries for civil servants. Expenditure on goods and services increased by K£ 680.7 million between 1996/97 and 1997/98 representing a growth of 33.4 per cent due to higher expenditure incurred during the general elections. Transfers to general government are mainly composed of grants to Teachers Service Commission (TSC) by the Ministry of Education. Hence, the more than double increase is mainly due to teachers' salaries.

6.14. Debt service charges (interests plus redemption) grew from K£ 3,464 in 1995/96 to K£ 5,467 this financial year. It accounted for 40.4 per cent of total expenditure. Gross fixed capital formation is expected to increase from K£ 690 million in the last fiscal year to K£ 836 million this fiscal year. Capital expenditure grew by 16.3 per cent, K£ 124.4 million, while its share in the total expenditure declined from 8.2 per cent in 1996/97 to 6.5 per cent.

CENTRAL GOVERNMENT

PUBLIC DEBT, 1993-1997

Table 6.10 K£ million

As at 30th June	Public Debt"								
	Funded			Unfunded			Total		
	External	Internal	Total	External	Internal*"	Total	External	Internal	Total
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	11,735.42	1,408.49	13,143.91	11,735.42	1,637.66	13,373.08
1997*		197.98	197.98	10,838.81	1,186.06	12,024.87	10,838.81	1,384.04	12,222.85

* Provisional

** Excludes Short Term Borrowing.

*** Includes Treasury bonds.

6.15. Table 6.10 shows a classification of funded and unfunded debt broken down into external and internal sources. The stock of (internal) funded debt declined from a total of K£ 229 million in 1996 to K£ 198 million in 1997 due to continued steady redemption and non-acquisition of new Government stocks. Funded debt is mainly from stocks which were issued by the Government in the previous years. Unfunded debt is both from external and internal sources. The volume of internal unfunded debt is a measure of the Government level of borrowing from the domestic financial sources. The value of internal unfunded debt decreased from K£ 1408 million to K£ 1186 million between 1996 and 1997. The steady decline in external debt is a result of both external debts servicing and reduced inflow of loans from bilateral donors.

CENTRAL GOVERNMENT
SOURCES OF UNFUNDED DEBT, 1993 -1997

Table 6.11 K£million

Outstanding as at 30th June	1993	1994	1995	1996	1997
EXTERNAL DEBT:					
Lending Countries:					
Germany	111.23	240.97	434.31	345.46	293.67
Japan	2,165.40	1,971.14	2,330.41	2,111.62	1,792.18
France	661.23	428.02	979.13	831.58	544.31
U.S.A	285.90		13.19	6.70	2.02
Netherlands	321.70	279.65	316.98	341.73	281.34
Denmark	185.95	181.72	215.38	184.23	153.11
Finland	9.55	10.04	29.94	25.90	20.33
Other	3,341.57	1,280.34	1,775.27	1,510.16	1,155.22
Total	7,082.53	4,391.88	6,094.61	5,357.38	4,242.18
International Organizations:					
IDA	4,470.40	4,37693	4,654.13	4,759.21	5,019.91
IBRD	765.26	500.81	400.63	347.31	358.27
African Development Bank	609.92	498.44	491 66	355.44	332.00
O.P.E.C	45.18	33.10	24.88	54.23	46.91
E.E.C	294.21	254.94	287.91	220.76	245.24
IMF					
Arab League	5.86	3.36	2.62	2.07	1.31
Badera	40.78	25.59	21.67	28.11	23.54
I.F.A.D	59.96	63.55	72.73	75.63	62.97
C.D.C	7.59				
A DF	223.02	254.96	250.51	535.28	506.48
Total	6,522.18	6,011.68	6,206.74	6,378.04	6,596.63
Total External	13,604.71	10,403.56	12,301 35	11,735.42	10,838.81
INTERNAL DEBT:					
Central Bank of Kenya	10.00	10.00	10.00	10.00	10.00
Other	1,927.56	2,544.13	1,294.31	1,398.49	1,176.06
TOTAL INTERNAL	1,937.56	2,554.13	1,304.31	1,408.49	1,186.06
TOTAL UNFUNDED DEBT	15,542.27	12,957.69	13,605.66	13,143.91	12,024.87

6.16. Detailed analysis of unfunded debt by source is presented in Table 6.11. The outstanding unfunded debt from bilateral sources stood at K£ 4,242 million in 1997, compared to K£ 5,357 million in 1996. Each lending country's outstanding debt has decreased continuously since 1995, due to reduced lending to Kenya by these countries and debt redemption by the Kenya Government. Japan, France, Germany and the Netherlands continue to be the major sources of Kenya's external loans. Total outstanding debt from international organizations increased from K£ 6,378 million, in 1996 to K£ 6,597 million in 1997. The World Bank and its affiliates, the International Development Association, African Development Fund, African Development Bank and the European Economic Commission, continue to be the main multi lateral lenders to the Kenyan Government. The outstanding debt from the other international organizations has been on the decline over the same review period.

6.17. The analysis of public funded debt at book value by holders on local register is shown in Table 6.12. National Social Security Fund remains the largest single holder of funded debt on the local register. The total value of the funded debt decreased by 13.5 per

cent from K£ 229 million in 1996 to K£ 198 million in 1997. This is due to the fact that the Government ceased to use these long-term instruments and is now only redeeming what was acquired earlier.

ANALYSIS OF PUBLIC FUNDED DEBT AT BOOK VALUE BY HOLDERS ON LOCAL REGISTER AS AT 30TH JUNE, 1993 -1997

Table 6.12 K£million

	1993	1994	1995	1996	1997
PUBLIC BODIES:					
National Social Security Fund	188.08	188.08	155.58	155.58	130.55
Central Government	59.58	60.69	49.51	49.32	44.14
Local Government	0.22	0.22	0.18	0.18	0.06
Kenya Post Office Savings Bank .	2.30	2.30	2.30	2.30	2.20
Former E..A. Community Institutions*	8.70	8.70	3.28	3.28	3.28
Central Bank	154.04	1,122.92	0.00	0.00	0.00
Other Public Sector	1.10	1.10	1.10	1.10	2.07
OTHER INTERNAL:					
Commercial Banks	4.99	4.99	4.94	4.94	5.03
Insurance Companies	4.43	4.43	3.48	3.45	3.27
Other Companies	9.08	9.08	8.94	8.94	7.32
Private Individuals	0.08	0.08	0.08	0.08	0.05
TOTAL	432.60	1,402.59	229.39	229.17	197.97

Source: Central Bank of Kenya

* And their successors

6.18. Table 6.13 shows annual debt service charges and loan repayment receipts. Total debt (both external and internal) service charges decreased from K£ 3,464 million to K£ 2,948 million between 1996 and 1997.

CENTRAL GOVERNMENT
DEBT SERVICING CHARGES', 1993-1997

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
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	1,493.86	1,969.67	3,463.53		55.58	55.58	1,493.86	1,914.09	3,407.95
1997**	1,323.02	1,625.04	2,948.06		57.77	57.77	1,323.02	1,567.27	2,890.29

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

** Provisional

Information on debt service charges and export of goods and services is presented in Table 6.14. The proportion of external debt service charges to export of goods and services has maintained its declining trend since 1993. This is due to a continuous but small increase in exports of goods and services over the period and reduced debt service charges over the same period especially during last year.

CENTRAL GOVERNMENT
DEBT SERVICE CHARGES ON EXTERNAL DEBT RELATED TO EXPORT
OF GOODS AND SERVICES, 1993 -1997

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	
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	1,493.86	8,676.56	17.22
1997*	1,323.02	8,793.38	15.06

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

Local Authorities

6.19. The details of expenditure by all local authorities, comprising of municipal, town, county and urban councils are shown in Table 6.15. There has been a general increase in expenditure by all categories of local authorities over the years. The total expenditure for all local authorities is provisionally expected to rise by 15.5 per cent from K£ 634.5 million in 1996/97 to K£ 732.5 million in 1997/98. The total expenditure for Nairobi is expected to drop by 19.6 per cent while that for other municipalities is expected to rise by 55.8 per cent. A slight rise in total expenditure was noted for town, urban and county councils.

EXPENDITURE ON LOCAL AUTHORITIES, 1993/94-1997/98

Table 6.15 K£million

	MUNICIPALITIES			Town, Urban and County Councils	Total
	Nairobi City Council	Other Municipal Councils	Sub-Total		
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 .	179.69	193.67	373.36	87.77	461.13
1996/97*	257.84	253.60	511.44	123.04	634.48
1997/98**	207.30	395.02	602.32	130.21	732.53

* Provisional
** Estimates

6.20. Analysis of expenditure on main services for municipal councils between 1993/94 and 1997/98 is given in Table 6.16. Expenditure on administrative services has gone up. An increase of K£ 51.7 million in expenditure on community services is expected, the main contributors being expenditure on roads. Social services recorded an increase in expenditure of 20.8 per cent. Expenditure on economic services was mainly on provision of water and housing with the former expected to increase by 64.1 per cent between 1996/97 and 1997/98. Provisional expenditure by municipal councils is set to rise from K£ 511.4 as at June 1997 to K£ 602.3 million by July 1998.

MUNICIPAL COUNCILS: CURRENT AND CAPITAL EXPENDITURE ON MAIN SERVICES, 1993/94 -1997/98

Table 6.16

K

		1993/94	1994/95	1995/96	1996/97*	1997/98**
	ADMINISTRATION	78.41	106.52	96.99	135.72	144.68
COMMUNITY SERVICES:	Roads	15.89	85.32	34.76	95.67	127.68
	Sanitation	39.03	51.75	48.61	64.95	76.62
	Other	3.66	3.94	5.67	3.17	11.15
	Total	58.58	141.01	89.04	163.79	215.45
SOCIAL SERVICES	Education	12.56	18.37	16.17	18.93	22.46
	Health	17.80	25.91	29.33	33.98	41.12
	Other	0.63	1.50	3.39	3.73	4.85
	Total	30.99	45.78	48.89	56.64	68.43
ECONOMIC SERVICES:	General Administration	10.79	9.86	12.92	8.88	15.24
	Water Undertaking	80.53	51.73	94.03	75.06	123.15
	Housing Estates(including staff housing)	13.89	13.45	22.97	17.75	25.13
	Other	63.77	46.78	8.52	53.60	12.46
	Total	168.98	121.82	138.44	155.29	175.98
	TOTAL EXPENDITURE	336.96	415.13	373.36	511.44	604.54

* Provisional

** Estimates

6.21. Table 6.17 shows an economic analysis of expenditure for municipal councils. Current expenditure grew by 21.1 per cent from K£ 273.3 million in 1996/97 to K£ 330.9 million in 1997/98, mainly due to increase of expenditure on labour costs and "other goods and services" reflecting mainly upward adjustments of personal emoluments other than increased personnel. An increase of K£ 33.1 million in total capital expenditure is expected up from K£ 238.2 million to K£ 271.3 million which is caused mainly by a significant rise in gross fixed capital formation for some municipalities. The overall total expenditure on municipal councils increased by 17.8 per cent from K£ 511.4 in 1996/97 to K£ 602.32 million in 1997/98.

MUNICIPAL COUNCILS: ECONOMIC ANALYSIS OF EXPENDITURE, 1993/94-1997/98

Table 6.17 K£million

	1993/94	1994/95	1995/96"	1996/97*	1996/97***
CURRENT EXPENDITURE:					
Labour Cost	72.46	113.13	139.81	148.59	177.80
Other Goods and Services	81.98	87.62	92.59	119.07	149.93
Transfer to Households & Enterprises	2.19	0.46	0.43	0.36	0.28
Transfer to Funds (Current)	1.02	3.23	1.62	3.72	2.06
Interest	0.44		0.41	1.51	0.91
Total	157.65	204.44	234.86	273.25	330.98
CAPITAL EXPENDITURE:					
Gross Fixed Capital Formation	171.36	200.57	131.85	228.87	264.34
Loan Repayment"	5.73	8.53	5.06	7.53	5.42
Transfer to Funds (capital)	1.77	1.59	1.59	1.79	1.59
Total	178.86	210.69	138.50	238.19	271.35
TOTAL EXPENDITURE	336 51	415.13	373.36	511.44	602.33

* Provisional
** Includes interest.
* Estimates

6.22. The details of economic analysis of revenue for municipal councils are given in Table 6.18. The current revenue generated for the year 1996/97 was K£ 261.04 million while K£ 326.91 million is expected for 1997/98, a modest increase of 25.2 per cent. The total revenue declined from K£ 409.54 in 1996/97 to K£ 340.46 million in 1997/98. This is attributed to a significant decline in the amount of loans raised for the year 1997/98.

MUNICIPAL COUNCILS: ECONOMIC ANALYSIS OF REVENUE, 1993/94 -1997/98

Table 6.18 K£million

	1993/94	1994/95	1995/96	1996/97*	1996/97**
CURRENT REVENUE:					
Direct Taxes (Rates**)	54.95	60.20	36.23	86.50	100.19
Indirect Taxes (Licences and cesses)	8.44	10.80	21.86	16.84	30.20
Income from Property	14.09	21.80	10.40	14.98	9.77
Current Transfers	0.14	0.24	2.32	0.49	2.24
Sale of Goods and Services*	133.97	147.45	130.52	142.23	184.52
TOTAL	211.59	240.49	201.33	261.04	326.92
CAPITAL REVENUE:					
Loans Raised	101.78	132.41	37.89	148.37	12.63
Loan Repayment	0.29	0.52	0.78	0.13	0.92
TOTAL	102.07	132.93	38.67	148.50	13.55
TOTAL REVENUE	313.66	371.42	240.00	409.54	340.47

* Provisional
** Paid by households and enterprises
*** Includes service charge
*Estimates

6.23. Information on economic analysis of expenditure and revenue by town, urban and county Councils are given in Table 6.19. While current expenditure recorded a growth of 12.4 per cent, Capital expenditure registered a modest decline of 19.1 per cent between the

years 1996/97 and 1997/98 mainly as a result of decline in gross fixed capital formation. The councils' total expenditure is expected to rise by 5.8 per cent. An increase of K£ 15.0 million in revenue collection is expected up from K£ 105.4 million in 1996/97 to K£ 120.4 in 1997/98. This is occasioned mainly by sharp increases in direct taxes (rates) and sale of other goods and services during the same years. Despite a substantial growth in revenue collection, the local authorities continued to suffer substantial deficits.

TOWN, URBAN AND COUNTY COUNCILS:
ECONOMIC ANALYSIS OF EXPENDITURE AND REVENUE, 1993/94 - 1997/98

Table 6.19 K£million

	1993/94	1994/95	1995/96	1996/97*	1997/98+
CURRENT EXPENDITURE:					
Labour Cost	28.17	39.92	49.42	54.93	64.40
Other Goods and Services	15.28	20.13	26.22	32.48	36.07
Transfer to households & Enterprises	0.09	2.57	5.11	9.73	8.93
Transfer to Funds (Current)	2.36	0.11		0.23	
Interest					0.03
Total	45.90	62.73	80.75	97.37	109.43
CAPITAL EXPENDITURE:					
Gross Fixed Capital Formation	2.62	12.23	6.53	23.96	19.34
Loan Repayments**	0.38	0.44	0.23	0.83	0.36
Transfer to Funds (capital)	0.80	0.03	0.25	0.88	1.06
Total	3.80	12.70	7.01	25.67	20.76
TOTAL EXPENDITURE	49.70	75.43	87.76	123.04	130.19
CURRENT REVENUE:					
Direct Taxes (Rates***)	3.04	3.13	24.55	6.12	34.64
Indirect Taxes (Licences and cesses)	15.99	17.20	20.11	27.01	24.34
Income from Property	13.56	2.92	8.05	5.09	10.55
Current Transfers	0.42	0.17	0.21	0.26	0.28
Sale of Goods and Services +	21.88	43.74	29.99	66.43	50.62
Total	54.89	67.16	82.91	104.91	120.43
CAPITAL REVENUE:					
Loans Raised	0.42			0.50	0.02
Loans Repayments	0.00				
Total	0.42	0.00	0.00	0.50	0.02
TOTAL REVENUE	55.31	67.16	82.91	105.41	120.45

* Provisional
** Include* Interest.
*** Paid by households and enterprises.
\+ Estimates

CHAPTER 7-INTERNATIONAL TRADE AND BALANCE OF PAYMENTS

Overview

Indicators of international trade for 1997 show that Kenya's trade deficit widened when compared to the previous year. The level of imports rose sharply while exports almost stagnated resulting in the largest trade deficit recorded since 1990. The exports stood at 63.2 per cent of imports, compared to 70.1 per cent in 1996. The increase in import was mainly in food items due to the poor performance of the agricultural sector during the year.

7.2. The volume of trade grew by 8.5 per cent compared to 13 .5 per cent in 1996. Tea, coffee and horticulture accounted for 47.8 per cent of the total export earnings.

7.3. The overall balance of payments position recorded a surplus of K£ 3,36.2 million in 1997 compared to K£ 1,163.0 million surplus in 1996. The current account deficit deteriorated from K£ 211.2 million in 1996 to K£ 1,107.9 million in 1997, primarily reflecting the widening of the trade deficit by K£ 997.1 million. The capital account surplus fell from K£ 1,682.3 million in 1996 to K£ 1,065.0 million in 1997. The slowdown in capital inflows was occasioned by the lapse of IMF's Enhanced Structural Adjustment Facility programme, which eroded international confidence in Kenya's economy These developments are reflected in the decrease in net foreign assets of the banking system.

Balance of Trade

7 4. Exports performed poorly in 1997 with domestic exports barely increasing by 0.5 per cent compared to the 22.3 per cent increase in 1996 as shown in Table 7.1. Re-exports however grew by 40.1 per cent resulting in a marginal 1.9 per cent increase in total exports. Imports however rose faster than exports recording a 13.2 per cent increase These developments exacerbated the balance of trade deficit, which stood at K£ 3,511.4 million in 1997 compared to K£ 2,891.5 million and K£ 2,514.3 million in 1995 and 1996, respectively. The deficit was more than half the total exports.

BALANCE OF TRADE, 1993-1997

Table 7.1 K£mllllon

	1993	1994	1995	1996	1997*
EXPORTS (f.o.b):					
Domestlc Export*	3,625.21	4,170.72	4,658.19	5,696.30	5,722.97
Re-exports	53.04	111.41	210.76	213.70	299.29
Total	3,678..25	4,282.13	4,866.95	5,910.00	6,022.26
IMPORTS (c.i.f):					
Commercial	4,845.00	5,556.18	7,495 49	8,144.22	9,264.13
Government	211.36	197.83	262.93	280.09	269.55
TOTAL	5,056 42	5,753.99	7,758.42	8,424.31	9,533.68
BALANCE OF TRADE	-1,376.17	-1,471.86	-2,891.47	-2,614.31	-3,511.42

* Provisional

7.5. The increased importation of drought related food items and two aircrafts by Kenya Airways mainly accounted for the increase in imports.

Price Changes

7.6. Table 7.2 Shows export and import price indices according to Standard International Trade Classification (SITC) groups. In general the export price index registered substantial growth compared to the import price index.

PRICE INDICES, 1993- 1997

Table 7.2 1982=100

	1993	1994	1995	1996	1997
EXPORTS:					
Food and live animals	475	534	558	530	752
Beverages and tobacco	737	401	390	632	633
Crude materials, inedible	465	561	510	625	669
Mineral fuels	276	297	310	383	351
Animal and vegetable oils and fats	344	727	316	229	173
Chemicals	516	491	480	529	621
Manufactured goods	458	497	600	677	636
Machinery and transport equipment	436	204	222	496	513
Miscellaneous manufactured articles	527	488	644	514	552
All Exports	438	450	489	519	608
Non-oil Exports	483	486	530	549	679
IMPORTS:					
Food and live animals	551	369	487	408	475
Beverages and tobacco	821	677	636	828	769
Crude materials, inedible	480	472	472	488	718
Mineral fuels	309	257	273	358	357
Animals and vegetable oils and fats	527	571	743	728	759
Chemicals	776	743	603	637	789
Manufactured goods	613	634	669	573	678
Machinery and transport equipment	569	589	629	767	792
Miscellaneous manufactured articles	565	492	641	676	756
All imports	486	445	513	560	598
Non-oil Imports	594	536	550	577	629

7.7. The price index for all exports rose by 17.1 per cent in 1997, 11.0 percentage points higher than the increase recorded in the previous year. Food and live animals had the highest price index increase of 41.9 per cent mainly as result of increases in prices of coffee and tea exports by 73.4 and 39.8 per cent, respectively. Price index for animal and vegetable oils and fats dropped by 24.5 per cent while for chemicals went up by 17.4 per cent. Export price index for manufactured goods fell by 6.1 per cent. Export prices of maize, animal feeds and textile yarns more than doubled while that of horticulture rose by about 60.0 per cent.

7.8. Price indices for all imports, except beverages and tobacco and mineral fuels increased As a result, the price index for all imports rose by 6.8 per cent in 1997 compared with 9.2 per cent in 1996. Increases in import price indices for inedible crude materials, manufactured goods and chemicals which went up by 47.1 per cent, 18.3 per cent and 23.9 per cent respectively, mainly caused the overall rise in import price index.

Terms of Trade

7.9. Terms of trade presented in Table 7.3 are the ratio of export price index to import price index. Terms of trade for all items increased by 9.7 per cent while that for non-oil items increased by 13.7 per cent Both terms of trade for non-oil and all items were in favour of Kenya. The improvement was as a result of better world market prices of Kenya's major exports.

TERMS OF TRADE, 1993-1997

Table 7.3 1982-100

	1993	1994	1995	1996	1997
All Items	90	101	95	93	102
Non-oil Items	81	91	96	95	108

Volume Changes

7.10. Changes in the volume of trade as measured by quantum indices are summarised in Table 7 4. The quantum index for exports presents mixed performances between the various groups. Overall quantum index for exports fell by 13.0 per cent and that for non-oil exports decreased by 19.2 per cent in 1997. The fall in volume was largely due to substantial declines in export volumes of coffee, tea and horticulture during the year as shown in Table 7.6.

7.11. The Quantum index for all imports went up by 6.0 per cent in 1997. The increased importation of maize and rice resulted in the increase of associated index. . Beverages and tobacco index was boosted mainly by a 57 1 per cent increase in tobacco imports and unusually large quantities of beer importation from South Africa. Other notable increases were in mineral fuels 13.1 per cent, and machinery and transport equipment, 5.6 per cent. On the other hand, crude materials and animals and vegetable oils and fats decreased by 19.6 per cent and 11.4 per cent, respectively.

QUANTUM-INDICES, 1993-1997

Table 7.4

1982 =100

	1993	1994	1995	1996	1997
EXPORTS:					
Food and live animals	142	132	151	200	138
Beverages and tobacco	723	1,823	1,618	1,112	988
Crude materials, inedible	97	133	178	170	158
Mineral fuels	89	67	59	74	106
Animal and vegetable oils and fats	1,088	3,617	6,694	9,237	13,601
Chemicals	165	267	354	383	332
Manufactured goods	290	310	308	308	340
Machinery and transport equipment	110	394	578	204	232
Miscellaneous manufactured articles	358	1,067	530	809	697
All Exports	148	167	175	200	174
Non-oil Exports	164	196	207	239	193
IMPORTS:					
Food and live animals	136	560	157	348	608
Beverages and tobacco	121	118	186	122	179
Crude materials, inedible	179	177	232	224	180
Mineral fuels	123	110	113	115	129
Animals and vegetable oils and fats	138	176	194	219	194
Chemicals	131	124	231	230	187
Manufactured goods	114	114	193	219	192
Machinery and transport equipment	84	111	179	142	150
Miscellaneous manufactured articles	118	153	166	200	202
All imports	116	144	168	167	177
Non-oil Imports	113	159	216	216	225

7.12. Quantit.es of coffee tea and horticulture exported in 1997 dropped remarkably by 400 per cent, 24.0 per cent and 36.7 per cent, respectively. Other notable declines in the export quantities were in textile yarn tobacco and tobacco manufactures, beer manufactured from malt and Pyre thrum products which recorded declines of 67.7 per cent, 36.2 per cent 32 3 per cent and 38.5 per cent, respectively. Quantities of sisal exported continued with the downward trend Only fluorspar, maize, animals and vegetable oils and footwear recorded significant growths

Composition of Exports

7.13. Total exports classified by Broad Economic Category (BEC) are presented in Table 7 5. Food and beverages continued to be the most dominant category of exports and accounted for 53.7 per cent of total export earnings. The share of exports earnings of non-food industrial supplies decreased from 26.1 per cent in 1996 to 22.4 per cent in 1997, while that of fuel and lubricants increased from 6.6 per cent to 9.0 per cent over the same period

7.14. Export earnings from food and beverages increased marginally bv 2 0 per cent from K£ 3,0114 million in 1996 to K£ 3 072.9 million in 1997 Earnings from non-food industry supplies decreased by 13.6 per cent from K£ 1,484.6 million in 1996 to K£ 1 282 2 million in 1997 Export earnings from primary goods dropped drastically while earnings from processed non-food industrial supplies increased substantially. Earnings from fuel and lubricants increased

by 36.5 per cent, while those from machinery and other capital equipment dropped by 35.9 percent.

TOTAL EXPORTS' BY BROAD ECONOMIC CATEGORY, 1993-1997

Table 7.5 K£million

	1993	1994	1995	1996	1997**
1 FOOD AND BEVERAGES	1,986.09	2,147.65	2,381.03	3,011.41	3,072.87
Primary	1,608.12	1,632.07	1,775.41	2,172.72	2,309.39
For Industry	559.74	656.12	722.03	831.12	864.24
For Household Consumption	1,048.38	975.95	1,053.38	1,341.60	1,445.15
Processed	377.97	515.58	605.62	838.69	763.48
For Industry	21.91	79.46	180.34	234.21	199.48
For Household Consumption	356.06	436.12	425.28	604.48	564.00
2 INDUSTRIAL SUPPLIES (Non-Food)	877.68	1,099.54	1,252.58	1,484.61	1,282.19
Primary	224.60	248.96	372.33	943.24	320.41
Processed	653.08	850.58	880.25	541.37	961.78
3. FUEL AND LUBRICANTS	353.85	272.54	244.98	377.99	515.92
Primary	0.01	0.02	0.02	0.02	0.31
Processed	353.84	272.52	244.96	377.97	515.61
Motor Spirit	57.04	41.31	72.06	112.09	174.13
Other	296.80	231.21	172.90	265.88	341.48
4. MACHINERY & OTHER CAPITAL EQUIPMENT	23.43	37.30	64.47	50.97	32.65
Machinery & Other Capital Equipment	18.74	31.40	34.68	28.88	26.10
Parts and Accessories	4.69	5.90	29.79	22.09	6.55
5. TRANSPORT EQUIPMENT	30.59	47.00	24.88	26.14	24.12
Passenger Motor Vehicles	12.42	19.45	2.12	2.61	0.00
Other	8.34	10.82	8.72	6.09	1.97
For Industry	8.31	10.44	8.11	5.67	1.80
Non-Industrial	0.03	0.38	0.61	0.42	0.17
Parts and Accessories	9.83	16.73	14.04	17.44	22.15
6 CONSUMER GOODS NOT ELSEWHERE SPECIFIED ..	353.56	566.56	688.21	745.18	795.22
Durable	5.04	8.39	9.98	21.21	9.59
Semi-Durable	115.17	199.18	215.68	374.14	198.13
Non-Durable	233.35	358.99	462.55	349.83	587.50
7. GOODS NOT ELSEWHERE SPECIFIED		0.13	0.03	0.00	0.00
TOTAL	3,625.20	4,170.72	4,656.18	5,696.30	5,722.97
PERCENTAGE SHARES:					
1. Food and Beverages	54.79	51.49	51.14	52.87	53.70
2. Industrial Supplies (Non-Food)	24.21	29.36	26.90	26.06	22.40
3. Fuel and Lubricants	9.76	6.54	5.26	6.64	9.01
4 Machinery and other Capital Equipment	0.65	0.90	1.36	0.89	0.57
5. Transport Equipment	0.84	1.13	0.53	0.46	0.42
6 Consumer Goods not elsewhere specified	9.75	13.50	14.76	13.08	13.90
7. Goods not elsewhere specified			0.00	0.00	0.00
TOTAL	100.00	100.00	100.00	100.00	100.00

* Excluding Re-exports

** Provisional.

QUANTITIES OF PRINCIPAL EXPORTS, 1993 -1997

Table 7.6

Commodity	unit	1993	1994	1995	1996	1997*
Coffee	Tonnes	88,356	79,679	88,519	116,731	70,066
Tea	,	188,435	174,926	217,937	262,146	199,224
Petroleum Products	Mn Lt	723	540	446	567	587
Pyre thrum Products	Tonnes	749	399	215	717	441
Meat products		740	911	1,068	1,175	1,252
Sisal		27,000	25,354	25,188	21,672	19,154
Hides and Skins		748	2,704	2,218	2,301	2,564
Soda Ash		215,024	178,312	205,676	197,021	213,190
Fluorspar		71,040	62,202	64,434	37,764	72,300
Cement		522,125	595,777	501,014	662,036	690,392
Malze(raw)		111	1,685	154,291	221,478	263,653
Horticulture**		265,305	165,481	228,576	304,461	192,629
Butter and ghee		100	70	175	1,594	221
Cotton(raw)				962		81
Wool		399	301	347	295	432
Animal feeds		13,361	12,269	11,008	2,116	694
Fish and fish preparations		17,432	18,512	15,511	18,769	17,438
Live animals chiefly for food	'000 No	529	961	379	639	671
Meals and flours of wheat	Tonnes	466	521	52,444	36,577	29,992
Animal and Vegatable oils		6,211	27,170	34,172	30,794	40,120
Tobacco and tobacco manufactures		2,652	1,763	6,582	13,364	8,520
Beer made from malt	' 000 Lt	47,888	67,704	47,284	36,790	24,902
Footwear	'000 Pairs	20,951	17,235	78,908	21,557	28,158
Margarine and shortening	Tonnes	1,442	4,178	4,523	9,500	13,040
leather		15,810	14,713	5,676	5,414	5,864
Paper and paper board		7,641	9,558	9,429	7,567	8,692
Textile yam		1,682	3,624	4,597	6,160	1,990
Insecticides and fungicides		1,174	1,445	2,144	3,696	3,122
Essential oils		17,290	80,139	43,038	44,461	41,043

* Provisional

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

.. Negligible

Export Prices

7.15. While quantities of the three major principal exports substantially reduced over the period, their export unit prices greatly improved as shown in Table 7.7. Prices of coffee, horticulture and tea went up by 73.4 per cent, 59.5 per cent and 39.8 per cent respectively. The export prices of soda ash and fish and fish preparations increased marginally, while those of cement and animals and vegetable oils decreased by 13.7 per cent and 14.6 per cent, -respectively.

EXPORT PRICES, 1993-1997

Table 7.7 KSh/Unit

Commodity	Unit of Quantity	1993	1994	1995	1996	1997*
Coffee, un roasted	Kg	124.93	164.01	163.21	142.7	247.00
Tea	Kg	99.10	96.51	82.54	86.61	121.10
Petroleum Products	1,000 Lt.	9,291.15	9,391.63	9,819.66	12,386.86	12,200.91
Maize(raw)	100Kg	5,501.11	1,007.83	1,173.58	903.15	2,108.25
Meat and meat products	Kg	151.20	117.17	83.17	93.29	91.67
Pyrethrum Extract	Kg	5,368 33	6,409.33	5,070.68	5,676.54	6,355.76
Sisal	100 Kg.	2,657.00	2,612.62	2,635.00	3,757.16	3,775.08
Hides and Skins(undressed)	Kg	160.78	105.00	131.22	100.76	64.29
Wattle extract	Kg	47.67	39.51	35.44	39.25	38.78
Soda Ash	100 Kg	571.38	544.95	501.17	586.6	621.55
Fluorspar	100Kg	360.63	376.93	400.86	947.91	505.93
Cement	100 Kg.	249.10	274.12	322.82	384.31	331.60
Horticulture	Kg_	29.42	50.14	46.49	44.77	71.39
Wool	Kg	27.64	66.44	78.46	94.22	93.25
Animal feeds	100Kg.	404.30	535.16	391.76	545.91	1,609.34
Cotton(raw)	Kg	94.34		79.89	375.00	80.00
Butter and ghee	Kg	59.55	53.82	130.89	74.79	177.10
Wattle bark	100Kg.		3,620.57	710.84	1,176.21	
Fish and fish preparations	Kg	99.12	102.97	108.88	175.46	176.37
Live animals chiefly for food	No	268.60	64.61	265.47	76.61	66.50
Meals and flours of wheat	Kg	25.90	26.88	24.03	28.13	27.93
Animal and Vegatable oils		57.62	51.77	56.62	64.14	54.76
Tobacco and tobacco manufactures		248.34	427.31	170.96	132.72	202.45
Beer made from malt	Lt	28.68	29.96	26.31	24.32	27.47
Footwear	Kg	21.34	42.12	8.27	38.22	40.32
Margarine and shortening	"	67.72	68.94	75.26	68.43	76.44
Leather	"	98.25	92.69	183 24	122.48	102.70
		28.45	25.09	45.54	47.36	57.44
Textile yarn	"	157.29	101.88	64.79	65.64	247.56
Insecticides and fungicides	"	198.74	200.47	374.45	165.32	192.49
Essential oils	"	72.2	28.9	67.00	74.26	79.59

* Provisional

7 16. The value of selected exports in 1996 and 1997 together with their percentage changes in value, quantity and prices during 1997 are presented in Table 7.8. The steep rises in prices of major exports were countered by a significant decrease in their export quantities, resulting in an insignificant increase in their values. Overall, the rise in value terms of all selected exports was 2.3 per cent Coffee and tea accounted for 35.8 per cent of the value of total export earnings while horticulture accounted for 12.0 per cent

EXPORT VALUE, QUANTITY, PRICE AND CHANGES* 1996- 1997

Table 4 10

Commodity	VALUE K 000			PERCENTAGE CHANGES		
	1996	1997**	Changes	Value	Quantity	Price
Coffee, unroasted	821,360.2	842,801.7	21,441.5	2.61	-40.81	73.37
Tea	1,135,227.9	1,206,295.5	71,067.6	6.26	-24.00	39.82
Petroleum products	350,909.9	357,822 1	6,912.2	1.97	3.47	-1.50
Meat and meat products	5,481.3	5,656.7	175.4	3.20	6.57	-1.74
Pyrethrum extract	79,960.0	68,551.9	-11,408.1	-14.27	-23.43	11.97
Sisal	40,712.8	36,154 5	-4,558.3	-11.20	-11.62	0.48
Hides and skins (undressed)	11,593.2	8,241.0	-3,352.2	-28.92	11.41	-36.19
Wattle extract	14,660.0	15,460.0	800.0	5.46	6.73	-1.20
Soda ash	57,753.3	66,254. 4	8,501.1	14.72	8.21	6.02
Fluorspar	17.898.3	18,289.4	391.1	2.19	91.45	-46.63
Cement	127,215.2	114.466.8	-12,748.4	-10.02	4.28	-13.72
Horticulture	681,567.7	687,594.0	6,026.3	0.88	-36.73	59.46
Animal feeds	577.7	558.4	-193	-3.34	-67.20	194.80
Wood carvings	12,039.7	13,216.1	1,176.4	9.77	30.07	-15.61
Metal scrap	8,830.2	10,332.6	1,502.4	17.01	6.61	9.76
Fish and fish preparations	164,660.5	153,780.1	-10,880.4	-6.61	-7.09	0.52
Live animals chiefly for food	2,447.6	2,230.6	-217.0	-8.87	4.99	-13.20
Meals and flours of wheat	51,448.9	41,885.7	-9,563.2	-18.59	-18.00	-0.71
Animal and Vegatable oils	98,763.7	109,843.9	11,080.2	11.22	30.28	-14.62
Tobacco and tobacco manufactures .	88,687.8	86,237.8	-2,450.0	-2.76	-36.25	52.54
Beer made from malt	44,728.5	34,207.9	-10,520.6	-23.52	-32.31	12.99
Footwear	41,194.4	56,764.7	15,570.3	37.80	30.62	5.49
Margarine and shortening	32.500.5	49,842.4	17,341.8	53.36	37.27	11.71
Leather	33,158.5	30,110.9	-3,047.6	-9.19	8.30	-16.15
Paper and paperboard	17,916.0	24,963.2	7,047.2	39.33	14.87	21.28
Iron and steel	262,831.6	259,984.0	-2,847.6	-1.08	-20.80	24.90
Textile yam	20,218.4	24,631.2	4,412.8	21.83	-67.69	277.15
Insecticides and fungicides	30,551.3	30,052.1	-499.2	-1.63	-15.52	16.43
Essential oils	165,089.0	163,336.8	-1,752.3	-1.06	-7.69	7.18
All other Commodities	1,276,314.5	1,203,406.3	-72,908.2	-5.71		
TOTAL	5,696.298.7	5,722,972.7	26,674.0	0.47		

* Excluding Re-exports

** Provisional

Composition of Imports

7.17. Imports classified by Broad Economic Category (BEC) are detailed in Table 7.9. Non-food industrial supplies imports continued to lead in 1997 Industrial supplies imports increased by 22.9 per cent, imports of machinery and other capital equipment grew marginally by 5.4 per cent and transport equipment increased by 13.2 per cent Importation of passenger motor vehicles declined by 48.0 per cent

TOTAL IMPORTS BY BROAD ECONOMIC CATEGORY, 1993-1997

Table 7.9 K£million

	1993	1994	1995	1996	1997**
1. FOOD AND BEVERAGES	315.61	577.83	351.13	647.84	631.36
Primary	169.81	146.89	152.00	343.09	266.50
For Industry	163.75	138.21	134.95	326.05	226.91
For Household Consumption	6.06	8.68	17.05	17.04	39.59
Processed	145 80	430.94	199.13	304.75	364.86
For Industry	84.81	303.60	113.89	142.95	182.25
For Household Consumption	60.99	127.34	85.24	161.80	182.61
2. INDUSTRIAL SUPPLIES (Non-Food)	1,922.24	2,265.32	3,042.52	3,083.57	3,789.28
Primary	99.96	382.27	112.71	213.45	766.66
Processed	1,822.28	1,883.05	2,929.81	2,870.13	3,022.62
3. FUEL AND LUBRICANTS	1,254.44	929.14	1,006.78	1,355.48	1,477.89
Primary	966.69	729.07	590.33	700.36	867.95
Processed	287.75	200.07	416.45	655.12	609.94
Motor Spirit	75.95	31.92	75.43	127.42	128.51
Other	211.80	168.15	341.02	527.70	481.43
4 MACHINERY AND OTHER CAPITAL EQUIPMENT	739.42	883.43	1,493.80	1,529.68	1,612.31
Machinery and Other Capital Equipment	533.38	622.81	1,079.01	656.97	1,181.22
Parts and Accessories	206.04	260.62	414.79	872.71	431.09
5.TRANSPORT EQUIPMENT	461.80	705.96	1,318.81	1,214.92	1,375.25
Passenger Motor Vehicles	12.34	222.02	394.94	605.46	314.68
Other	197.26	299.14	611.73	569.89	749.65
Industrial	181.90	267.44	578.60	543.48	722.71
Non-Industrial	15.36	31.69	33.13	26.41	26.94
Parts and Accessories	142.20	18480	312.14	39.57	310.92
6. CONSUMER GOODS NOT ELSEWHERE SPECIFIED	357.89	385.08	533.55	575.42	613.38
Durable	42.88	53.99	110.08	174.86	118.50
Semi-Durable	32.75	46.25	99.64	265.00	125.45
Non-Durable	282.26	284.84	323.83	135.56	369.43
7. GOODS NOT ELSEWHERE SPECIFIED .. .	5.02	7.23	11.82	17.39	34.21
TOTAL	5,056.42	5,753.99	7,75841	8,424.31	9,533.68
PERCENTAGE SHARES:					
1. Food and Beverages	6.24	10.04	4.53	7.69	6.62
2. Industrial Supplies (Non-Food)	38.02	39.37	39.22	36.60	39.75
3. Fuel and Lubricants	24.81	16.15	12.98	16.09	15.50
4 Machinery and other Capital Equipment	14.62	15.35	19.25	18.16	16.91
5. Transport Equipment	9.13	12.27	17.00	14.42	14.43
6 Consumer Goods not elsewhere specified ..	7.08	6.69	6.88	6.83	6.43
7 Goods not elsewhere specified	0.10	0.13	0.15	0.21	0.36
TOTAL	100.00	100.00	100.00	100.00	100.00

* Provisional.

7.18. Imports of selected commodities are presented in Table 7.10. Maize emerged as a major food import and together with crude petroleum, industrial machinery, motor vehicle and chassis and refined petroleum products accounted for 44 4 per cent of total imports Maize import value rose from K£ 3.64 million in 1996 to K£ 630 94 million in 1997. The value of rice and crude petroleum imported went up by 40.6 per cent and 24.6 per cent respectively, while that of refined petroleum products fell by 6.0 per cent. Import values of pharmaceutical; and insecticides, fungicides and disinfectants went up by 7.9 per cent and 11.1 per cent respectively. Importation of wheat, agricultural machinery and fertilizers fell by 34.1 per cent, 15.3 per cent and 9.3 per cent respectively.

SELECTED IMPORTS, 1993 -1997

Table 7.10 K£million

	1993	1994	1995	1996	1997*
Crude Petroleum	946.53	720.38	579.63	675.20	841.25
Industrial Machinery (including Electrical)	653.28	811.93	1,303.21	1,323.22	1,400.70
Iron and Steel	300.93	310.58	513.10	481.68	537.94
Motor Vehicle and Chassis	276.29	475.76	932.98	790.10	716.45
Petroleum Products refined	284.88	197.26	419.62	648.18	609.44
Artificial Resins and Plastic Materials, and Cellulose Esters and Ethers ..	194.60	213.24	462.80	364.07	366.87
Pharmaceauticals	273.55	173.63	237.38	257.84	278.15
Fertilizers	166.60	170.60	120.56	241.37	218.94
Agricultural Machinery and Tractors ..	53.97	49.17	88.61	88.91	75.32
Wheat	152.61	125.88	116.97	318.88	210.22
Paper and Paper Products	75.35	80.27	234.51	204.96	203.00
Rice	23.30	69.05	22.44	34.94	49.11
Sugars, Mollases and Honey	68.13	251.83	53.03	86.65	71.03
Maize	11.29	292.42	6.37	3.64	630.94
Synthetic fibres suitable for spinning .	49.10	42.07	59.52	56.75	62.17
Vegetable oils and fats	180.60	247.36	351.99	372.14	367.57
Insecticides, Fungicides, Disinfectants, etc	76.43	65.78	102.12	110.29	122.48
Footwear	3.27	11.03	10.56	18.01	16.59
All other Commodities	1,265.71	1,445.75	2,143.02	2,347.48	2.755.51
Total	5,056.42	5,753.99	7,758.42	8,424.31	9,533.68

* Provisional

Direction of Trade

7.19. African countries continued to be the leading market for Kenya's exports followed by the European Union (EU). In 1997, the share of exports to the African region and the EU stood at 46.0 per cent and 32.6 per cent, respectively, as shown in Table 7.11 There were no significant changes in the share of exports to the various regions as compared to the previous year. Share of total exports to the Far East and Australia stood at 10.4 per cent, of which 41.2 per cent were to Pakistan.

7.20. For three consecutive years, the share of imports from the European Union have shown a steady decline, although the EU continue to be the major source of Kenya's imports (Table 7.12). The share of imports from African countries increased from 9 6 per cent in 1996 to 15.1 per cent in 1997. Imports from South Africa increased by 70.3 per cent from K£ 638 6 million in 1996 to K£ 1,087.7 million in 1997 constituting 75.6 per cent of total imports from the African region. South Africa became the leading country as a source of imports in 1997 overtaking United Kingdom. Imports from the Middle East went up by 21.0 percent in 1997,

mainly as a result of increased imports of crude petroleum from United Arab Emirates, Iran and Saudi Arabia.

7.21. Trade with member states of the Common Market for Eastern and Southern Africa (COMESA) and the rest of Africa is shown in Table 7.13. Kenya's exports to COMESA increased by 6.6 per cent in 1997 compared to 15.4 per cent in 1996. Uganda and Tanzania, together, accounted for 72.3 per cent of Kenya's total exports to COMESA. Major exports to Uganda were motor spirit, gas oil, wheat flour and sugar while those to Tanzania were fixed vegetable fats and oils; and pigments and paints. Flat rolled iron products were major exports to Rwanda and Ethiopia.

7.22. In 1997, Kenya imported mainly maize, fertilizers, petroleum products, motor vehicles and sugar from South Africa while exports consisted mainly of tobacco, tea and salt with the balance of trade being in favour of South Africa. Exports to Somalia increased by 14.6 per cent as a result of increased exportation of sugar, tea, petroleum products and toilet preparations while exports to Egypt declined by 28.7 per cent.

Balance of Payments

7.23. The balance of payments deteriorated in 1997 to a surplus of K£ 336.2 million from K£ 1,163.0 million surplus in 1996. The reduction in the surplus was due to the weakening of both the current and capital accounts. The increase in the current account deficit was a reflection of the widening trade deficit due to a substantial increase in import payments and a sluggish export performance.

7.24 The current account deficit deteriorated from K£ 211.8 million in 1996 to K£ 1,107.9 million in 1997 mainly due to merchandise account deficit, which widened from K£ 1,512.4 million in 1996 to K£ 2,680.4 million. The decline in official capital inflows, following the suspension of ESAF to Kenya by the International Monetary Fund, weakened the capital account.

DESTINATION OF TOTAL EXPORTS', 1993- 1997

Table 7.11 K£million

	1993	1994	1995	1996	1997**
WESTERN EUROPE					
European Union.					
United Kingdom	590.18	496.61	487.73	616.98	694.18
Belgium	85.98	91.16	98.88	109.18	93.68
Germany,	267.78	332.67	369.44	441.02	382.56
Italy	66.23	78.82	80.25	103.04	112.70
France	72.93	82.11	91.94	99.07	128.53
Netherlands	145.69	182.01	214.59	319.14	284.63
Spain	47.41	43.64	40.57	68.41	44.69
	62.05	49.96	68.55	59.35	90.67
Finland	34.35	34.44	38.07	48.82	57.97
Other	44.82	60.45	65.68	88.23	75.97
Total	1,417.42	1,451.87	1,555.70	1,953.24	1,965.58
Other Western Europe	34.01	26.40	40.17	60.17	69.73
TOTAL , Western Europe	1,451.43	1,478.27	1,595.87	2,013.41	2,035.31
EASTERN EUROPE:					
Poland	0.78	5.19	3.14	8.24	12.19
Romania	0.51	0.01	0.30	1.90	1.00
Other Eastern Europe	5.36	1.85	1.87	5.26	4.19
TOTAL	6.65	7.05	5.31	15.40	17.38
TOTAL, Europe	1,458 .08	1,485.32	1,601.18	2,028.81	2,052.69
USA	137.18	146.83	131.66	158.82	170.07
CANADA	29.81	28.92	31.02	32.40	29.64
AFRICA:					
South Africa		21.41	135.30	119.24	53.75
Tanzania	270.48	454.78	631.02	758.25	823.03
Uganda	325. 98	544.27	766.70	953.18	909.77
Other*	678.00	888.60	843.75	930.34	984 97
TOTAL	1,274.46	1,909.06	2,376.77	2,761.01	2,771.52
MIDDLE EAST:					
Saudi Arabia	26.28	16.57	27.30	21.71	18.09
United Arab Emirates	16.02	13.45	33.44	26.59	45.43
Iran	0.02	0.39	12.05	63.13	37.56
Israel	31.42	22.32	21.99	33.70	40.59
Jordan	2.21	1.11	6.31	6.32	3.21
Turkey	2.92	2.87	3.38	8.52	5.60
Other	26.10	17.62	11.34	37.72	47.71
TOTAL	104.97	74.33	115.81	197.69	198.19
FAR EAST AND AUSTRALIA:					
Australia	12.83	16.22	11.61	20.59	19.02
Japan	33.39	33.30	32.89	47.86	44.34
India	29.57	25.73	34.56	36.44	59.35
Indonesia	8.90	5.09	4.71	6.19	3.11
China(Mainland)	4.01	2.12	3.86	2.79	1.79
Pakistan	255.51	296.15	317.76	261.65	258.61
Korea South	11.88	7.12	7.73	4.12	15.73
Singapore	29.40	28.34	13.45	78.04	38.27
Other	61.40	70.45	103.96	152.11	186.74
TOTAL	446.89	484.52	530.53	609.79	626.96
All Other Countries	27.48	18.60	32.83	18.75	11.44
Export Processing Zones	2.31	5.57	2.81	17.58	38.40
Aircraft and Ships Stores	197.07	128.98	44.34	85.15	123.35
ALL EXPORTS	3,676.25	4,282.13	4,866.95	5,910.00	6,022.26

* Excluding gold and currency but Includitgg Re-exports
** Provisional.
*** See table 7.13 for details

ORIGIN OF TOTAL IMPORTS, 1993-1996

Table 7.12 K£million

	1993	1994	1995	1996	1997*
WESTERN EUROPE:					
European Union.					
United Kingdom	602.38	757.63	980.51	1,113.23	1,077.85
Belgium	124.41	138.94	425.06	259.25	176.71
Germany,	361.52	357.56	528.62	512.28	636.40
France	212.45	232.22	348.72	412.89	355.50
Italy	228.09	175.33	456.99	274.68	231.75
Netherlands	123.16	163.93	222.06	239.21	237.97
Spain	35.21	47.24	46.83	63.37	85.38
	35.64	36.66	68.70	82.94	80.46
Finland	48.15	42.72	44.98	45.84	50.55
Other	80.37	86.03	96.62	170.70	137.83
Total	1,851.38	2,038.26	3,219.09	3,174.39	3,070.40
Other Western Europe	72.20	112.35	132.51	179.35	138.78
TOTAL , Western Europe	1,923.58	2,150.61	3,351.60	3,353.74	3,209.18
EASTERN EUROPE:					
Poland	0.49	4.14	7.97	6.55	5.17
Romania	6.10	12.61	17.10	17.40	20.81
Other	32.04	48.82	44.66	80.56	84.86
TOTAL	38.63	65.57	69.73	104.51	110.84
TOTAL, Europe	1,962.21	2,216.18	3,421.33	3,458.25	3,320.02
USA	293.40	381.60	323.06	440.10	705.49
CANADA	40.17	26.55	31.98	89.61	79.65
AFRICA:					
South Africa		621.57	601.35	638.63	1,087.66
Tanzania	24.44	54.54	31.10	46.40	43.23
Uganda	15.98	9.29	8.03	1.48	23.36
Other''	81.21	105.52	60.98	118.44	283.85
TOTAL	121.63	790.92	701.46	804.95	1,438.10
MIDDLE EAST:					
United Arab Emirates	759.07	643.63	520.33	693.12	950.61
Saudi Arabia	233.85	136.46	282.23	423.4	510.80
Iran	61.89	48.12	26.83	6.08	34.56
Israel	58.71	47.55	62.18	70.52	81.13
Jordan	0.01	0.35	0.21	0.06	0.12
Turkey	0.63	1.62	6.17	15.47	29.04
Other	37.88	8.04	109.07	165.68	57.10
TOTAL	1,152.04	885.77	1,007.02	1,374.42	1,663.36
FAR EAST AND AUSTRALIA					
Japan	383.01	496.77	852.93	625.41	718.02
Australia	12.84	17.30	24.22	82.33	102.93
India	136.47	217.07	416.14	480.64	410.47
Indonesia	19.41	127.18	179.68	332.60	315.83
China(Mainland)	68.69	76.40	159.61	145.30	185.87
Pakistan	18.94	105.84	19.86	27.50	50.38
Korea South	34.16	48.51	83.82	115.90	89.75
Singapore	48.25	87.92	85.99	111.26	98.73
Other	227.20	216.48	282.61	233.20	201.04
TOTAL	948.97	1,393.47	2,104.86	2,154.14	2,173.02
All Other Countries	531.99	57.97	164.58	102.39	132.70
Export Processing Zones	5.81	1.53	4.13	0.40	7.77
Aircraft and Ships Stores	0.20	0.00	0.00	0.05	13.57
TOTAL	5,056.42	5,753.99	7,758.42	8,424.31	9,533.68

* Provisional

** See table 7.13 for details

TRADE WITH AFRICAN COUNTRIES, 1993 -1997

Table 7.13 K£000

	EXPORTS					IMPORTS				
	1993	1994	1995	1996	1997*	1993	1994	1995	1996	1997*
COMESA **										
Angola	68	67	170	2,214	751	104	62			7
Burundi	22,294	32,728	22,692	22,344	15,721	2,305	1,401	2,308	158	9
Comoros	15,158	7,959	5,556	8,821	9,799			220		
Eritrea				3,906	2,787					20
Ethiopia	84,521	103,682	168,454	116,391	108,621	72	480	174	144	30,515
Lesotho .	6	15	100	60	503		2	163	20	29
Madagascar	1,582	1,720	1,342	7,989	8,205	31	160	71	861	368
Malawi	6,295	7,267	7,756	15,227	19,966	2,500	661	562	87	274
Mauritius	27,731	24,818	22,190	28.734	40.819	8,822	2,482	5,606	8.088	13,237
Mozambique	1,610	1,223	4,133	12,713	6,037	200	44	80		6,998
Namibia	39	37	336	207	188	1	232	93	952	176
Rwanda	68,217	249,934	161,281	117,220	189,030	115	85	263	276	8,661
Sudan	82,320	72,624	61,760	70.986	98,628	3	115	124	71	16.946
Swaziland ..	138	58	23	57	293	356	145	958	149	964
Tanzania	270,477	454,776	631,021	758,254	823,028	24.440	54,536	31,100	46.399	43,228
Uganda	325,976	544,267	766,703	953.177	909,772	15,985	9,292	8,032	1,485	23,361
Zaire	28,760	68,799	79,279	104,350	123.591	3,328	3,989	4,378	1,959	9,322
Zambia	8,516	8,905	9,173	10,372	13,940	17,642	7,117	8,957	13,208	7,455
Zimbabwe	11,150	12,561	6,555	16,540	26,003	41,610	64.403	11,300	13,753	164,771
TOTAL COMESA**	954,858	1,591,440	1,948,524	2,249,561	2,397,681	117,514	145,206	74,389	87.608	326,342
Other African Countries:										
Djibouti	9,797	15,722	3,687	4,671	10,093	9	89	261	688	401
Somalia	117,543	125,941	94,398	117,066	100,022	48	267	869	364	31
Seychelles	6,397	6,212	6,625	11,171	11,690	61	53	2,877	150	409
Egypt .	156,548	126,525	149,030	214,776	153,110	880	4,258	13,191	18.043	13,287
Algeria & Libya	122	192	315	1,959	3,255	9	27	23	50,056	
Ghana & Nigeria	7,593	5,071	9,053	15,901	8,985	1,224	2,183	3,421	4,013	6,000
Reunion	5,676	6,147	15,881	13,496	12,295			96	65	15
South Africa		21,412	135.302	119,239	53,753		621,564	601,354	638,631	1,087,662
All Other African Countries ..	15,926	10,400	13,953	13,174	20,635	1,884	17,273	4,975	5,328	3,949
TOTAL	319.602	317,622	428.244	511,452	373,838	4,115	645,714	627,067	717,339	1,111,753
TOTAL AFRICA	1,274.460	1,909,062	2,376,768	2,761,013	2.771 519	121.629	790,920	701.456	804,947	1,438.095
Percentage of all Exports/Import	34.6	44.6	48.8	46.7	46.0	2.4	13.7	9.0	9.6	15.1

* provincial

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

KENYA BALANCE OF PAYMENTS, 1995-1997

Table 7.14 K£million

	1995*			1996			1997*		
	Assets	Liabilities	Net	Assets	Liabilities	Net	Assets	Liabilities	Net
-CURRENT ACCOUNT									
1. Merchandise (f.o.b)	6.787.22	4,822.42	Dr 1.964.80	7,335.32	5,822.92	Dr 1,512.40	8,579.18	5,898.75	Dr 2.680.43
2. Shipment	1,086.59	295.73	Dr 790.86	1,174.33	262.55	Dr 911.78	1,045.68	291.77	Dr 753.91
3. Other Transportation	296.38	635.10	338.72	298.84	770.21	471.37	255.08	811.61	556 53
4 Foreign Trave	372.43	1,249.64	877.21	477.13	1,279.65	802.52	570.73	1,131.82	561.09
5. International Investment Income	901.38	65.95	Dr 835.43	691.72	61.24	Dr 630.48	657.50	67.50	Dr 590.00
6. Other goods, services and income : Government	29894	415.66	116.72	314.18	394.29	80.11	311.16	527.75	216.59
7. Other goods, services & income Private	266.51	211.27	Dr 55.24	258.81	146.94	Dr 111.87	404.65	131.68	Dr 272.97
8. Unrequited transfers-Government	5.81	238.92	233.11	4.67	370.30	365.63	0.00	289.15	289.15
9. Unrequited transfers-Private	112.29	1,162.00	1.049.71	12.04	1.247.76	1,235.72	0.00	1,566.07	1,566.07
TOTAL CURRENT ACCOUNT	10,116.61	9,096.69	Dr 1030.86	10,567.04	10,355 .86	Dr 211.18	11,823.98	10,716.10	Dr 1,107.88
of which: Visible Balance	6,787.22	4,822.42	Dr 1,964.80	7,335.32	5,822.92	Dr 1,512.40	8,579.18	5,898.75	Dr 2,680.43
Invisible Balance	3,340.33	4,274.27	933 94	3,231.72	4,532.94	1,301.22	3,244.80	4,817.35	1,572.55
-CAPITAL ACCOUNT									
10.Government Long-term .	904 66	889.90	Dr 14.76	1,039.93	1,054.20	14.27	936.86	597.30	Dr 339.56
11 Private Long-term	149 64	129.22	Dr 20.42	128.81	112.08	Dr 16.73	205.11	183.98	Dr 21.13
12 Parastatals Long-term	298 51	151.40	Dr 147.11	251.29	70.15	Dr 181.14	265.05	50.00	Dr 215.05
13 Short-term	0.00	819.70	819.70	0.00	1,865.87	1.865.87	129.71	1,770.43	1,640.72
TOTAL CAPITAL ACCOUNT	1,352.81	1,990.22	637.41	1,420.03	3,102.30	1,682.27	1,536.73	2,601.71	1,064.98
-ERRORS AND OMISSIONS			24.54			Dr 308.07			379.14
D. -OVERALL BALANCE			Dr 368.91			1,163.02			336.24
E. -MONETARY MOVEMENTS									
14. Change in reserves*	cr 420.53		420.53	1,081.52		Dr. 1,081.52	95.88		Dr 95.88
15.Transactions with I M F		Dr 93.72	Dr 93.72		Dr 119.37	Dr. 119.37		Dr 185.44	Dr 185.44
16 Change in other liabilities		42.10	42.10		37.87	37.87		Dr 54.92	Dr 54.92
TOTAL MONETARY MOVEMENTS	cr 420.53	Dr 51.62	368.91	1,081.52	Dr 81.50	Dr 1,163.02	95.88	Dr 40.36	Dr 36.24

* Provisional.

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

* Revised.

7.25. Table 7.15 summarizes changes in Kenya's balance of payments magnitude. Adjusted export earnings magnitude increased by K£ 75.8 million in 1997 compared to K£ 1,000.5 million in 1996 and K£ 671.5 million 1995. Adjusted imports increased by K£ 1,243.9 million in 1997 compared to K£ 548.1 million increase in 1996

7.26. Net service earnings increased by K£ 17.5 million in 1997, compared to an increase of K£ 37.8 million in 1996. Net transfers rose by K£ 253.9 million in 1997 compared to K£ 318.5 million increase in 1996, while net official capital inflows reduced by K£ 387.7 million in 1997. The long term capital inflows combined with movements in the current account resulted in a deficit in the basic balance of K£ 1,288.8 million compared to a surplus of K£ 807.4 million in 1996.

CHANGES IN KENYA BALANCE OF PAYMENTS MAGNITUDES, 1995-1997

Table 7.15 K£million

		1995*	1996	1997*
1.	Exports (f o b.)* *	+671.53	+1,000.50	+75.83
2.	Imports(f.o.b)**	-1,851.01	-548.10	-1243.86
3.	Services(net)	-657.32	+37.81	+17.46
4.	Transfers (net)	+525.82	+318.53	+253.87
5.	Change on current account	-1,310.98	+808.74	-896.70
6.	Private long term capital (net)	+ 100.22	+3.69	-4.40
7.	Public long term capital (net)	+441.47	-5.00	-387.74
8.	Change on basic balance (net balance on lines 5-7)	-769.29	+807.43	-1,288.84
9	Short term capital, errors and omissions (net)	+135.55	+724.50	+462.03
10.	Net change on all above items (Monetary movements)	-633.74	+1,531.93	-826.78

* 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. Foreign exchange reserves of the Monetary Authorities are summarized in Table 7.16. Total net foreign reserves held by the Central Bank of Kenya, which stood at K£ 2,311.6 million in 1996, declined to K£ 2,170.9 million in 1997. The total liability of the banking system increased to K£ 1,465.7 million in 1997 from K£ 1,358.2 million in 1996. The use of fund credit decreased by 14.6 per cent from K£ 926.3 million in 1996 to K£ 790.8 million in 1997. Foreign liabilities, other than to IMF, decreased by almost half from K£ 1.9 million to K£ 1.0 million at the end of the period. Central Bank SDR holdings in 1997 stood at K£ 2.2 million in 1997 compared to K£ 2.1 million in 1996.

7.28. Table 7.17 presents end of year exchange rates of the Kenya Shillings vis-a-vis other selected world currencies. The shilling depreciated by 13.9 per cent and 11.7 per cent against the US Dollar and the sterling pound, respectively. The shilling, however, appreciated against the Deutsche Mark by 0.9 per cent. The shilling depreciated against the selected currencies as reflected in the trade weighted exchange index from 510.7 in 1996 to 527.2 in 1997. The shilling depreciated by 7.1 per cent against the SDR from Kshs. 79.0 to Kshs. 84.6 in 1997.

CENTRAL MONETARY AUTHORITIES:FOREIGN EXCHANGE RESERVES, 1993-1997

Table 7.16 K£million

As at end of	Central Bank Of Kenya				Total Net Foreign Reserves of Central Government Authorities	Total Net Foreign Reserves of Central Monetary Authorities	General Accounts With IMF.			
	S.D.R.'s	Foreign Reserves	Foreign Liabilities (other than to I.M.F.)	Total Net Foreign Reserves of Central Bank'			Sub-script ion	I.M.F. holding of Kenya Currency	Net use of Fund Credit''	Counter part Liability* S.D.R. Account
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	365	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	2.10	2,311.35	1.85	2,311.60	2.89	2,314.49	787.29	738.68	48.61	146.05
1997										
January	28.00	2,23460	1.80	2,260 80	2.55	2,263.35	760.71	713.74	46.97	141.12
February	2 40	2,456.50	3.00	2,455 90	2.45	2,458 35	758.62	711.63	46 99	140 73
March	2.35	2,764.30	365	2,763.00	2.36	2,765.36	796.29	746.98	49.31	147.72
April	235	2,902.05	4.75	2,899.65	204	2,901.69	755.50	708.67	46 83	140.15
May	1.05	2,779 35	2.50	2,777.90	1.94	2,779.84	741.65	695.67	45 98	137.58
June	1.10	2,811.15	8.15	2,804.10	088	2.804.98	753.65	706.93	46 72	139.81
July	28.10	2,643.80	5.95	2,665.95	2.00	2,667.95	798.01	748.55	49 46	148 04
August	1 65	2,377 35	3.35	2,375.65	2.01	2,377.66	896.13	840.58	55.55	166.24
September	1.65	2.154 90	3.10	2,153.45	1.60	2,155.05	844.23	791.90	52.33	156.61
October	21 80	2,022.55	2.25	2,042.10	1.71	2,043.81	882.66	827.95	54 71	163.74
November .	37.55	2,111.65	2.10	2,147.10	0.97	2,148.07	862.70	809.22	53 48	161.21
December .	2.20	2,169 65	0.95	2,170.90	0.93	2,171.83	843.14	790.81	52.33	156.41

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 -1997

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	31st Dec. 1997
1 US Dollar	28.0740	36.2160	68.1630	44.8390	55.9390	55.0211	62 6778
1 Pound Sterling	52.4280	54.7050	100.9160	69.9490	86.5590	93.0495	103.9223
1 Deutsche Mark	18.4860	22.3810	39.2980	28.8890	38.9300	35.3431	35.0413
1 French Franc	5.4100	6.5680	11.5670	8.3730	11.4070	10.5058	10 4726
1 Swiss Franc	20.7110	24.7210	46.0560	34.1350	48.5040	40.8195	43.1151
1 Dutch Guilder	16.4010	19.9240	35.1270	25.7780	34.7650	31.5221	31.0739
1 Swedish Kroner	5.0600	5.1240	8.1930	6.0300	8.3910	7.9967	7.9299
1 Norwegian Kroner	4.6970	5.2350	9.0710	6.6010	8.8160	8.5385	8.5692
1 Zambian Kwacha**	0.3140	0.1020	0.1030	0.0650		0.0032	
1 Austrian Schilling	2.6270	3.1910	5.5940	4.1150	5.5430	5.0433	4.9804
1 Belgian Franc	0.8970	1.0900	1.8990	1.4080	1.8950	1.7239	1.7037
1 Danish Kronor	4.7520	5.7930	10.0770	7.3660	10.0710	9.1951	9.1942
1 Canadian Dollar	24.2460	28.5530	51.3080	31.9310	41.0900	40.1700	43.7286
1 Finish Marka	6.7880	6.9230	11.7800	9.4470	12.8130	11.8523	11.5478
1 Australian Dollar**	21.3310	24.9710	46.1740	34.5420		43.8243	40.9106
100 Japanese Yen	22.3520	29.0660	60.9140	44.9530	54.3800	47.3897	48.2813
100 Italian Lira	2.4410	2.4550	3.9880	2.7660	3.5480	3.6003	3.5813
1 Indian Rupee	1.0850	1.3990	2.1730	1.4340	1.6090	1 5391	1.6060
1 Pakistan Rupee"		1.3970		1.4420		1.3818	1.4085
100 Burundi Francs**	14.6910	15.3710	25.8500	18.1700			15.3500
100 Rwanda Francs"	23.4360	24.7600	46.7400	32.3200		1.2211	2.0570
Overall Weighted Index* 1982=100	282.10	314.60	600.00	419.83	551.56	510.72	527.18

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

** Via Us$ Exchange Rates (Austrialian, Pakistan, Zambia, Rwanda and Burundi).

not available

CHAPTER 8 - AGRICULTURE

Overview

8.1. Agricultural sector growth slowed to 1.2 per cent in 1997, compared to the 4.4 per cent registered in 1996 Drought in late 1996 and early 1997 coupled with abnormally heavy rains all over the country during the last quarter of 1997 caused by the el nino weather phenomenon adversely affected agricultural sector. As a result, the production of virtually all agricultural commodities registered significant declines. This tightened the food supply situation prompting the government to declare parts of the country national disaster zones and to provide relief food, maize seeds and tools for planting. The el nino rains resulted in spectacular and very destructive floods that led to massive crop and livestock losses in most parts of the country During the period, the government and aid agencies provided emergency food and non-food assistance to the flood stricken population. Both commercial and relief maize imports topped 1,101.1 thousand tonnes in 1997 compared to 10.8 thousand tonnes imported in 1996 The prices of most crops registered an upward trend in 1997 when compared with 1996. The quantity of centrally marketed milk declined by 7.1 per cent from 257 million litres in 1996 to 240 million litres in 1997. The price paid to farmers by Kenya Co-operative Creameries (KCC) improved significantly by 16.0 per cent from Kshs. 12.5 per litre in 1996 to Kshs. 14.5 per litre in 1997.

8.2. Agricultural output and value added at current prices as indicated in Table 8.1, rose by 11.8 per cent and 12.4 per cent, respectively. At constant prices however, agricultural output declined by 0.2 per cent while value added increased by 1.2 per cent, respectively.

AGRICULTURAL OUTPUT AND INPUT, 1993-1997

Table 8.1 K£million

	1993	1994	1995	1996	1997*
AT CURRENT PRICES-					
Total Output	4,602.73	5,870.12	6,367.15	6,778.60	7,580.71
Less Inputs	434.43	578.02	589.52	545.60	574.72
Value Added	4,168.30	5,292.10	5,777.63	6,233.00	7,005.99
AT CONSTANT (1982) PRICES-					
Total Output	1,220.78	1,254.50	1,316.10	1,353.67	1,350.96
Less inputs	132.29	135.21	142.74	128.32	110.46
Value Added	1,088.49	1,119.29	1,173.36	1,225.35	1,240.49

• Provisional
" Output and Input figures adjusted

Marketed production

8 3. The overall value of recorded centrally marketed production increased from K£ 3,183.1 million in 1996 to K£ 3,510.1 million in 1997 as shown in Table 8.2. This is attributable to better prices offered for agricultural commodities such as coffee, tea, sisal and dairy products. In 1997, increased demand for coffee, tea and sisal in the world market resulted in 15.2 per cent, 16.2 per cent and 43.2 per cent rise in revenue for these crops, respectively. However, it is notable that pyrethrum, cereals and dairy produce recorded an overall decline in the value of marketed production. This is mainly due to static prices for sugar cane coupled with a decline in production The fall in production level is explained by high input cost, low rainfall during the critical long rain season followed by abnormally heavy rains during the short rains season. Livestock and livestock products value increased from K£ 642 6 million in 1996 to K£ 698.4

million in 1997. Following exceedingly abundant and persistently high rainfall, the last quarter of 1997 saw an upsurge in livestock diseases such as foot rot among other livestock diseases. The rains also resulted in spectacular and very destructive floods, which led to heavy crop losses and the displacement of a segment of the population from their homes. Consequently, the value of centrally marketed cereals decreased by 4.5 per cent in 1997 when compared to 1996.

RECORDED MARKETED PRODUCTION AT CURRENT PRICES, 1993-1997

Table 8.2 K£million

	1993	1994	1995	1996	1997*
CEREALS-					
Maize	96.0	134.2	160.4	155.9	140.5
Wheat	20.6	63.1	81.6	105.7	109.9
Others	41.7	75.8	59.8	68.2	64.4
Total	160.2	273.1	301.8	329.8	314.8
TEMPORARY INDUSTRIAL CROPS-					
Sugar-cane	158.6	256.8	341.2	356.3	332.2
Pyrethrum	19.9	27.9	22.1	16.7	16.1
Others	19.7	29.1	30.4	45.2	647
Total	198.1	313 8	393.7	418.2	413.0
OTHER TEMPORARY CROPS	8.0	10.1	10.1	16.0	16.9
PERMANENT CROPS-					
Coffee	384.8	587.9	764.5	717.9	827.3
Tea	993.4	915 0	829.8	1,016 8	1,181.8
Sisal	16.9	18.8	26.7	27.3	39 1
Others	9.5	10.3	8.0	14.5	18.8
Total	1,404.6	1,532.0	1,629.0	1,776.5	2,0670
TOTAL CROPS	1,771.0	2,1290	2,334.6	2,540.5	2,811.7
LIVESTOCK AND PRODUCTS-					
Catttle and Calves	235.2	252.7	302.6	363.1	435.7
Dairy Produce	97.2	161.5	253.8	193.2	174.3
Others	578	68.1	78.4	86.3	88.4
Total	390.2	4823	634.8	642.6	698.4
GRAND TOTAL	2,161.1	2,611.3	2,969.4	3,183.1	3,510.1

Provisional.

8.4. The quantum index for total gross marketed production dropped from 140.5 points in 1996 to 112.2 points in 1997 in response to reduced volumes of purchased commodities whereas the price index rose from 533.7 points in 1996 to 733.8 points. The price index for permanent crops, which include coffee, tea, sisal and cashew nuts, rose by 65.1 per cent. This is mainly due to the high prices offered for coffee, tea and sisal in the world market. Better prices were offered for cashewnuts due to liberalization, which led to alternative sale outlets for the crop. Quantum indices for all crops and livestock registered a downward trend as result of unfavourable weather patterns

VOLUME AND PRICE INDICES OF SALES TO MARKETING BOARDS, 1993-1997

Table 8.3 1982=100

		1993	1994	1995	1996	1997*
QUANTITUM INDICES-	Cereals	41.4	56.3	65.1	54.6	46.3
	Temporary Industrial Crops .	93.1	81.7	93.3	104.0	91.9
	Permanent Crops	142.3	142.1	165.0	175.0	136.1
	TOTAL CROPS	116.3	121.4	137.2	143.9	112.2
	Livestock and Products	82.0	88.1	105.5	126.7	104.8
TOTAL GROSS MARKETED PRODUCTION		107.4	113.5	131.0	140.5	112.2
PRICE INDICES-	Cereals	587.0	814.5	764.5	923.2	1,151.3
	Temporary Industrial Crops	364.1	649.8	665.2	646.4	650.7
	Permanent Crops	396.0	474.5	472.1	456.0	753.0
	TOTAL CROPS	423.3	521.0	503.9	563.7	804.4
	Livestock and Products	321.5	409.6	457.7	393.9	500.0
TOTAL GROSS MARKETED PRODUCTION		399.8	495.3	527.5	533.7	733.8

*Provisional

Data on livestock is from slaughter houses

AVERAGE GROSS COMMODITY PRICES' TO FARMERS, 1993-1997

Table 8.4 KSh. per stated unit

	UNIT	1993	1994	1995	1996	1997**
Coffee	100kg	9.886.00	14,427.80	15,966.00	13,913.60	25,150.00
Tea		9,241.45	8,738.40	6,786.80	7,908.00	10,680.00
Sisal		989.00	1,100.00	1,915.00	1,915.00	3,891.00
Sugar-cane	Tonne	826.00	1,553.00	1,553.00	1,553.00	1,553.00
Pyrethrum(extract equivalent)	Kg	1,800.00	2,175.00	3,600.00	3,600.00	3,600.00
Seed Cotton	100 Kg	1,323.00	1,913.50	1,720.00	2,136.00	2,000.00
Maize		810.40	950.00	800.00	1,055.00	1,373.20
Wheat	.	565.00	1,200.00	1,300.00	1,563.00	1,770.00
Beef(third grade)		2,710.00	3,000.00	3,300.00	3,400.00	3,580.00
Bacon Pigs		5,465.60	5,964.00	6,500.00	6,600.00	7,200.00
Milk	100 litres	780.00	1,250.00	1,450.00	1,250.00	1,450.00

* The prices are for calendar year & may differ from those based on crop years In the case of tea and coffee , the prices are for made tea and processed coffee respectively

Provisional

8.5. The average gross commodity prices paid to farmers are shown in Table 8.4. Prices of agricultural commodities such as coffee, tea, sisal, dairy produce among others continued to rise in 1997 when compared with the previous year mainly because of increased demand for the respective commodities especially in the world market. However, sugar cane and pyrethrum prices remained unchanged. Major increases were recorded for coffee and tea which recorded increases of 80.8 per cent and 35.1 per cent respectively. The price paid by KCC for milk went up by 16.0 per cent from Kshs 12.5 in 1996 to Kshs 14.5 per litre in 1997.

8.6. Table 8.5 depicts the sales to marketing boards of agricultural produce from large and small farms The value of output from large and small farms in 1997 was estimated at K£ 1,059.5 million and K£ 2,450 6 million, respectively. This represented an increase of 6.9 per cent and 10.3 per cent respectively over 1996. The increased share of small farms contribution is attributed to continued sub-division of previously large farms into small size holdings.

8.7. Agricultural input price and quantum indices are indicated in Table 8.6. Overall quantum index for the inputs decreased by 6.0 per cent from 125.8 points in 1996 to 118.2 points in 1997. On the other hand, the price index for total material inputs increased from 489.9 points in 1996 to 602.3 points in 1997, reflecting a general increase in input prices. The combined effect of this rise and the 19.6 points rise in service inputs was a 11.8 per cent rise in the overall input price index.

SALE TO MARKETING BOARDS FROM LARGE AND SMALL FARMS, 1993-1907

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	
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	938.33	6.15	2,031.07	19.67	2,969.40	13.70	68.40
1996	993.13	3.99	2,189.97	5.94	3,183.10	7.20	68.80
1997*	1,059.48	6.68	2,450.62	11.90	3,510.10	10.27	69.82

* Provisional

AGRICULTURAL INPUT INDICES', 1993-1997

Table 8.6 1962=100

	1993	1994	1996	1996	1997**
QUANTUM INDICES-					
Fertilizers	88.4	94.4	128.0	115.2	103.9
Fuel and Power	112.9	116.8	121.6	129.1	112.6
Bags	101.7	101 3	104.5	110.9	106.2
Manufactured Feeds	266.9	271.7	342.0	273.6	240.4
Purchased Seeds	110.2	120.4	131.3	128.2	125.3
Other Material Inputs	963	999	101.6	100.3	101.5
Total Material Input	123.9	125.3	128.4	127.2	120.2
Service Inputs	106.9	112.1	113.2	120.8	115.7
TOTAL INPUT	122.1	124 0	127.8	125 8	118.2
PRICE INDICES-					
Fertitizers	310.1	227.2	218.6	232.8	314.3
Fuel and Power	459.7	576.4	641.7	730.6	804.4
Bags	241.8	294.9	283.6	301.6	306.2
Manufactured Feeds	326.3	578.3	540.6	621.7	838.3
Purchased Seeds	576.9	848.5	830.6	937.4	966.7
Other Material Inputs	257.4	313.9	350.0	378.9	464.9
TOTAL MATERIAL INPUT .	349.8	460.4	436.5	489.9	602.6
SERVICE INPUTS	165.0	207.7	220.1	230.4	250.0
TOTAL INPUTS	328 4	427.5	413.0	465.2	520.3

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

8.8. As can be observed in Table 8.7, the increase in the cost of farm inputs led to a rise in the total value of agricultural inputs used. Total value of inputs consumed increased from K£ 365.3 million in 1996 to K£ 399.7 million in 1997.

PURCHASED AGRICULTURAL INPUTS*, 1993 -1997

Table 8.7 K£million

	1993	1994	1995	1996	1997**
MATERIAL INPUTS-					
Fertilizers	40.57	52.16	53.25	52.20	63.68
Other Agricultural Chemicals	14.04	14.01	14.58	15.21	17.82
Livestock Drugs and Medicines	22.24	23.00	23.90	25.60	28.70
Fuel and Power	92.00	112.79	136.03	146.91	141.77
1 Bags	14.64	15.81	16.81	17.82	17.29
	38.87	38.05	41.35	38.00	45.22
Purchased Sands	39.46	45.14	50.25	46.20	47.54
Other Material Input	10.24	10.55	11.14	11.70	15.02
Total	279.55	312.51	347.31	343.50	377.04
SERVICE INPUTS	18.24	19.01	20.26	21.80	22.65
TOTAL INPUTS	297.79	331.52	367.57	365.30	399.69

* Except labour.
** Provisional.

PRICE AND TERMS OF TRADE INDICES FOR AGRICULTURE, 1993 -1997

Table 8.8 1982-100

	1993	1994	1995	1996	1997*
General Index of Agricultural Output Prices**	324.2	380.7	442.7	460.7	598.9
PRICE PAID-					
Purchased Inputs	328.4	427.5	413.0	465.2	520.3
Index of Purchased Consumer Goods-Rural Areas	430.3	566.5	572.2	632.3	650.4
INDICES OF PRICES PAID	372.2	438.6	505.3	523.7	560.2
Agricultural Sector terms of Trade	87.1	86.8	87.6	88.0	106.9

* Provisional
** Derived from Table 8.1. This Is the output price Index used In calculating the terms of trade.

8 9. Table 8.8 gives details of agricultural terms of trade improved significantly by 21.5 per cent in 1997 in response to better prices for agricultural commodities. The general index of agricultural output prices registered a 11.8 per cent increase from 460.7 points in 1996 to 520.3 points in 1997.

8.10. Table 8 .9 shows the estimated production of selected agricultural commodities based on Crop Forecast Survey. In 1997, all food crops covered by the survey recorded a decline in production, attributed to the adverse weather in 1997. Production of maize, beans, potatoes, sorghum and millet recorded declines of 9.6 per cent, 18.4 per cent, 12.5 per cent, 13.1 per cent and 10.0 per cent respectively.

ESTIMATED PRODUCTION OF SELECTED AGRICULTURAL COMMODITIES IN AGRICULTURAL YEARS, 1993/94 -1997/98
(Based on Crop Forecast Surveys)

Table 8,9

CROP	- 1993/94	1994/95		1996/97	1997/98*
Maize	18.87		26.33	52.60	20.60
Beans	1.25	2.82	2.42	1.96	1.60
Potatoes	1.99	2.51	2.90	2.40	2.10
Sorghum	0.86	1.06	0.84	0.84	0.73
Millet	0.39	0.47	0.44	0.40	0.36

8.11. The retail prices of selected agricultural food crops remained high during the year under review especially for the early part of the year as shown in Table 8 10. This was attributed to

the scarcity of the food items in the markets, occasioned by the poor rains during the last quarter of 1996 and continued into the first quarter of 1997 For the same commodity, prices in September were lower than in March, which may be attributed to the 1997 harvests in some parts of the country.

RURAL MARKET PRICES FOR SELECTED FOOD CROPS BY PROVINCE, 1994-1997

CROP	Province	1994		1995		1996		1997	
		March	Sep-tember	March	Sep-tember	March	Sep-tember	March	Sep-tember
Maize	Coast	19.50	18.32	18.18	23.40	20.45	23.77	24.70	21.83
	Eastern	11.08	12.58	7.35	6.91	8.73	12.21	18.26	16.06
	Central	17.41	13.08	8.84	8.37	8.04	11.90	19.01	15.93
	Rift Valley	14.50	10.12	8.19	7.64	7.70	11.63	18.72	16.03
	Nyanza	14.73	8.92	8.39	6.83	8.49	10.93	18.90	20.39
	Western	13.54	8.55	7.88	6.74	8.31	13.13	17.22	10.71
Beans	Coast	28.13	40.00	25.00	33.93	32.57	37.91	58.60	37.28
	Eastern	23.04	24.02	17.74	16.00	18.02	31.11	58.93	32.69
	Central	33.31	27.04	24.36	25.06	21.45	28.56	69.89	42.08
	Rift Valley	34.98	26.23	28.48	22.92	23.08	24.16	55.34	57.67
	Nyanza	38.77	26.02	31.25	27.89	20.79	28.64	57.67	52.41
	Western	29.16	30.94	28.41	21.97	20.67	18.54	40.53	29.91
Potatoes	Coast	22.40	20.00	24.29	25.62	21.44	22.14	22.71	22.59
	Eastern	12.04	8.78	12.11	11.03	12.86	22.29	28.79	18.51
	Central	12.23	7.34	9.72	12.55	10.03	10.82	10.55	9.17
	Rift Valley	11.03	7.21	10.99	8.53	12.88	12.98	17.70	13.11
	Nyanza	14.86	6.74	11.85	11.41	9.67	10.65	16.77	35.84
	Western	16.74	9.28	20.00	12.60	11.58	12.52	43.89	40.50
Sorghum	Eastern	19.68	11.56	9.37	8.62	7.21	17.10	34.83	10.10
	Nyanza	18.50	10.64	8.14	7.09	8.29	10.02	22.05	22.43
	Western	15.10	10.06	8.10	8.08	8.51	15.51	19.69	15.00
Millet	Eastern	20.89	19.56	11.71	12.42	10.54	18.13	42.50	47.50
	Rift Valley	21.74	17.66	16.43	16.65	19.26	21.74	26.09	30.43
	Nyanza	19.56	19.55	20.23	17.03	20.62	25.54	27.15	53.17
	Western	17.00	20.31	13.85	13.96	18.66	25.02	26.43	14.16

Production by Crop

8.12. For the second year running, the agricultural sector recorded a decline in 1997. This is largely attributed to adverse weather coupled with deteriorating transport infrastructure and wrangles between farmers and their marketing institutions especially in tea, coffee and wheat sub sectors

8. 13. ***Maize:*** - Maize production in 1997 was estimated at 20.6 million bags Exceptionally heavy rains led to heavy crop losses The National Cereals and Produce Board (NCPB) bought maize from farmers at an average price of Kshs 1,067 per 90 Kg bag in 1997. Private millers purchased the bulk of the maize since they offered a better price of Kshs 1,561 per bag on average NCPB purchased 62,180 metric tonnes from farmers The severe grain production deficit prompted the

importation of massive amounts of maize in 1997. Commercial and relief maize imports topped 1,101.1 thousand tonnes in 1997 compared to 10.8 thousand tonnes imported in 1996.

SALE OF SOME MAJOR CROPS TO MARKETING BOARDS, 1993-1997

Table 8.11

CROP	UNIT	1993	1994	1995	1996	1997*
Maize++	'000 tonnes	241.8	316.0	401.0	295.5	204.6
Wheat*		73.1	105.2	125.5	130.0	124.2
Rice Paddy *		11.4	13.5	14.6	15.9	14.4
Cotton*		2.5	1.8	0.2	0.5	0.5
Coffee		77.8	81.5	95.8	103.2	68.0
Tea		211.1	209.4	244.5	257.2	220.7
Sisal		35.1	33.9	27.8	28.1	20.1
Sugar-cane*	mn tonnes	3.8	3.6	3.8	3.9	4.3
Pyrethrum (Extract Equivalent)	tonnes	220.5	172.2	122.8	93.0	89.4

* Provisional

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

++ Includes maize purchases by NCPB and millers

8.14. ***Wheat:*** - The production decreased by 7.3 per cent from 135.0 thousand tonnes to 125.8 thousand tonnes. The crop suffered from adverse weather conditions that resulted in crop losses. To meet the local demand for wheat, a total of 388.1 thousand tonnes was imported.

PRODUCTION AND IMPORTS OF WHEAT, 1993-1997

Table 8.12 000 Tonnes

YEAR	PRODUCTION*	IMPORTS	TOTAL
	76.5	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
1997*	125.8	388.1	513.9

* Includes retention for seed.

** Provisional.

8.15. ***Coffee:*** - In 1997, coffee delivery to the Coffee Board of Kenya stood at 68.0 thousand tonnes. This was a decrease of 29.9 per cent compared to a 1.7 per cent rise in 1996. This is attributed to the long dry spell during the period October 1996 to March 1997 coupled with thrips infestation especially in the coffee growing areas of Eastern and Central Provinces. The average price per tonne was recorded as K£ 12,575 in 1997 compared to K£ 6,957 in 1996, as a result of the prevailing high world coffee prices. As a result of the bad weather during the year, average yield per hectare for smallholder producers and estates decreased by 32.7 per cent and 25.9 per cent, respectively.

PRODUCTION, AREA, AND AVERAGE YIELD OF COFFEE BY TYPE OF GROWER, 1992/93 -1996/97

Table 8.13

	1992/93	1993/94	1994/95	1995/96	1996/97*
AREA (Ha) '000-					
Co-operatives	120.2	120.5	120.5	122.7	122.7
Estates	38.0	38.2	40.0	38.4	38.4
TOTAL	158.2	158.7	160.5	161.1	161.1
Production (tonnes) '000-					
Co-operatives	42.4	41.3	62.6	56.9	38.3
Estates	32.7	38.6	32.8	40.1	29.7
TOTAL	75.1	79.9	95.4	97.0	68.0
Average yield (kg/Ha)					
Co-operatives	352.7	342.7	510.0	463.7	312.0
Estates	860.5	1,012.6	852.0	1,045.0	774.0

* Provisional

8.16. ***Tea:*** - As shown in Table 8.14, tea production in 1997 stood at 220.7 thousand tonnes, which was a 14.2 per cent decline from 257.2 thousand tonnes produced in 1996. During the last quarter of 1996 and the first quarter of 1997, severe drought prevailed in most tea growing districts and the tea bushes were under stress resulting in a decline in production. The onset of the rains caused a fall in temperatures thus undermining tea quality The situation was aggravated by mixed weather patterns and the el nino rains later in the year which made leaf collection difficult particularly in the smallholder sector. Despite the rains, area under tea for smallholders and estates increased by 4 3 per cent Consequently, the average tea yield for small holders declined by 14.5 per cent while the average tea yield by estates increased by 32.8 per cent. The price of tea in the world market on the other hand, rose by 35.1 per cent from K£ 3,954.0 in 1996 to K£ 5,340.0 per tonne in 1997. The industry has of late suffered from constraints related to processing capacity and infrastructure, which need attention if production trend is to rise.

PRODUCTION, AREA AND AVERAGE YIELD OF TEA BY TYPE OF GROWER, 1993 -1997

Table 8.14

	1993	1994	1995	1996	1997-
AREA (Ha) '000					
Smallholder	73.11	73.84	78.96	81.16	85.51
Estates	31.75	32.07	32.36	32.52	33.11
Total	104.86	105.91	111.32	113.68	118.62
PRODUCTION (Tonnes)'000					
Smallholder	112.53	119.08	138.95	144.07	129.71
Estates	98.63	90.34	105.58	113.09	91.01
Total	211.16	209.42	244.53	257.16	220.72
AVERAGE YIELD (Kg/Ha)					
Smallholder	1,539.19	1,612.68	1,759.75	1,775.13	1,516.90
Estates	3,106.46	2,816.96	3,262.67	3,477.55	2,748.72

* Provisional

8.17. ***Cotton:*** - The cotton intake by the ginneries was estimated at 500.0 thousand tonnes in 1997. The price per 100kg bale declined from Kshs 2,136 in 1996 to Ksh 2,000 in 1997. After liberalization, the country's cotton industry continues to experience problems as a result of competition from cheap imported textiles including second hand ready-made clothes, lack of appropriate seeds and an unstable marketing infrastructure. These factors have contributed to the loss of market competitiveness leading to a near collapse of the sub sector.

8.18. S***ugarcane:-*** shown in Table 8 15, The area under erne decreased from 131.1 thousand hectares in 1996 to 127.6 thousand hectares in 1997 while area harvested increased from 39.2 thousand hectares to 43.8 hectares. The total sugar cane production increased by 10.5 per cent from 3,870.5 thousand tonnes in 1996 to 4,278.3 thousand tonnes in 1997. Over time, the sugarcane producer price has remained at Kshs 1,553 per tonne This is set to change since the marketing of sugar has been liberalized. In order to protect sugarcane farmers from subsidized cheap sugar imports, duties and levies that are in agreement with World Trade Organization (WTO) regulations have been imposed on all imported sugar In 1997, a total of 401.4 thousand tonnes of sugar was produced and 52.4 thousand tonnes of sugar was imported while 25.1 thousand tonnes of sugar was exported to neighbouring countries. Sugar consumption stood at 580.0 thousand tonnes.

AREA UNDER SUGAR CANE, AREA HARVESTED, PRODUCTION, AND AVERAGE YIELD, 1993 -1997
Table 8.15

	1993	1994	1995	1996	1997*
Area under cane (Ha)	100,803	104,675	123,638	131,130	127,560
Area harvested (Ha)	51,936	57,392	48,588	39,249	43,814
Production (Tonnes)	3,845,881	3,569,448	3,826,159	3,870,479	4,278,273
Average yield (Tonnes/Ha)	72.96	61.40	77.61	90.86	90.81

* Provisionsal
Source: Kenya Sugar Authority

PRODUCTION, IMPORTS AND CONSUMPTION OF SUGAR, 1993-1997**
Table 8.16 '000 Tonne*

YEAR	PRODUCTION	IMPORTS	CONSUMPTION	EXPORTS
1993	385.21		570.00	-
1994	303.87	256.13	560.00	
1995	384.20	24.40	560.00	17.20
1996	389.00	65.80	570.00	24.50
1997	401.43	52.37	580.00	25.05

* Provisional

** Source: Kenya Sugar Authority

8.19. **Horticulture:** - As shown in Table 8.17, fresh horticultural produce exports decreased slightly to 84,190 tonnes in 1997 from 84,824 tonnes in 1996. The value of fresh horticultural produce increased from K£ 385 million in 1996 to K£ 450 million. These, however, differ from those given in chapter seven due to different data sources. In addition chapter seven data include processed horticultural produce. The drop in horticultural exports is attributable to adverse weather conditions early in the first quarter and the el nino rains during the last quarter of 1997. This made production and collection of vegetables particularly difficult. Due to excessive rains, fungal diseases increased, seeded fields were washed away, roads leading to production areas became impassable and farmers took precaution by not replanting costly seeds as they were not sure whether the rains would recede. The heavy rains also undermined the quality of vegetables due to excessive water Production of cut flowers rose by 2.0 per cent to reach 35,853 tonnes in 1997. Fruits recorded a growth of 3.0 per cent while vegetables decreased by 6.0 per cent to register 17,455.0 tonnes and 30,882.0 tonnes respectively during this period. Major constraints afflicting horticultural sector growth include poor infrastructure (roads, electricity etc), high cost

of requisite facilities due to duty on imported cold storage equipment and inconsistency in the supply of good quality seeds.

EXPORTS OF FRESH HORTICULTURAL PRODUCE', 1993-1997

Table 8.17

YEAR	VOLUME 000 Tonnes	VALUE K£million
1993	62.4	233.6
1994	65.2	246.8
1995	71.1	320.0
1996	84.8	385.0
1997**	84.2	450.0

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

8.20. **Pyrethrum:** - The production of pyrethrum (extract equivalent) has been declining for the last five years from 220.5 tonnes in 1993 to 89.4 tonnes in 1997. Pyrethrum recorded a decline of 3.9 per cent in 1997. This may be attributed to bad weather, delayed payments to farmers, continuous use of the same root stock for long periods and the probable diversification of farmers to other economic activities that are more competitive. The pyrethrum (extract equivalent) prices paid to farmers have remained constant despite favourable world prices.

Sisal: - Sisal production declined from 28.1 thousand tonnes in 1996 to 20.1 tonnes in 1997. This is mainly due to the introduction of synthetic packaging materials into the market and the absence of a framework for supporting domestic production especially by small scale producers..

Irrigation:- In 1997, irrigated area under crops decreased by 16.5 per cent from 9,039 hectares in 1996 to 7,551 hectares in 1997. The number of plot holders decreased by 3.8 per cent to stand at 4,471 individuals. The gross earnings from sales of the produce increased by 13.7 per cent to stand at Kshs 505.9 million while net payment to plot-holders increased by 16.5 per cent.

8.21. As shown in Table 8.18 above, the total paddy production increased in the year under review by 3.1 per cent. West Kano Irrigation Scheme recorded the highest increase of 73.1 per cent. Production in Ahero irrigation scheme declined by 79.9 per cent. The decline may be attributed to the diversion of paddy to the market bypassing the National Irrigation Board. On the other hand, the Mwea Irrigation Scheme recorded a marginal increase in paddy production of 5.8 per cent. The Perkerra Irrigation Scheme recorded a very significant decrease in the production of onions, cotton and watermelon by 94.9 per cent, 82.2 per cent and 95.7 per cent respectively. However, production of chillies stood at 50 tonnes. It is worth noting that both Tana and Bura Irrigation Schemes continue to be non-operational.

PROGRESS AND PRODUCTION AT SEVEN IRRIGATION SCHEME AREAS, 1992/93 -1996/97

Table 14.5

	1992/93	1993/94	1994/95	1995/96	1996/97*
MWEA-					
Area cropper-hectares	5,846	5,882	5,878	5,901	6,145
Plot-holders-Number	3,240	3,242	3,242	3,243	3,270
Gross value of output-K£ 000	7,388	11,845	13,842	17,640	21,754
Payments to plot-holders-K£000	4,585	6,684	7,134	11,540	14,306
ALL (7) SCHEME AREAS-					
Area cropper-hectares	8,635	8,910	8,957	9,039	7,551
Plot-holders-Number	7,099	7,109	7,269	7,243	4,471
Gross value of output-K£000.	10,385	15,986	16,988	22,247	25,295
Payments to plot-holders-KC000 ..	6,302	8,127	8,143	13,896	16,183
CROPS PRODUCED - Tonnes					
Mwea-Paddy	23,448	24,205	24,892	25,987	27,488
Ahero-Paddy	1,990	2,712	1,993	2,054	412
W.Ka no-Paddy	2,303	2,997	1,726	1,645	2,847
Bunyala-Paddy	1,045	1,073	917	920	812
Total Paddy	28,786	30,987	29,528	30,606	31,559
West Kano - Sugar-cane		-			
Tana-Cotton		-			-
Bura-Cotton					
Pekera-Onions	1,914	997	1,298	889	45
-Chillies	226	160	122		50
-Cotton	117	75	120	208	37
-Water Melon	524	264	344	303	13
-Paw-paw	220	265	343	129	9

Provisional

Livestock and Livestock Products

8.22. Data on milk intake, processing and sale of livestock is provided in Table 8.19. The amount of milk handled by K.C.C and private firms registered by the Kenya Dairy Board (K.D.B) dropped significantly by 7.1 per cent from 257 million litres in 1996 to 240 million litres in 1997. This may be partly due to bad weather coupled with increasing competition from un-registered private processors and milk hawkers. The processed wholemilk and cream decreased from 165 million litres to 111 million litres while butter and ghee decreased from 2,327 tonnes to 956 tonnes. The production of cheese decreased by 29.5 per cent, while dried skimmed milk powder and dried wholemilk powder decreased by 49.0 per cent and 73.8 per cent, respectively. Other products declined by 51.3 per cent indicating overall loss of markets by KCC to other competitors.

8.23. The total number of livestock slaughtered in the country increased for all the categories. Cattle and calves slaughtered in the country during the year 1997 increased by 1.5 per cent. There was a rise of 1.2 per cent and 1.1 per cent for sheep and goats, and pigs slaughtered respectively. Dry weather, which prevailed in the first half of the year, resulted to the farmers disposing more of their animals

PRODUCTION AND SALE OF LIVESTOCK AND DAIRY PRODUCTS, 1993-1997

Table 14.5

	UNIT	1993	1994	1995	1996	1997*
Recorded Milk Production''	Mn Litres	249	258	350	257	240
KENYA CO-OPERATIVE CREAMERIES						
Milk Processed:						
Wholemilk and cream	Mn. Litres	234	204	175	165	111
Butter and ghee	Tonnes	2,394	2,409	3,131	2,327	956
Cheese		220	126	141	193	136
Dried wholemilk powder		784	2,237	2,480	973	255
Dried skim-milk powder		1,961	2,120	3,101	2,349	1,197
Other products		20	218	208	349	170
Livestock slaughtered						
Cattle and Calves	'000 Head	980	991	1,067	1,219	1,237
Sheep and Goats		1,280	1,310	1,327	. 1,407	1,424
Pigs		88	91	91	98	99

* Provisional.

** Sale licensed by the Kenya Dairy Board.

Agricultural Training

8.24. Bukura Agricultural Institute offering diploma courses recorded an increase of 8.2 per cent. In the certificate level Embu recorded 98 per cent increment while there were no admissions in Kilifi and Bukura Institutes of Agriculture in this level. There were no significant changes in enrollment in the rest of the training institutes.

Co-operatives

8.25. Table 8.21 presents the number of Co-operative Societies and Unions by type. The total number of societies and unions increased from 7,564 in 1996 to 8,312 in 1997, reflecting an increase of 9.9 per cent. The total number of agricultural societies also showed an upward trend from 3,335 registered societies in 1996 to 3,784 societies in 1997. The savings and credit societies increased from 3,031 in 1996 to 3,169 in 1997.

ENROLMENT IN AGRICULTURAL TRAINING INSTITUTIONS', 1993-1997

Table 8.20 Number

	1993	1994	1995	1996	1997**
DIPLOMA LEVEL					
Bukura Institute of Agriculture	102	114	110	110	119
CERTIFICATE LEVEL-					
Bukura Institute of Agriculture ..					
Embu Institute of Agriculture	201	200	130	100	198
Kilifi Institute of Agiculture	200	200	167	186	
Animal Health & Industry Training institute-					
Kabete	157	181	110	107	102
Nyahururu	111	109	70	72	70
Ndomba	272	269	200	108	113
SHORT-TERM VOCATIONAL COURSES-					
Naivasha Dairy Training School	119	71	69	60	61
Athi River M.T. School	71	53	50	51	51

* Institutions under the Ministry of Agriculture, Marketing and Livestock Development (MOALD&M)

** Provisional.

NUMBER OF SOCIETIES AND UNIONS BY TYPE, 1993 -1997

Table 8.21 Number

TYPE OF SOCIETY	1993	1994	1995	1996	1997*
Coffee	213	213	215	248	279
Sugar-cane	91	91	90	95	98
Pyre thrum	56	56	57	62	65
Cotton	82	82	78	79	78
Dairy	207	210	267	291	313
Multi-produce	1,111	1,123	1,131	1,236	1,342
Farm Purchase	221	221	429	450	677
Fisheries	67	88	69	71	72
Other Agricultural Societies	599	619	744	803	860
TOTAL	2,647	2,683	3,080	3,335	3,784
Savings and Credit	2,616	2,668	2,810	3,031	3,169
Other Non-Agricultural Societies	818	848	896	1,116	1,276
TOTAL	3,434	3,516	3,706	4,147	4,445
Unions	76	77	81	82	83
TOTAL	6,157	6,276	6,867	7,564	8,312

* Provisional

8.26. Table 8.22 shows the sales of selected agricultural produce by co-operatives and their contribution to the gross farm revenue. The sale of coffee by societies recorded an increase of 3.4 per cent from K£ 346.7 million in 1996 to K£ 359.4 million in 1997. The income to the society members from the sale of sugar cane went up from K£ 14.8 million in 1996 to K£ 15.4 million in 1997, representing an increase of 4.1 per cent. The total contribution of the co-operatives to the total gross farm revenue rose in the year from 15.9 per cent in 1996 to 16.6 per cent.

SALE OF SELECTED AGRICULTURAL PRODUCE BY CO-OPERATIVE AND THEIR CONTRIBUTION TO GROSS FARM REVENUE \ 1993-1997

Table 8.22

YEAR	COFFEE	SUGAR-CANE	PYRETHRUM	COTTON	DAIRY PRODUCTS	TOTAL
	Sale K£ million					
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
1997**	359.40	15.40	6.10	0.24	147.20	528 34
	Percentage Share					
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	35.80	47.10	72.00	15.92
1997**	43.40	5.70	37.90	47.10	84.60	16 .60

* Marketed Production In Table 8.2.
** Provisional.

CHAPTER 9 - ENVIRONMENT AND NATURAL RESOURCES

Overview

In the last two decades, Kenya has experienced accelerating deforestation, soil erosion, depletion of mineral resources, escalating domestic and industrial pollution and diminishing biodiversity. This has led to the key challenge of incorporating environmental concerns into the national development planning process with the main objective being to put in place sound policies that are geared towards optimal use of natural resources while at the same time taking care of environmental considerations.

9.1. The effects of unsustainable use of natural resources is demonstrated by the observed decline in fish output, forestry resources and mineral output over the years. In 1997, the quantity of fish landed recorded a drop of 5.2 per cent while forest plantation area and recorded sale of forest products registered a drop of 0.1 per cent. Total mineral production also fell significantly during the year, with reductions being attributed to the large decline in output of fluorspar, as well as other mineral products.

Water Supplies

9.2. Water is not only a daily necessity for life but also plays a pivotal role in the development of the economy's industrial and commercial sectors. The Government runs programmes aimed at providing safe drinking water to citizens within reasonable distance while at the same time ensuring its sustainable use. The Ministry of Water estimates that about 75 per cent of the country's urban population and nearly 50 per cent of the rural population had access to safe water in 1997/98. Water supplies are available from various schemes which include piped water schemes, bore holes, protected schemes, pans and dams.

9.3. In pursuit of the policy to provide clean water to households within reasonable distance, the Government continues to initiate and maintain modest water purification points as presented in Table 9.1. Most of the provinces maintained the same number of water purification points as in the previous year, with Rift Valley having the highest number of purification points. During the period, the number of water purification points only increased in Eastern, where the number rose from 30 to 36 points, while a reduction of 10 points was recorded in North Eastern province.

9.4. The Ministry of Water Development was also engaged in providing clean water in the rural areas through drilling of bore holes. The distribution of boreholes sunk is presented in Table 9.1. A total of 124 boreholes were sunk during 1997/98 compared to 167 in 1996/97, representing a decline of 25.7 per cent. This drop was attributed to high drilling cost per meter, maintenance cost and lack of trained personnel to assist individual companies and communities that own boreholes with maintenance. The distribution of boreholes drilled by province indicates that Rift Valley and Eastern which have high populations together with large proportions of semi-arid land, recorded the largest number of boreholes drilled during the last two years.

WATER PURIFICATION POINT AND BOREHOLES DRILLED , 1996/97 to 1997/98

Table 9.1

province	1996/97		1997/98	
	W.P.P	B.H	W.P.P	B.H
Central	37	22	37	21
Coast	35		35	4
Eastern	30	52	36	35
N/Eastern	61	3	51	5
Nyanza	35	53	35	
R/Valley	129	37	129	58
Western	31		31	1
Total	358	167	354	124

W.P.P - Water purification point
BH - Borehole

9.5. Further efforts to provide clean water are demonstrated by on-going as well as newly initiated water projects during the year. Some of the major water projects that were developed jointly by the Government and the donors include those concerned with community management of water supplies. A donor assisted pilot project initiated in 1995 is focussing on assisting community groups operate and maintain water supplies. This project's budget doubled from Kshs. 6.3 million in 1996/97 to Kshs 13.0 million. Tharaka water and sanitation project, with a budget of Kshs 42.0 million during 1997/98 also assisted the local communities enhance capabilities in management and development of different water supply systems. Other project activities include drilling and equiping of shallow well bore holes, protection of springs and construction Df pit/VIP latrines. Another pilot project with a budget of Kshs 33.0 million in 1997/98 also helped self-help groups complete the started projects and set-up sustainable organisation structure for operations and maintenance. Both projects have been established with the assistance of the Swedish government.

9.6. The expenditure on water supplies and related services, presented in Table 9.2, continued to drop rapidly over the period 1997/98. Overall expenditure went down from K£ 195.8 million in 1996/97 to K£ 153.8 million in 1997/98, a drop of 21.5 per cent over the period. Factors contributing to this decline include: - Government stringent fiscal policy; lack of donor funding in most projects; ministry's strategy of involving the local community in development and maintenance of water projects; and donor preference of channeling funds through NGOs; and a drop in assistance to pipeline corporation.

9.7. The line items most affected by resource constraints were expenditures on water development, training of water development staff, miscellaneous and special water programs, regional and irrigation development and water conservation and pipeline corporation.

DEVELOPMENT EXPENDITURE ON WATER SUPPLIES AND RELATED SERVICES, 1993/94-1997/98

Table 9.2 K£'000

	1993/94	1994/95	1995/96	1996/97	1997/98
Water Development	8,620	43,098	34,554	29,551	16,214
Training of Water Development Staff	137	2,710	2,899	775	665
Rural Water Supplies	15,732	18,834	24,921	25,773	43,243
Self-Help Water Supplies**	53	164	196	60	90
County Council and Urban Water Supplies	5,391	4,441	5,085	6,323	6,718
Miscellaneous and Special Water Programmes	6,023	3,580	4,279	5,950	5,640
Regional and Irrigation Development	-	32,864	35,794	19,520	13,966
Water Conservation and Pipeline Corporation	52,408	106,747	106,704	107,828	55,957
Others		-	-		11,341
TOTAL	88,364	212,438	214,432	195,780	153,834 S

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

9.8. Water conservation and Pipeline Corporation expenditure, which accounted for over 50 per cent of total expenditure prior to 1997/98, dropped drastically during the year. Assistance to the corporation dropped from K£ 107.8 million to K£ 56.0 million in 1997/98. Reduced expenditure on regional and irrigation development, which started in 1996/97, continued into 1997/98 with a further fall of 28.5 per cent.

9.9. Despite the observed downward trend in expenditure recorded in most areas in the water sector, significant growth rates were recorded in rural water supplies, self-help water supplies, county council and urban water supplies. This was attributed to support from NGOs and joint efforts of the Government and other donor communities. Among notable donors involved were the Danish Development Agency (DANIDA), IFAD, SIDA, Belgium and Egypt. Care Kenya, Kenya Water for Health Organization (KWAHO), Catholic Relief Services, Kenya Freedom from Hunger Council, and the World Vision International were among the NGOs and international organizations that provided support during 1997.

Fisheries

9.10. The fisheries sector is an important source of income to some communities. Over the last five years, fish production from fresh water sources remained the major source of fish landed, accounting for over 90 per cent of the total output. The relatively low share from marine sources may have been caused by inadequate financial support needed for acquiring facilities and technology necessary for fishing in deep waters. Details of quantity and value of fish landed are given in Table 9.3.

9.11. Fish landed from Lake Victoria declined from 166.5 thousand tonnes in 1996 to 164.2 thousand tonnes in 1997. The continuous decline in fish production from the lake in the recent past has been caused by the spread of water hyacinth that has blocked most of the landing points.

Table 9.3 QUANTITY AND VALUE OF FISH LANDED, 1993-1997

	1993	1994	1995	1996	1997*
Quantities - Tonnes.					
Freshwater fish-					
Lake Victoria	174,829	193,652	181,888	166,460	164,174
Lake Turkana	871	1,125	2,332	4,799	4,866
Lake Naivasha	109	75	84	54	69
Lake Baringo	37	7	126	72	99
Lake Jipe	101	117	150	109	130
Fish Farming	1,014	1,119	1,083	1,089	1,086
Other areas	1,895	1,866	2,231	2,488	2,360
TOTAL	178,856	197,961	187,894	175,071	172,784
Marine fish	3,823	4,138	4,665	4,915	4,790
Crustaceans	373	554	455	461	458
Other marine products .	141	312	874	887	881
GRAND TOTAL	183,193	202,965	193,888	181,334	178,913
Value - K£'000:					
Freshwater fish	180,446	185,927	242,772	271,496	257,134
Marine fish	4,807	9,088	10,570	11,717	11,144
Crustaceans	2,829	3,370	3,120	3,264	3,192
Other marine products	202	211	3,748	3,806	3,777
TOTAL	188,284	198,596	260,210	290,283	575,247

* Provisional
Source : Fisheries Department

9.12. Despite the steady decline in quantify of fish landed observed since 1994, the total value of output maintained a steady growth over the entire period except in 1997. The total value of fish output decreased from K£ 290.3 million in 1996 to K£ 275.2 million in 1997, a decline of 5.2 per cent.

Forestry

9.13. The Government continued to place more emphasis in expanding forest area in the country. While researchers have made considerable progress in the development of seedlings of exotic trees, little or no progress has been achieved on indigenous plants, resulting in forest planted area being mainly under exotic plants. This is demonstrated by the country's large forest area under exotic softwoods and hardwoods compared to indigenous forests over the last five years.

9.14. Table 9.4 gives details of forest plantation area. The overall plantation area declined marginally by 300 hectares. This decline was attributed to demand for fuel, industrial production, cultivation and human settlements. Also contributing to the loss of forest cover were factors like disease, mainly affecting exotic trees, and forest fires. Indigenous softwood coverage area remained unchanged in both 1996 and 1997.

FOREST PLANTATION AREA, 1993-1997

Table 9.4 '000 Hectares

Type of Forest	1993	1994	1995	1996	1997*
Indigenous softwood	5.7	4.5	2.8	1.4	1.4
Indigenous hardwood	7.7	7.8	7.7	13.0	12.5
Exotic softwoods-					
Cypress	74.3	71.8	72.9	73.6	73.7
Pines	53.3	53.6	53.9	53.4	53.2
Exotic hardwoods-					
Timber	6.8	6.9	9.2	6.0	6.1
Fuel	11.8	10.4	13.5	12.2	12.4
TOTAL AREA	159.6	155.0	160.0	159.6	159.3

* Provisional

Source : Ministry of Environment and National Resources

9.15. Table 9.5 presents changes in forest plantation area. Despite effective Government control on felling of trees, not much progress was achieved in the area planted, which remained the same over the last two years. This is attributed to low donor support and Government budget constraints.

CHANGES IN PLANTATION AREA, 1993-1997

Table 9.5 '000 Hectares

	1993	1994	1995	1996	1997*
Previous Plantation Area	159.5	159.6	155.0	160.0	159.6
Area Planted	4.2	3.6	8.0	0.2	0.2
Total	163.7	163.2	163.0	160.2	159.8
Area Clear felled	4.1	8.2	3.0	0.6	0.5
Total Area	159.6	155.0	160.0	159.6	159.3

* Provisional

Source : Ministry of Environment and Natural Resources

9.16. Table 9.6 presents recorded sales of forest products. The 70.8 per cent fall in sales of timber in 1996 was followed by a 1.9 per cent fall in 1997, reflecting the impact of the control measures put in place to conserve existing forest products. It is notable that the sale of timber continued to decline by falling from 202.4 thousand cubic metres in 1996, to 198.5 hectares in 1997, a drop of 1.9 per cent. Another notable decline was on power and telegraphic poles, which fell from 37,935 poles in 1995 to less than 15,000 poles during 1996 and 1997.

RECORDED SALE OF FOREST PRODUCTS, 1993-1997

Table 9.6

Forest Product	1993	1994	1995	1996	1997*
Timber - '000 true cu. metres-					
Soft wood	569.9	625.1	685.7	193.7	191.0
Hardwood	5.0	5.0	6.3	8.7	7.5
TOTAL	574.9	630.1	692.0	202.4	198.5
'000 stacked cu metres-					
peels/keener logs/Plywoods	103.8	110.0	139.3	142.0	140.7
Pulpwood/Paper production	263.0	228.0	197.7	136.8	137.3
Fuel wood charcoal	35.0	34.3	33.6	30.0	31.8
Power & Telegraph Poles Numbers	35,808.0	36,831.0	37,935.0	14,632.8	14,263.9

* provisional

Source : Ministry of Environment and Natural Resources

Mining

9.17. As Table 9.7 shows, mineral production declined from 439.7 thousand tonnes in 1996 to 375.9 thousand tonnes in 1997, a fall of 14.5 per cent. This is attributed to the large drop in production of fluorspar, salt and other mineral products caused by dampened demand in domestic and external markets. Fluorspar production recorded a decline from 83.0 thousand tonnes to 68.7 thousand tonnes during the year, a drop of 17.2 per cent. Salt and other mineral products continued to decline the same period recording significant drops of 84.7 and 82.4 per cent in 1997 respectively. This resulted from stiff competition from imported products as the economy continues to be liberalized. The observed low mineral production was also reflected in the sharp drop in the value of total output, which fell from K£ 142.8 million in 1996 to K£ 117.6 million in 1997.

QUANTITY AND VALUE OF MINERAL PRODUCTION, 1993-1997

Table 9.7

Mineral	1993	1994	1995	1996	1997*
Quantities - Tonnes:					
Minerals-					
Soda Ash	216,890	224,200	218,450	223,000	257,640
Fluorspar	78,725	89,155	74,230	83,000	68,700
Salt	74,669	75,757	73,484	41,000	6,280
Limestone Products* *	30,349	30,469	29,574	31,935	32,668
Other	40,553	40,934	70,883	60,766	10,637
TOTAL	441,186	460,515	466,621	439,701	375,925
Value - K£'000:					
Soda Ash***	69,514	88,299	69,652	85,100	94,701
Fluorspar* * *	14,000	13,422	13,076	20,816	16,555
Salt	5,400	5,644	5,475	1,543	1,177
Limestone Products	1,536	1,483	1,439	1,509	1,556
Other	2,090	2,129	2,658	33,846	3,606
TOTAL	92,540	110,977	92,300	142,814	117,595

Source Department of Mines and Geology

* Provisional.
* * Excluding limestone used as input into cement product.
* * * Including Export Value.

9.18. Table 9.8 shows the average export prices of soda ash and fluorspar. The price of soda ash stagnated in 1997 at the1996 level of K£ 367 per tonne. The price of fluorspar went down from K£ 251.0 per tonne in 1996 to K£ 241.0 per tonne in 1997, a fall of 4.0 per cent.

AVERAGE EXPORT PRICES OF SODA ASH AND FLUORSPAR, 1993-1997

Table 9.8 K£ per tonne

Mineral	1993	1994	1995	1996	1997*
Soda Ash	376.0	421.2	333.0	367.0	367.0
Fluorspar	181.7	191 9	176.0	251.0	241.0

Provisional

Land Degradation in the North Range land Districts

9.19. Table 9.9 shows the distribution of the northern range land area by class of land degradation. Over 50 per cent of the area, constituting of 142,729 square kilometres was moderately degraded, while the area that was severely or very severely degraded in 1997 was 33,768 square kilometres, below 15 per cent. Only about 34.2 per cent of the land was slightly degraded. A combination of factors namely wind, over-grazing, intermittent high rainfall, were noted as instrumental contributors to the land degradation in the area.

LAND DEGRADATION STATUS FOR THE NORTH-RANGE LAND DISTRICTS, 1997

Table 9.9

Class	Area (Km sq.)	Percentage of Total Area
Slight	91,808	34.2
Moderate	142,729	53.2
Severe	33,598	12.5
Very Severe	170	0.1
Total	268,305	100.0

Source: DRSRS

Wildlife Conservation

9.20. The Department of Resource Surveys and Remote Sensing (DRSRS) estimates indicate that the population of most wildlife species has been declining since 1980s. This is attributed to poaching, harsh climatic conditions and cross border movements in search of vegetation. The 1990s has however witnessed some stability in the population of a number of wildlife species as shown in Table 9.10. Current estimates for the period 1996 and 1997 indicate that the population of elephants, giraffes, B-zebras, kongoni, elands, gerenuks, impalas and gazelles have either remained stable or have actually grown. This is attributed to conservation efforts by Kenya Wildlife Services, private land owners, communities and other stakeholders and agencies involved in the tourism industry.

9.21. As a result of the favourable weather conditions, the population of elephants rose from 21.5 thousand in 1996 to 22.1 thousand in 1997. Other notable increases in animal population over the same period included b-zebra, rising from 207.2 thousand to 212.6 thousand, gerenuk, from 22.4 thousand to 22.7 thousand, impala, from 103.9 thousand to 107.8 thousand and T. gazelle from 61.9 thousand to 62.7 thousand. A number of animal species have however, still continued to decline, notables among these were the G. gazelle and kudus.

WILDLIFE POPULATION IN THE KENYA RANGE LANDS, 1993-1997

Table 9.10 '000 Number

SPECIES	1993	1994	1995	1996	1997*
Elephant	20.0	21.1	21.2	21.5	22.1
Buffalo	33.2	35.4	35.8	34.1	28.8
Giraffe	58.7	55.1	52.2	50.2	50.2
Brazele Zebra	212.7	198.2	208.2	207.2	212.6
Grey Zebra	6.0	6.3	5.1	4.2	4.0
Topi	103.5	98.7	90.0	88.9	85.2
Kongoni	23.5	24.6	25.0	25.2	25.3
Wildebeest	186.4	115.5	173.0	167.3	156.0
Oryx	34.2	34.6	34.2	32.6	22.6
Eland	16.7	20.7	19.0	14.1	15.9
H. Hartbeest	2.2	1.8	0.9	1.6	1.6
Waterbuck	6.1	6.0	6.1	2.5	2.4
Kudus	13.2	11.3	11.8	7.9	6.4
Gerenuk	24.3	22.1	22.3	22.4	22.7
Impala	85.7	90.4	102.0	103.9	107.8
G.Gazelle	113.3	121.9	122.1	150.3	106.7
T Gazelle	53.5	64.1	65.1	61.9	62.7
Warthog	21.8	18.0	19.1	19.0	19.0
Ostrich	36.2	34.1	34.0	30.9	27.5

Source : DRSRS
* Provisional

Refuse Management

9.22. Table 9.11 presents the trend in public health expenditure by the Nairobi City Council. Total expenditure has risen since 1993/94 with the increases being attributed to rising salaries and wages, hiring of services of other organizations like National Youth Service and other agencies to assist in refuse removal and street cleaning. The rising cost of fuel, vehicle maintenance and acquisition of new vehicles for refuse disposal also contributed to the rising expenditures. Overall, expenditures are estimated to have risen by 4.2 per cent while the share of expenditure on refuse removal improved to stand at 22.4 per cent in 1997/98 slightly above 16.1 per cent registered by cleaning and general administration department.

EXPENDITURE ON PUBLIC HEALTH BY THE NAIROBI CITY COUNCIL, 1993/94-1997/98

Table 9.11 K£'000

	1993/94	1994/95	1995/96	1996/97	1997/98*
Cleaning and Administration	5,074.9	1,330.8	1,362.8	1,630.5	1,835.0
Cleaning - General	906.8	6,349.8	6,120.0	6,749.9	6,975.7
Refusal Removal	841.9	1,117.2	2,577.8	2,512.4	2,545.1
Conservancy	3.8	74.6	14.3	15.9	16.1
Total	6,827.4	8,872.4	10,074.9	10,908.7	11,371.9

Source : Nairobi City Council.
* Provisional

Resource Assessment and Monitoring Activities

9.23. Environment and natural resources utilization and development have been on top of the country's agenda in recent times particularly since the United Nations Conference on

Environment and Development (UNCED) held in 1992 in Rio De Janeiro, Brazil. Since 1994 when the National Environment Action Plan (NEAP) was prepared and adopted, various other documents have been produced to implement the recommended follow up. In 1997, the Government, through the Ministry of Environment and Natural Resources and its constituent departments continued to institute policy measures and strategies geared towards ensuring the right balance between the desired development outcomes and the associated environmental impacts. This was undertaken in liaison with stakeholders who include NGOs, the private sector and Community Based Organizations (CBO).

9.24. The other major environmental activities undertaken relate to desertification control. In 1997 a National Stakeholders Workshop was organized with the aim of coming up with possible modalities of setting up a National Desertification Fund (NDF). The NDFs are expected to act as a financing mechanism for activities relating to desertification control. The Government has already identified a National Coordinator and a National Co-ordinating Body (NCB) on desertification and drought both of which are located at the National Environment Secretariat. The first national forum to discuss the plan of action on national action programmes (NAPs) is scheduled for April, 1998.

9.25. Another environmental activity relates to wetlands. In this area, the wetlands policy development is still under way. After the holding of two National Stakeholders Workshops that brought together Government and the NGO/CBOs sectors in 1996 and 1997, the National Standing Committee on wetlands continued with the process of developing a framework for the policy on wetlands. The Committee is also in the process of undertaking a wetlands inventory in the country for purposes of conservation.

9.26. On the aspect of Poverty and Environment, the Government is in the process of developing a Project Support Document (PSD) on environment and poverty alleviation. This initiative, which is being funded by UNDP, is expected to supplement programmes that fall under the Social Dimensions of Development (SDD). The PSD is expected to be ready by April, 1998. The districts of Muranga, Nakuru and Siaya have been identified as test grounds for the project.

9.27. The legal framework for the management of natural resources in a sustainable manner continued to be enhanced. In particular, the reviews of 77 sectoral laws that touch on environmental management were discussed in 1997. The Water Act is presently under review while a water policy paper has been prepared and is awaiting Cabinet approval. The Forest Act has also been revised and is awaiting parliamentary approval.

9.28. The most comprehensive legal framework in relation to environmental management is the environmental management and co-ordination bill. The bill is expected to address all aspects of the legal outline in relation to environment and development including law enforcement and monitoring of compliance. The bill was taken for Cabinet approach in 1997 and is expected to be tabled in Parliament soon.

9.29. Environmental economics and accounting has been identified as an important area for addressing sustainable development. The present national accounting framework does not

reflect the cost society bears on environment degradation due to on-going socio-economic activities. To address the issue, the Government constituted a National Committee on Environmental Economics and Accounting (NEEAC) to oversee such concerns. This committee has already produced a report on needs assessment on environmental management. In progress is also capacity 21 programme which intends to develop capacities and capabilities to undertake comprehensive actions of incorporating environmental management into decision making at all levels of the development process.

9.30. The environmental situation in the Lake Victoria area continues to be addressed by the Lake Basin Authority. In its 1997 report, the Authority noted that flooding took place in lower regions towards the end of 1997. This was attributed to the el nino effect. Nyando River was cited as one of the main sources of flooding, which caused damage to crops, livestock and shelters in most parts of Kano plains.

9.31. The report further noted that rivers in the region continue to experience pollution from agricultural chemicals, industrial and municipal discharge off loading the pollutants into the lake. The World Bank is to assist in addressing environmental concerns affecting Lake Victoria region through the Lake Victoria Environment and Management Programme supported by utilization of its Global Environmental Facility (GEF). The main project has several sub-programmes, which include management of fisheries, control of water hyacinth, water quality, water pollution control and the catchment areas of Lake Victoria.

9.32. Other Government efforts in environmental management include the Nandi Agro-forestry programme. The programme has the objective of enhancing catchment conservation through agro-forestry in Nandi District and was initiated in 1997. The Nyakach catchment conservation and rehabilitation is another site for improving environmental measures in the Lake Basin.

CHAPTER 10 - ENERGY

Overview

In the early part of 1997, Iraq started exporting $2 billion worth of oil annually for humanitarian needs after receiving clearance from the United Nations for the first time since the economic embargo came into effect in 1990. Crude oil prices declined throughout 1997 as Iraq oil began coming to the market and averaged about $18.87 per barrel. As a result of new market developments, the Organisation of Petroleum Exporting Countries (OPEC) decided to raise the production ceiling from 25.03 million barrels to 27.50 million barrels per day distributed among the member countries as from January, 1998.

10.2. The total installed electricity capacity went down from 805 in 1996 MW to 802 MW in 1997. The installed capacity of hydro based electricity output went back to normal from 599.5 MW in 1996'to 603.5 MW in 1997 as a result of rehabilitation of Kindaruma dam. Total electricity generation went up from 4,040.1 GWH to 4,223.0 GWH in 1997, mainly due to improved weather conditions, which resulted in improved water levels in hydroelectric dams.

10.3. The overall imports of crude and refined products went up from 2,408.1 thousand tonnes in 1996 to 2,759.2 thousand tonnes in 1997. Consequently, the import bill of crude oil and refined petroleum products rose by 21.5 per cent.

10.4. The total net energy imports continued to dominate the total energy consumption and accounted for 56.6 per cent of total energy consumed in the country in 1997. On the other hand, percentage share of domestically produced energy increased by 5.4 per cent.

Petroleum

10.5. Petroleum is a major source of commercial energy. Intensive exploration of oil in the country was done in the late 1980's and early 1990's, with no major discoveries being made. Consequently, the country continues to rely entirely on imported petroleum for its local consumption. In addition, it also makes some significant re-exports.

10.6. The quantity and value of imports and exports of petroleum products are shown in Table 10.1. The overall imports of crude and refined products went up from 2,408.1 thousand tonnes in 1996 to 2,759.2 thousand tonnes in 1997. Import bill of crude oil and refined petroleum products rose by 21.5 per cent. Crude oil imports rose significantly by 29.8 per cent while imports of petroleum fuels declined by 7.1 per cent, from 963.9 thousand tonnes in 1996 to 895.7 thousand tonnes in 1997. Similarly, imports of lubricating oils and greases declined by 4.6 per cent and 25.6 per cent, respectively. However, the price of crude oil declined by 4.0 per cent while the price of petroleum fuels increased by 29.7 per cent due to depreciation of the shilling and a 24.6 per cent in Liquefied Petroleum Gas (LPG) price. It should be noted that imports of LPG rose sevenfold from 1.6 thousand tonnes to 10.9 thousands tonnes whereas the unit price rose from K£ 897.2 per tonne to K£ 1,111.9 per tonne

QUANTITY AND VALUE OF IMPORTS AND EXPORTS OF PETROLEUM PRODUCTS, 1993-1997*

Table 10.1

	Quantity (000 Tonnes)					Value (K£'Mn)				
	1993	1994	1995	1996	1997	1993	1994	1995	1996	1997"
IMPORTS										
Crude Petroleum	2,274.24	2,173.16	1,680.33	1,412.95	1,833.73	946.53	720.38	579.63	675.20	841.25
Petroleum Fuels	311.07	314.27	719.73	963.85	895.65	230.80	143.11	334.70	471.55	568.31
Lubricating Oils	41.58	16.45	24.81	30.92	29.51	45.19	25.20	31.88	44.30	38.68
Lubricating Greases	0.47	0.85	4.54	0.39	0.29	2.14	217	6.50	2.26	1.67
417 TOTAL	2,627.36	2,504.73	2,429.41	2,408.11	2,759.19	1,224.66	890 86	952.71	1,193.31	1,449.91
EXPORTS										
Petroleum Fuels	600.73	447.34	367.10	450.80	652.99	336.34	254.00	218.27	369.67	493.47
Lubricating Oils	6.55	6.31	8.71	8.41	9.67	15.90	15.93	20.49	22.58	20.70
Lubricating Greases	0.24	0.20	0.28	0.26	0.17	0.63	0.98	0.11	1.01	0.56
TOTAL	607.52	453.85	376.09	459.47	662.83	352.87	270.91	238.87	393.26	514.73
NET BALANCE	2,019.84	2,050.88	2,053.32	1,948.64	2,096.36	871.79	619.95	713.84	800.05	935.18

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

'Provisional

10.7. The export of petroleum fuels mainly to the neighbouring countries rose by 44.9 per cent from 450.8 thousand tonnes in 1996 to 653.0 thousand tonnes in 1997. Export earnings from petroleum fuels went up from K£ 369.7 million to K£ 493.5 million in 1997. Exports of lubricating oil went up, while those of lubricating greases went down.

CRUDE OIL INTAKE AT THE REFINERY BY TYPE, 1993-1997

Table 10.2 '000 Tonnes

Crude intake	API. Gravity	1993	1994	1995	1996	1997*
Arabian Light	33.4	111.8				
Arabian Medium	31.0	50.0				
Arabian Heavy	27.9			29.3		27.6
Arabian Light Berri						
Iranian Light	33.9	50.1			1.0	
Iranian Medium				-		
Iranian Heavy		127.9	176.9	23.4	56.3	76.8
Qatar Marine	36.7					
Qatar Durkhan	41.2					
Kuwait	32.0			59.7	68.0	
Zakum	40.1	325.3	81.0	638.7	657.6	582.8
Murban	39.6	1,304 3	1,719.5	835.0	834.1	960.2
Dubai	32.4					
Reconstituted crude		122.8	80.5	244.0		
Oman						
Marib Light					144.2	
Slop			-	2.0	-	
TOTAL		2,092.2	2,057.9	1,832.1	1,761.2	1,647.4

* Provisional

** Reconstituted crude was Imported for the first time 1993

10.8. Table 10.2 shows crude oil intake at the refinery. Four types of crude oil were refined namely Arabian Heavy, Iranian Heavy, Zakum and Murban. Crude oil intake by the refinery continued to decline, a trend, which started in 1993 after liberalisation of petroleum sector, from 1,761.2 thousand tonnes to 1,647.4 thousand tonnes in 1997, a 6.5 per cent decline. This decline is attributed to refinery constraints, which made oil dealers to prefer imported refined petroleum products. Murban oil from United Arab Emirates continued to dominate the total refinery intake in the year accounting for 58.3 per cent of the intake while Zakum accounted for 35.4 per cent. Whereas there was absence of Arabian Heavy in 1996, 27.6 thousand tonnes were imported in 1997. Intake of Iranian Heavy and Murban increased by 36.4 per cent, and 15.1 per cent, respectively while Zakum went down by 11.4 per cent in 1997.

10.9. Due to low crude oil intake by the refinery, output of refined products in 1997 declined by 6.5 per cent, as shown in Table 10.3. Production of liquefied petroleum gas, motor gasoline premium, jet fuel, light Diesel oil, marine Diesel oil and bitumen all declined. Output of motor gasoline regular and fuel oil however, rose by 6.1 per cent and 10.5 per cent, respectively.

FINISHED PETROLEUM PRODUCTS**, 1993-1997

Table 10.3 000 Tonnes

	1993	1994	1995	1996	1997*
OUTPUT-					
Liquefied petroleum gas	27.4	29.5	32.2	26.8	23.5
Motor gasoline premium	153.0	164 4	152.1	176.2	131.5
Motor gasoline regular	176.4	164.1	153.0	132.9	141.0
Illuminating kerosene and Jet/turbo fuel	425.9	421.1	374.4	380.4	334.6
Light diesel oil	500.3	516.2	446.8	394.1	385.6
Heavy diesel oil and Marine diesel oil	29.2	22.4	28.5	28.1	26.1
Fuel oil	499.6	491.4	387.7	321.5	355.3
Export residues	164.1	138.2	139.1	190.6	143.3
Bitumen	9.4	19.6	26.2	12.7	10.2
Intermediates	5.6	-5.7	-6.0	-4.8	-2.7
Refinery usage	101.3	96.7	92.7	102.8	93.6
THROUGHPUT=TOTAL OUTPUT	2,092.2	2,057.9	1,826.7	1,761.3	1,647 4

* Provisional
** Excludes lubricants

10.10. Table 10.4 shows petroleum supply and demand balance. Total domestic demand declined by 2.8 per cent from 2,333.3 thousand tonnes in 1996 to 2,268.9 thousand tonnes in 1997. Demand for illuminating kerosene and heavy diesel oil went up by 5.4 per cent and 78.9 per cent, respectively. Demand for all other petroleum products declined during the year.

10.11. Domestic sales of petroleum fuels by consumer categories are shown in Table 10.5. Total domestic sales for petroleum products declined marginally by 2.5 per cent. The transport sector (rail, road, marine and aviation) continued to be the largest consumer of petroleum fuels and accounted for 71.2 per cent of total fuel consumption in 1997. Sale to rail transport increased by 6.4 per cent, while sales to road transport declined marginally by 0.7 per cent. This may be attributed to heavy rainfall associated with el nino phenomenon experienced in the country in the 4th quarter of the year which damaged most of the road network and left rail transport as an alternative means of transport. Sales to the tourism industry dropped by 5.5 per cent, while sales to agricultural sector declined from 99.4 thousand tonnes in 1996 to 86.6 thousand tonnes in 1997. This was partly attributed to unsatisfactory performance of both tourism and agriculture sectors. Similarly, sales to marine, aviation, industrial, commercial and to the government went down whereas that to marine transport rose by 21.9 per cent. Similarly, upward trend was recorded in sales to power generation which went up significantly by 22.2 per cent due to rehabilitation of Kipevu Power Station and commencement of generation by Iberafrica Power (E.A) station in Nairobi South and Westmont Power (K) Ltd station in Mombasa.

PETROLEUM SUPPLY AND DEMAND BALANCE, 1993-1997

Table 10.4 000 Tonnes

	1993	1994	1995	1996	1997*
DEMAND-					
Liquefied petroleum gas ..	25.1	28.4	31.2	31.2	30.7
Motor spirit (premium and regular)	352.0	352.2	378.7	399.3	390.6
Aviation spirit	8.5	7.2	5.7	4.6	4.1
Jet/turbo fuel	342.8	474.4	433.7	444.6	431.9
Illuminating kerosene	184.8	173.1	243.1	253.8	267.6
Light diesel oil	554.2	539.8	603.1	646.3	615.9
Heavy diesel oil	23.0	24.3	23.5	26.6	47.6
Fuel oil	355.9	409.4	347.5	424.2	386 9
TOTAL	1,826.3	2,008.8	2,066.5	2,230.5	2,175.2
Refinery usage	101.9	96.7	92.7	102.8	93.6
TOTAL DOMESTIC DEMAND	1,928.2	2,105.5	2,159.2	2,333.3	2,268.9
Exports of petroleum fuels	600.7	447.3	367.1	450.8	653.0
TOTAL DEMAND'	2,528.9	2,552.8	2,526.3	2,784.1	2,921.9
SUPPLY-					
Imports:					
Crude oil	2,274.2	2,173.2	1,680 3	1,412.9	1,833.7
Petroleum fuels	311.1	314.3	719.7	963.9	893.7
TOTAL	2,585.3	2,487.5	2,400.0	2,376.8	2,727.4
Adjustment	56.6	65.3	126.3	407.3	194.5
TOTAL SUPPLY**	2,641.9	2,552.8	2,526.3	2,784.1	2,921.9

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

NET DOMESTIC SALE OF PETROLEUM FUELS BY CONSUMER CATEGORY, 1993-1997

Table 10.5 '000 Tonnes

User	1993	1994	1995	1996	1997*
Agriculture	70.7	83.9	81.9	99.4	86.6
Retail pump outlets & road transport	870.0	880.1	1,027.1	1,069.7	1,061.9
Rail transport	32.5	18.2	15.7	20.3	21.6
Tourism''	12.3	12.7	8.4	12.8	12.1
Marine (excl Naval Forces)	165.9	137.2	55.1	46.5	56.7
Aviation (excl Government)	355.0	475.8	434.8	445.8	409.5
Power Generation	41.5	58.4	94.9	122.3	149.5
Industrial, Commercial and Other	407.9	442.8	408.9	425.8	403.1
Government	36.3	36.9	37.2	34.4	31.4
Balancing Item	-165.9	-137.1	-97.5	-46.5	-57.2
TOTAL	1,826.2	2,008.9	2,066.5	2,230.5	2,175.2

* Provisional
** Comprises sales to tour operator

10.12. Wholesale prices of petroleum products went up in 1997 as shown in Table 10.6. Liquefied petroleum gas registered an increase of 73.4 per cent, illuminating kerosene (27.5 per cent), premium motor gasoline (7.2 per cent), light diesel oil (5.2 per cent) and regular motor gasoline (4.3 per cent). Due to government commitment to promote industrialisation, wholesale price of industrial diesel oil went down by 2.3 per cent. Wholesale prices of all

petroleum products went up by more than twenty times compared to those of 1973.

WHOLESALE PRICES OF PETROLEUM PRODUCTS AT MOMBASA, 1973,1993-1997

Table 10.6 Ksh. per tonne

	30.9.73	17.06 94	21.12.95	Oct, 96**	Dec,97	Ratio 1997/73 per cent
Liquefied petroleum gas	2,060	24,454	25,200	25,956	45,000	2,184.5
Premium motor gasoline	1,551	35,386	37,906	45,712	49,002	3,159.4
Regular motor gasoline	1,468	35,488	37,632	46,661	48,672	3,315.5
Illuminating kerosene	736	16,534	17,247	19,634	25,031	3,401.0
Light diesel oil	892	24,004	23,813	31,788	33,456	3,750.7
Industrial diesel oil	471	21,915	18,896	24,326	23,798	5,052.7
Fuel oil	334	15,537	13,970	18,364	18,372	5,500.6

* Including duties and VAT.

** Estimates

10.13. Retail prices of selected petroleum products are presented in Table 10.7. During the year, there were six price changes, of which only two were declines resulting from adjustment of pump prices by the oil marketers as a result of low crude oil prices. On the other hand, the hikes were due to increase in government taxes e.g. road maintenance levy, adjustments resulting from both increases in international oil prices and depreciation of Kenya shilling against world major trading currencies. By December 1997, retail prices of premium, regular, gas oil and illuminating kerosene went up by 9.4 per cent, 9.7 per cent, 12.1 per cent and 7.1 per cent, respectively compared to those of October 1996.

NAIROBI RETAIL PRICES OF SELECTED PETROLEUM PRODUCTS, JUNE 1994-DEC 1997

Table 10.7 KSh. per litre

Date	MOTOR SPIRIT		Gas Oil	Illuminating Kerosene
	Premium/Gasohol	Regular		
17.06.94	29.14	28.82	23.81	18.31
21.10.94	28.34	27.28	21.00	15.51
26 05 95	29.59	28.86	28.05	14.31
23 06. 95	30.07	29.45	22.61	14.31
Jan'96	30.23	29.47	22.74	14.97
Dec'96	35.43	34.38	28.10	21.57
Jan'97	35.83	34.74	28.49	21.99
Feb'97	35.78	34.70	28.45	21.93
June,97	36.00	34.93	28.72	21.60
July, 97	35.75	34.68	28.46	21.35
Aug'' 97	38.44	37.36	31.05	22.52
Dec'97	38.75	37.70	31.51	23.11

Electricity

10.14. Electricity, is second to petroleum fuels as a source of commercial energy used by commercial and industrial establishments, as well as institutions and households in the country. It is usually generated from hydro, thermal and geothermal plants. Table 10.8 depicts the installed capacity and generation of electricity between 1993 and 1997. The total installed capacity went down marginally from 805 MW to 802 MW in 1997, as a

result of the fall in thermal based installed capacity by 4.4 per cent. The installed capacity of hydro-based plants rose to the 1995 level of 603.5 MW from 599.5 MW in 1996, as a result of rehabilitation of Kindaruma dam. On the other hand, geothermal based installed capacity remained the same.

INSTALLED CAPACITY AND GENERATION OF ELECTRICITY AS AT JUNE, 1993-1997

Table 10.8

	INSTALLED CAPACITY • MW*				GENERATION* GWH***			
	Hydro	Ther-mal Oil	Geo-ther-mal	Total	Hydro	Ther-mal Oil	Geo-thermal	Total
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
1997+	603.5	153.5	45.0	802.0	3,373.0	457.0	393.0	4,223.0

* Includes estimates for industrial establishment with generation capacity

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

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

\+ Provisional

10.15. Total electricity generation went up by 4.5 per cent from 4,040.1 GWH to 4,223.0 GWH in 1997. Increase in the generation was recorded in hydro-based electricity, which rose by 6.0 per cent. This is attributed to improved weather conditions, which resulted in higher water levels in hydroelectric dams as well as rehabilitation of Kindaruma dam. Geo thermal - based generation went up marginally by 0.8 per cent, while thermal - based electric generation went down by 2.2 per cent.

10.16. Electricity energy supply and demand balance is presented in Table 10.9. Electricity consumption that has been rising over the five years period rose by 4.2 per cent from 3,478 million KWH in 1996 to 3,625 million KWH in 1997. Large commercial and industrial establishments were the largest electricity consumers and their demand went up by 3.9 per cent. Demand by domestic and small commercial establishments went up by 6.4 per cent due to increase of small-scale industries (Jua Kali) as well as increase in building extensions in the already existing town estates. Rural electrification went up from 138 million KWH to 150 million KWH in 1997, while off peak and street lighting electricity consumption went down. Similarly, electricity imports from Uganda which have consistently shown a declining trend since 1993 fell slightly to stand at 144 million KWH compared to 149 million KWH recorded in 1996.

Rural Electrification Programme

10.17. The consultants appointed to draw up the National Rural Electrification Master Plan completed their work and the final draft is currently being studied. During the year under review, Kshs.313 million was spent on extension of lines for 135 schemes, which are at various stages of implementation. The number of consumers rose by 8,980 from 47,160 in 1996 to 56,140 in 1997.

ELECTRICITY ENERGY SUPPLY AND DEMAND BALANCE, 1993-1997

Table 10.9 Million KWH

	1993	1994	1995	1996	1997*
DEMAND-					
Domestic and Small Commercial	927	977	1,026	1,049	1,116
Large Commercial and Industrial	1,915	1,955	1,995	2,179	2,263
Off-peak	115	125	124	100	86
Street Lighting	13	10	19	12	10
Rural Electrification	104	136	125	138	150
TOTAL	3,074	3,205	3,289	3,478	3,625
Transmission losses and unallocated demand	595	598	636	660	695
TOTAL DEMAND = TOTAL SUPPLY	3,669	3,803	3,967	4,138	4,320
of which imports from Uganda	273	264	172	149	144
Net generation	3,396	3,539	3,795	3,989	4,176

* Provisional.

Total Energy Supply and Demand

10.18. Energy supply and demand is presented in Table 10.10. The total net energy imports continued to dominate the total energy consumption and accounted for 56.6 per cent of total energy consumption in the country. The percentage share of domestically produced energy increased by 5.4 per cent. Coal and coke consumption increased marginally by 2.6 per cent while imports of hydropower from Uganda went down by 3.4 per cent. Energy consumption per capita expressed in kilograms of oil equivalent declined during the year under review.

Future Prospects

10.19. In the short term, the current hydroelectric plants meet demand with no reserve capacity for maintenance. Due to the delayed implementation of more hydro power plants, need has been identified for installing a fast track plant to be commissioned during 1998, and steps towards achieving this goal have been initiated. On the transmission and distribution function, completion of existing plants is imperative in order to transmit the increasing generation capacity to various parts of the country. In addition, construction of the distribution system and service lines is being contracted out in order to speed up connection of electricity to new customers.

Other Developments

10.20. In the interest of improvement in the sub-sector operational efficiency, the industry's restructuring process has commenced, with the appointment of a Board of Directors to run the Kenya Power Company Limited (KPQ. The merger of Tana River Development Company Limited (TRDQ and KPC has since been completed and TRDC will be wound up shortly.

PRODUCTION, TRADE AND CONSUMPTION OF ENERGY* EXPRESSED IN TERMS OF PRIMARY SOURCES, 1993-1997

Table 10.1 '000 Tonnes Oil Equivalent

	1993	1994	1995	1996	1997*
COAL AND COKE CONSUMPTION	87.8	76.0	96.8	89.2	91.5
Imports of crude oil	2,274.2	2,173.2	1,680.3	1,412.9	1,833.7
Net exports of petroleum	-504.5	-228.7	259.9	410.3	147
Stock changes and balancing item	56.6	65.3	126.3	407.3	194.5
TOTAL CONSUMPTION OF LIQUID FUELS	1,826.2	2,008.8	2,066.5	2,230.5	2,175.2
HYDRO AND GEOTHERMAL ENERGY:-					
Local production of hydro power	718.3	736.3	749.5	763.9	809.5
Local production of geothermal power	65.3	62.6	69.6	93.6	94.3
Imports of hydro power	65.5	63.4	44.9	35.8	34.6
TOTAL CONSUMPTION OF HYDRO AND GEOTHERMAL ENERGY	849.1	862.3	864.0	893.3	938.4
TOTAL LOCAL ENERGY PRODUCTION	783.6	798.9	819.1	857.5	903.8
TOTAL NET IMPORTS .	2,106.1	2,083.9	1,562.1	1,127.6	1,812.8
TOTAL ENERGY CONSUMPTION	2,763.1	2,947.1	3,028.8	3,213.0	3,205.1
LOCAL PRODUCTION AS PERCENTAGE OF TOTAL	28.4	27.1	27.1	26.7	28.2
PER CAPITA CONSUMPTION IN TERMS OF KILOGRAMS OF OIL EQUIVALENT	110.5	110.1	110.1	113.7	110.1

* Provisional

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

10.21. The Government is seeking funds to finance long term electric power projects. Projects whose funding agreements have been finalised are Olkaria North, East (Olkaria II) Power Station, and Sondu Miriu hydropower project. Feasibility studies for Kipevu second 75 MW diesel project, raising of Masinga dam and redevelopment of Tana Power Stations are complete. Similarly, tenders for Kipevu first 75 MW diesel project and Gitaru third unit have also been floated.

Wood Fuel Resources

10.22. About 70.0 per cent of total domestic energy consumption is in the form of wood or charcoal. According to the Welfare Monitoring Survey of 1994, 93.5 per cent of rural households use firewood as main source of cooking fuel, while 30.3 per cent of the urban households use charcoal for cooking. Programmes aimed at developing efficient use of wood have been recommended, while farmers have been encouraged to adopt tree planting.

Other Sources of Energy

10.23. Alternative sources of energy include bio - waste, biogas, wind energy and solar energy. The use of alternative sources of energy is becoming increasingly important. However, high capital costs, coupled with lack of appropriate technology and effective promotion strategies have hampered the exploration and utilisation of these alternative sources of energy.

CHAPTER 11- MANUFACTURING

Overview

The volume of manufacturing production had a modest expansion in 1997. In real terms, output growth of the sector slowed down further to 1.9 per cent in 1997 from 3.9 per cent and 3.4 per cent recorded in 1995 and 1996 respectively. This slower growth in output was attributed to several factors among them: deepening effects of trade liberalization, power rationing in the early part of the year, diversion of transit goods into the local market, decaying infrastructure that led to high input costs, general slowdown in operations due to uncertainties relating to the general elections towards the end of the year, depressed local demand occasioned by high product prices and falling real household incomes. However, some positive policy measures directed towards the manufacturing sector, in particular the reduction of import duty and the expanding regional market largely helped cushion the sector against the above constraints. Overall, the manufacturing sector had a mixed performance in 1997, with the majority of the sub-sectors showing negative or no growth. On the positive side, significant growth were recorded in canned vegetables, bakery products, miscellaneous manufacturing, petroleum and other chemicals, rubber products, metallic products, plastic products and paper and paper industries.

Employment

11.2. The slowdown in growth of the manufacturing sector was reflected in slower rate of growth in employment. In 1997 total employment in the sector grew by 1.9 per cent compared to 2.7 per cent and 3.7 per cent for 1996 and 1995 respectively. During this period, employment stood at 214,490 persons up from 210,500 persons the previous year. This declining growth rate in employment can be attributed to retrenchment. On the other hand, wages paid in manufacturing sector in 1997, was K£ 1,182.01 million 23.4 per cent above K£ 958.15 million paid in 1996.

Manufacturing Sales and Stocks

11.3. Depressed demand for manufactured goods led to slower rate of growth in the sales of manufactured goods in 1997. Provisional data on Business Expectations Enquiry (B.E.E), shows that sales of manufactured goods was K£ 11,914 million in 1997, slightly above the revised K£ 10,793 recorded in 1996. On the other hand, value of stocks held by manufacturing firms as at 31^{s}* December 1997 was K£ 7,514 million compared to K£ 6,172 million for the same period in 1996.

Industrial Output

11.4. Details of estimated output values, intermediate consumption, value added and wages paid in manufacturing are given in Table 11.2.

MANUFACTURING SECTOR- OUTPUT, WAGE AND PRODUCT, AT CURRENT PRICES, 1993- 1997

Table 11.1 K£million

YEAR	Value of Output	Intermediate Consumption	Value Added	total Wages Paid
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	26,267 .60	2,552.20	958.15
1997*	33,761.97	30,845.58	2,916.39	1,182.01

*Provision

As enumerated in the table, the value of output has been rising at an annual rate of 20.7 per cent per annum since 1993. During the same period,value added as a percentage of output has averaged 9.1 per cent indicating that manufacturing inputs are usually at an advanced stage of processing.

Quantum Indices

11.5. Indices of real manufactured output are presented in Table 11.2. Agro-based food manufacturing sub-sector recorded a paltry growth of only 0.6 per cent in 1997. The unsatisfactory performance of the sub-sector was attributed to drought that prevailed in the last quarter of 1996 and continued into the first quarter of 1997, depressing production output in mainly coffee and tea industries. Major declines in production were also observed in the basic industrial chemicals, non-electrical machinery, leather and footwear, electrical equipment and transport equipment that fell by 21.9 per cent, 22.1 per cent, 10.5 per cent, 20.1 per cent and 16.6 per cent respectively in 1997.

11.6. In the food processing sub-sector, all industries except the miscellaneous foods, recorded positive growths in 1997. Bakery products and canned vegetables, fish, oils and fats recorded the highest growth in this sub-sector.

11.7. The meat and dairy products sub-sector recorded a marginal gain in production output in 1997, after registering a substantial decline of 18. 4 per cent in 1996. Processed milk picked up marginally in 1997 to 165.4 million litres from 163.1 million litres produced in 1996. Other notable gains in this sub-sector were in pork, sausage, baby foods and cheese productions, while production of processed chicken, hides and skins, ice cream declined by 2.2 per cent, 1.6 per cent, and 7.3 per cent, respectively. Production of beef was 99.0 thousand tonnes a 25 per cent above 79.2 thousand tonnes produced the previous year.

QUANTUM INDEX OF MANUFACTURING PRODUCTION, 1993-1997

Table 11.2 1976= 100

INDUSTRY	1993	1994	1995	1996	1997*	Percentage Change 1997/1996
Meat and Dairy Products	95.8	87.0	112.3	91.6	91.8	0.2
Canned Vegetables, Fish, Oils and Fats	384.4	275.0	291.5	279.2	310.1	11.0
Grain Mills Products	154.8	204.8	242.8	204.9	213.4	4.1
Bakery Products	178.5	274.5	299.3	347.4	383.2	10.3
Sugar and Confectionery	198.3	156.8	196.6	200.7	204.5	1.9
Miscellaneous Foods	220.0	226.9	231.7	249.7	235.1	-5.9
Food Manufacturing	158.2	167.7	194.3	194.2	195.3	0.6
Beverages	243.4	225.2	235.8	206.3	199.4	-3.3
Tobacco	194.8	196.0	212.5	224.7	237.0	5.5
Beverages and Tobacco	234.6	219.3	230.8	207.5	203.0	-2.1
Textiles	252.0	186.9	136.5	125.7	119.6	-4.8
Clothing	292.4	183.9	153.0	. 152.0	142.4	-6.3
Leather and Footwear	87.9	96.8	657	68.8	61.6	-10.5
Wood and Cork Products	73.7	76.0	73.4	74.8	74.9	0.1
Furniture and Fixtures	49.6	50.6	52.5	58.1	58.1	0.0
Paper and Paper Products	180.5	155.6	153.0	192.1	196.5	2.3
Printing and Publishing	411.2	424.8	451.6	485.8	482.8	0.0
Basic Industrial Chemicals	244.6	213.0	209.0	201.6	157.5	-21.9
Petroleum and Other Chemicals	469.2	453.6	492.0	531.7	591.7	11.3
Rubber Product	622.4	613.7	621.0	630.9	678.0	7.5
Plastic Products	357.2	362.6	384.7	397.5	510.9	28.5
Clay and Glass Products	1,199.0	1,770.6	2,099.9	2,376.3	2,254.6	-5.1
Non-Metallic Mineral Products	201.5	211.7	209.6	219.5	230.6	5.1
Metallic Products	184.2	205.0	206.8	246.4	298.6	21.2
Non-Electrical Machinery	94.6	100.3	78.1	113.9	88.7	-22.1
Electrical Equipment	224.5	226.2	253.7	266.9	213.3	-20.1
Transport Equipment	541.2	571.4	529.0	713.7	594.9	-16.7
Miscellaneous Manufactures	442.9	442.9	472.3	569.1	661.6	16.3
TOTAL MANUFACTURING	249.9	254.6	263.9	272.9	278.1	1.9

* Provisional

11.8. The canned vegetable, fish, oils and other fats sub-sector continued to show signs of recovery from the effects of trade liberalisation that characterised declining production trends recorded in the early 1990s. In 1997, the sub-sector grew by 11.0 per cent. Regional markets continued to sustain the growth of this sub-sector, as the local demand remains constrained by high product prices and falling real household incomes. In 1997, exports of edible fats and oils accounted for 12.3 per cent of the total local production compared to 10.1 per cent, 4.4 per cent and 6.8 per cent in 1996, 1995 and 1994 respectively. During the period under review, production of edible fats and oils was 106.1 thousand tonnes compared to 94.3 thousand tonnes, 102.7 thousand tonnes and 61.8 thousand tonnes for 1996, 1995 and 1996 respectively. Production of edible oils fell significantly, while production of cotton seed oil rose substantially in 1997. Production of jams and marmalades fell to 1,195 thousand tonnes in 1997 from 1,234 thousand tonnes produced in 1996. Other notable declines in production in this sub-sector during this period were in squashes, canned fruits and canned vegetables.

11.9. Rising local demand in the baking industry, largely contributed to the increase in wheat flour production in 1997. Export of wheat flour during this period declined to 30.0 thousand tonnes in 1997 from 36.6 thousand tonnes exported the previous year. As shown in Table 11.3, production of wheat flour was 245.3 thousand tonnes in 1997, 8.0 per cent above the

227.2 thousand tonnes produced in 1996. Similarly, production of maize flour went up by 2.2 per cent during the period of review. Production of rice on the other hand, dropped marginally from 10.9 thousand tonnes in 1996 to 10.6 thousand tonnes in 1997. Production of maize germ rose marginally, while production of wheat offal and maize offal and bran declined during this period.

PRODUCTION OF GRAIN MILLING PRODUCTS, 1993-1997

Table 11.3 000 tonnes

YEAR	COMMODITY		
	Sifted Maize meal	Wheat Flour	Rice
1993	168.1	143.1	13.6
1994	233.2	191.4	11.0
1995	313.7	237.0	15.0
1996	266.7	227.2	10.9
1997*	272.6	245.3	10.6

* Provisional

11.10. The bakery products sub-sector recorded a marked growth of 10.3 per cent in 1997. This was partly attributable to relatively stable prices of the bakery products that prevailed in 1997. Production of bread in 1997 rose by 12.3 per cent to stand at 93.4 thousand tonnes compared to 83.2 thousand tonnes in 1996. Similarly, production of scones and cakes rose by 9.2 per cent and 12.7 per cent respectively, while no change in production of biscuits was recorded during this period.

11.11. After registering no growth in output in 1996, the sugar and confectionery sub-sector recorded a modest growth of 1.9 per cent in 1997. The quest for self sufficiency in domestic sugar production remains elusive as the industry strives to address some pressing challenges prime among them; low cane crushing capacity, low sugar extraction parameters, lack of adequate credit facilities to farmers, and deteriorating infrastructure. The Government however, has initiated some policy measures to address the above constraints which include application of a tariff that complies with World Trade Organisation (WTO) regulations to protect the local industry and restructuring of the overall sugar industry. Total local sugar production in 1997, improved slightly by 3.9 per cent to 401.4 thousand metric tonnes from 389.1 thousand tonnes that of 1996. Consumption of sugar, which is a major item in the household budget and a major raw material in some food processing industries, on the other hand, was 580 thousand tonnes in 1997 slightly above 567 thousand tonnes for the previous year. To meet the sugar production deficit, a total of 52.4 thousand tonnes was imported. Proliferation of new firms in the sugar confectionery industry in the recent past has boosted the production of toffees and chewing gum. In 1997, production of toffees and chewing gum rose substantially by 44 per cent and 56 per cent respectively. During the period under review, 9,670.0 tonnes of sweets was produced compared with 10,968.6 tonnes produced in 1996.

11.12. Production output in the miscellaneous food sub-sector broke the positive growth pattern maintained since 1994 to record a decline of 5.9 per cent in 1997. The downturn in the sub-sector's performance was due to the dry spell that began in the last quarter of 1996

and continued into the first quarter of 1997 contributing to decline in tea and coffee production in 1997. Tea production was 221.3 thousand tonnes in 1997 down from 257.2 thousand tonnes in 1996. Similarly, production of milled coffee declined by 36.7 per cent from 88.4 thousand tonnes in 1996 to 56.0 thousand tonnes in 1997. Other production indicators in this sub-sector that recorded declines were instant coffee, curry powder, pig feeds and dog and cat feeds. However, not all production indicators in this sub-sector declined. Marked increase in production were recorded in cocoa, salt, ground spices and horse feeds that rose by 68.1 per cent, 51.2 per cent, 16.4 per cent and 29.4 per cent respectively. Production of cattle feeds was 59.7 thousand tonnes in 1997 up from 46.3 thousand tonnes in 1996.

11.13. Loss of regional export market for Kenyan beer due to penetration of this market by beer products from other part of the world, coupled with imports of large volumes of cigarettes and beer, adversely affected local production of beverages and tobacco sub-sector in 1997. During this period, import of malted beer was 2,266 thousand litres up from 478 thousand litres in 1996, while exports was 24,902 thousand litres down from 36,577 thousand litres and 52,444 thousand litres in 1996 and 1995 respectively. As shown in Table 11.4, production of beer and stout fell marginally by 2.0 per to 270.4 million in 1997 from 275.9 million litres in 1996. Similarly, production of spirits and soft drinks fell respectively by 6.2 per cent and 6.7 per cent in 1997. On the other hand, production of cigarettes had a modest rise from 8,436 million sticks in 1996 to 8,898 million sticks in 1997.

PRODUCTION OF BEVERAGES AND TOBACCO, 1993-1997

Table 11.4

YEAR	COMMODITY			
	Spirits '000 Litres	Beer Million litres	Mineral Waters Million litres	Cigarettes Million sticks
1993	2,259.1	349.2	132.3	7,266
1994	1,674.0	302.7	131.3	7,319
1995	2,066.5	347.4	122.3	7,931
1996	2,255.4	276.0	140.3	8,436
1997*	2,115.3	270.4	130.9	8,898

* Provisional

11.14. The textile and leather sub-sectors continued to suffer the effects of imported textiles, textile articles and leather products in 1997, despite implementation of tarriff restriction on imported products. In the textile sub-sector, significant increases were recorded in the production of woolen woven fabrics, bed sheets, canvas materials, knitted fabrics, and ropes and twine in 1997. During this period, production of woolen woven fabrics quadrupled to reach 3,128 thousand square metres up from 744.0 in 1996. Similarly, production of canvas material rose substantially from 388.9 million units in 1996 to 695.8 million units in 1997. Production of bed sheets, knitted fabrics and rope and twine rose by 77.4 per cent, 25.1 per cent and 10.7 per cent in 1997 respectively. Production of polyester viscose fabrics, toweling material and blankets was 7,517.6 thousand square metres, 303.2 thousand square metres and 2,267 thousand units respectively in 1997.

11.15. In 1997, the leather and footwear industry had a slump after recording a growth of 3.7 per cent in 1996. All production indicators in this sub-sector either had a decline or no growth during this period. Production of leather shoes in 1997, was the lowest since 1994. During this period, 898.8 thousand pairs were produced compared with 1,774 thousand pairs, 1,009 thousand pairs and 1,041 thousand pairs produced in 1994, 1995 and 1996 respectively. Production of finished leather, unfinished leather and P.V.C leather cloth stagnated during the period of review.

11.16. Combined effort by the Government and environmental conservationists against felling of trees and the subsequent high prices of wood products has constrained the growth of the previous ever-growing wood and cork sub-sector. Consequently, production of sawn timber has leveled at 85 thousand square metres since 1995. On the other hand, the furniture and fixtures sub-sector that is forward linked to the wood and cork products recorded no growth in 1997.

11.17. Production output in the paper and papers products sub-sector grew more slowly in 1997 by 2.3 per cent compared to 25.6 per cent in 1996. Production of exercise books continued to rise to reach 14.0 million dozens in 1997, compared to 10.0 million dozens produced in the previous year. Similar growth trends were recorded in production of corrugated paper containers, envelops and teleprinter rolls which rose by 24.3 per cent, 23.9 per cent and 52.5 per cent respectively during the period under review.

11.18. The basic industrial chemical sub-sector declined by 21.9 per cent in 1997, after registering a marginal gain in production output in 1996. Except for the production of oxygen, hydrogen, nitrogen, insecticides and electrodes that rose, production of other products in this group of industries declined during this period. Production of oxygen, hydrogen and nitrogen was 3,117.1 thousand cubic metres in 1997 a 16.7 per cent above 2,671.0 thousand cubic metres produced in 1996. Similarly production of electrodes and insecticides (liquids) rose by 72.5 per cent and 25.0 per cent respectively. However, production of insecticides (solids), acetylene, pyrethrum extract, herbicides and vaccines declined respectively by 37.7 per cent, 4.9 per cent, 38.7 per cent, 11.1 per cent and 15.4 per cent in 1997. Production of pyrethrum powder was 3,050 tonnes in 1997, compared to 2,885 tonnes that of 1996.

11.19. Though the overall production output of the petroleum and other chemicals sub-sector rose by 11.3 per cent in 1997, the decreased utilisation of the Kenya refineries at Mombasa as a result of its inefficiency, contributed to the decline in the output of petroleum products. Consequently, the major oil-marketing firms chose to import more refined petroleum products in preference to crude petroleum. The sub-sector derived the bulk of the growth from the production of detergent powder, toothpaste, and hair oils and resin emulsion. In 1997, production of detergents was 32.1 thousand tonnes, a 36.6 per cent above 23.5 thousand tonnes that of 1996. Similarly, production of tooth paste rose by 50.0 per cent during this period to stand at 2.1 thousand tonnes from 1.4 thousand tonnes that of 1996. Production of hair oils and resin emulsion rose by 10.6 per cent and 34.9 per cent respectively. Production

of laundry soap was 58.5 thousand tonnes in 1997 up from 56.0 thousand tonnes of 1996. Production of Liquefied Petroleum Gas, motor spirits, kerosene and diesel fell by 12.4 per cent, 10.0 per cent 12.0 per cent and 7.3 per cent respectively in 1997.

11.20. The positive growth in the rubber product sub-sector continued for the third year in 1997, after a slump in 1993 and 1994. This can be attributed to a rising local demand for motor vehicle and bicycle tyres as more and more Kenyans own motor vehicles. Production of new motor vehicle tyres was 574.7 thousand units in 1997 compared to 530.1 thousand units in of 1996. Similarly, production of new motor vehicle tubes rose significantly by 23.8 per cent to 575.0 thousand units in 1997, from 464.6 thousand units recorded the previous year. However, production of new bicycle tyres stagnated at the 1996 level of i4 thousand units.

11.21. The plastic products sub-sector recorded the highest growth of 28.5 per cent. Low import duty rates on inputs of plastic products and the consequent low product prices resulted to high and rising demand for plastic products. Production of plastic shoes more than doubled in 1997 after a decline in 1996. During the period under review, 2,473.0 tonnes of P.V.C. pipes were produced compared to 2,339.0 tonnes that of 1996, an increase of 5.7 per cent. Substantial gains were recorded in production of plastic crates, plastic bottles and plastic plates. Production of P.V.C. floor tiles rose to 360.7 thousand units, a 41.6 per cent increase from 254.7 thousand units in 1996.

11.22. Liberalisation of the trade regime and the unfavourable tariff structure has hampered the growth of the glass products in the clay and glass products sub-sector. Production of glass bottles fell by 7.7 per cent from 45.6 thousand tonnes in 1996 to 42.1 thousand tonnes in 1997. Production of windscreens remained at the 1996 level of 114.1 thousand units while production of floor and wall tiles rose significantly.

11.23. In 1997, the non-metallic product sub-sector recorded a marked growth of 5.1 per cent compared to a growth of 4.7 per cent realized in 1996. As shown in Table 11.5 production of cement was 1,504.1 thousand tonnes in 1997 slightly below 1,598.5 thousand tonnes recorded in 1996 This reduction in production is attributable to a major breakdown of the production lines of one of the cement

CEMENT PRODUCTION AND UTILIZATION, 1993-1997

Table 11.5 '000 tonnes

YEAR	PRODUCTION	IMPORTS	CONSUMPTION AND STOCKS	EXPORT TO	
				Uganda and Tanzania	AH Other Countries
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	1,598.5	5.4	941.9	173.0	489.0
1997*	1,504.1	2.6	816.3	77.2	613.2

* Provisional.

producing firms during this period. On the other hand, production of roofing tiles and limestone rose significantly by 20.2 per cent and 22.8 per cent respectively in 1997. Production of concrete pipes and blocks was 632.9 thousand tonnes during the period of review compared to 521.4 thousand tonnes of 1996. However, no significant gain in output was recorded in the production of clinker.

11.24. Removal of imports restrictions and a relatively stable shilling against the major convertible currencies provided the metal products sub-sector with an easy and stable access to raw materials. Although most of the industries in this sub-sector recorded insignificant growths in 1997, few registered declines. Production of galvanised iron sheets rose by 12.7 per cent from 113.9 thousand tonnes in 1996 to 128.4 thousand tonnes in 1997. The other significant growth in this group of industries was in iron rods and bars that rose to 41.2 thousand tonnes in 1997, from 38.9 thousand tonnes in 1996. Production of jembes, metal cans, nails and silencers rose while that of water tanks, metal beds, welded mesh, barbed wire and tabular furniture fell in 1997. No changes were recorded in the production of sufurias, pad locks, bolts and nuts, baby cots and pangas during this period.

11.25. The growing trend observed in the non-electrical machinery sub-sector since 1994, reversed in 1997 and registered a substantial decline of 22.1 per cent mainly as a result of cheap imports. Production of dry cells fell significantly by 26.8 per cent to stand at 111.3 million units in 1997 from 152.1 million units produced in 1996 Similarly production of electrical lamps fell from 5,310 thousand units in 1996, to 4,997 thousand units in 1997. Production of motor vehicle batteries however, rose marginally.

11.26. After recording a substantial growth of 34.9 per cent in 1996, the transport equipment sub-sector recorded a significant decline by 16.7 per cent in 1997. Production of assembled vehicles went down to 6,725 units in 1997 from 8,606 units in 1996 a decline of 21.9 per cent. Conversely, the output of coaches and bus bodies went up by 50.8 per cent in 1997, while that of lorry bodies rose by 14.4 per cent during the same period.

Industrial Credit

11.27. In line with their catalytic role of helping new and assisting existing manufacturing projects, the industrial credit institutions financed a total of 23 new and 3 operational manufacturing projects all worth K£ 27.8 million in 1997 as shown in Table 11.6. This is a significant improvement over 1996 when K£ 14.6 million was approved for 19 projects. The improved performance can be attributed to initial investor expectations in the early 1997 that economic prospects would improve. It is instructive that a large number of approvals were done in the early part of the year and at the beginning of the second half of the year. However, towards the end of the year, investment tempo was somewhat sluggish with a majority of investors putting on hold decisions until the conclusion of the general elections. Unlike the pre liberalised trade regime when investors were seeking industrial

INDUSTRIAL PROJECTS APPROVED BY SELECTED GOVERNMENT OR QUASI GOVERNMENT INSTITUTIONS, 1993-1994

Table 11.6

INSTITUTION	NUMBER OF PROJECTS					APPROVED EXPENDITURE K£ MILLION				
	1993	1994	1995	1996	1997*	1993	1994	1995	1996	1997*
Industrial Development Bank Limited (I.D.B.)	7	5	7	5	2	15.0	10.7	7.1	8.4	6.5
Development Bank of Kenya (DBK)	11	9	5	3	8	11.5	17.8	17.5	5.3	17.8
Kenya Industrial Estates Limited (K.I.E.)	94	204	59	4	12	2.0	3.9	1.2	0.1	0.4
Industrial and Commercial Development Corporation (I.C.D.C.)	9	1	4	7	4	11.9	0.8	5.4	0.8	3.1
TOTAL	121	219	75	19	26	40.4	33.2	31.2	14.6	27.8

* Provisional.

development financing for diverse manufacturing activities, the emerging trends indicate that industrial financing has narrowed down to manufacturing activities with no threat from imported products i.e. dairy, flour milling, printing, furniture, fisheries and salt manufacturing. Kenya Industrial Estate (K.I.E) approved the highest number of projects but the lowest in approved expenditure. Development Bank of Kenya (D.B.K) accounted for 64.0 per cent of all approved expenditure and 30.8 per cent the number of projects approved. '

11.28. In 1997, Industrial Development Bank (I.D.B) approved 2 projects worth K£ 6.5 million compared with 5 projects worth K£ 8.4 million approved in 1996. This reduction in the number and amount of credit approved, can be attributed to the general slowdown in economic activities that prevailed in 1997. The two projects, located in Malindi and Athi River, will be engaged in salt manufacturing and steel rolling respectively and are expected to generate 313 jobs when completed.

11.29. The number and the amount of credit approved by Kenya Industrial Estate (K.I.E) to finance industrial projects still remains low since 1994, when donors especially the African Development Bank (A.D.B), withdrew their funding to K.I.E. Consequently, the only source of funding for K.I.E. projects has been loan collection from the ongoing projects. In 1997, 12 projects worth K£ 400 thousand were approved compared to 204 projects worth K£ 3.9

million, 59 projects worth K£ 1.2 million, and 4 projects worth K£ 100 thousand approved in 1994, 1995 and 1996 respectively. Of the 12 projects approved in 1997, one was a major project accounting for K£ 250 thousand, while the rest were small with approved loans ranging from K£ 3.1 thousand to K£ 25.0 thousand. Majority of these projects were in furniture and flour milling and are to be located in Embu, Kericho, Eldoret and Kisii. One project to be engaged in metal fabrication is to be located in Moyale.

11.30. Development Bank of Kenya (D.B.K) approved 8 industrial projects worth K£ 17.8 million in 1997, compared to 3 projects worth K£ 5.6 million approved in 1996. This improved performance in terms of approval was attributed to the conversion of the bank into a fully fledged commercial bank thus enabling the bank to supplement project loans offered to clients with earnings from other banking services. Of the 8 projects approved by the bank in 1997, 7 were located in Nairobi and 1 in Kilifi. These approved projects were in tea processing, flour milling, manufacture of L.P.G. cylinders, manufacture of spare parts, manufacture of tiles, production of soft drinks, furniture making and vehicle body building. A total of 568 jobs are expected to be created from these projects.

11.31. Industrial Credit and commercial Development Corporation (I.C.D.C) approved K£ 3.1 million for 3 new projects and re-financed 1 project in 1997. These projects were in printing, fisheries, dairy and winery. 62 jobs are expected to be created when this projects are complete.

Manufacturing labour cost and productivity

INDICATORS OF LABOUR PRODUCTIVITY IN MANUFACTURING, 1993-1997

Table 11.7

INDICATOR	1993	1994	1995	1996	1997*
1. Change in the quantum index of manufacturing	+1.8	+1.9	+3.9	+3.7	+1.9
2. Change in numbers employed in manufacturing	+1.7	+1.0	+3.7	+2.8	+1.9
3. Implicit change in labour productivity	+0.1	+0.6	+0.2	+0.9	+0.0
4. Wage cost as percentage of gross output ..	3.1	3.0	3.3	3.3	3.5
5. Wage cost as percentage of value added	32.1	32.3	35.4	37.5	40.5

* Provisional.

11.32. Table 11.7 shows selected indicators of manufacturing output and employment in manufacturing. Implicit change in manufacturing labour productivity recorded no change in 1997, indicating that the increase in employment during this period accounted for the corresponding increase in volume of production. The small change in implicit labour productivity since 1993 gives credence to the continued retrenchment in the sector. On the other hand, wage cost as a percentage of gross output increased marginally from 3.3 per cent in 1996, to 3.5 per cent in 1997 as a result of salary increase awards given to workers in the sector. Similarly, wage cost as a percentage of value added increased from 37.5 per cent to 40.5 per cent during the period of review.

Export Processing Zones Authority (EPZ)

11.33. Kenya export processing zones were established as an instrument of attracting investment, generating employment, technology transfer, earning foreign exchange through exports and increasing value added for the domestic inputs. By 1997, 15 zones had been gazetted and 82 projects with investment potential of K£ 750 million approved. However, only 22 projects with an investment of K£ 225 million and employing 2,846 people have been established.

11.34. In 1997, one enterprise zone was gazetted in Malindi to process sea fish increasing the number of gazetted zones to 15 from 14 gazetted by 1996. During this period, 12 enterprises were approved representing a 17.1 per cent increase from 70 approved enterprises in 1996 to 82 enterprises in 1997. Of these, only 22 companies are already established in the zones and those actively exporting dropped from 18 in 1996 to 16 in 1997. This was occasioned by temporally closure of some firms due to uncertainties relating to the general elections in late 1997.

11.35. Total investment in the zones rose from K£ 220 million in 1996 to K£ 225 million in 1997. Total turnover continued with the upward trend, and in 1997, it was K£ 95 million up from K£ 80.0 million in 1996 representing 18.8 per cent increase. Of the total turnover, 74 per cent accounted for exports showing a marked improvement from 68 per cent recorded in 1996. During the period under review, employment in the zones increased marginally to 2,846 persons in 1997 compared with 2,797 persons in 1996.

Investment Promotion Centre (IPC)

11.36. Investment Promotion Centre was established in 1988 with the main objective of promoting private investment in Kenya. IPC was also to be responsible for facilitating the approval and licensing of new investment promotion activities both locally and abroad. It is however important to note that, other Government ministries, agencies and private sector organisations also handle investors/investments projects.

11.37. Since 1988, IPC has handled 366 manufacturing projects comprising agro-based industries, plastics, chemicals, and pharmaceutical industries with a total capital cost of K£ 1,035.9 million and employment generation capacity of 44,044 people.

11.38. In 1997, IPC approved 7 manufacturing projects with a total capital cost of K£ 27.1 million and 319 jobs are expected to be created compared to 25 projects approved in 1996 with capital cost of K£ 113.2 million and employment potential of 3,545 persons.

CHAPTER 12 - BUILDING AND CONSTRUCTION

The level of building and construction activity is an indicator of the general economic performance of the country. This is due to the linkages building and construction sector has with other sectors of the economy. The sector creates investment and employment opportunities as well as market for industrial goods such as cement, steel, paints, timber and glass. Key indicators in the sector show that activities remained depressed in 1997. The unsatisfactory performance was partly attributable to the slow down in public sector construction activities as a result of Government financial austerity measures and cuts in donor funds. Unfavourable weather conditions experienced during the last quarter of the year slowed down building and construction activities. On the other hand, private sector construction activities benefited from the continued rise in commercial banks loans and advances to building and construction private enterprises, which boosted the private sector building activities. During the period under review, the sectors major indicators recorded mixed performance. Cement consumption declined further while employment picked up marginally. Building and construction cost index maintained a single digit level, while loans and advances rose significantly by 31 per cent from K£ 438 million in 1996 to K£ 575 million in 1997.

12.2. Real trends of selected key economic indicators in the sector are presented in Table 12.1. Employment rose marginally by 1.5 per cent, lower than 3.1 per cent recorded the previous year. This was partly due to general slow down in construction activities. Consumption of cement, a key input in construction industry, declined by 13.0 per cent in 1997 to 816 thousand tonnes, the lowest level recorded since 1993. This was ascribed to depressed domestic demand of cement. Cement consumption index declined from 162.6 in 1996 to 140.9 in 1997. Deflated index on Government expenditure on roads recorded a decline in 1996, due to a fall in actual Government expenditure in 1996/97 fiscal year. Budgetary allocation for roads is however expected to rise in 1997/1998 and hence lead to a significant rise in the index to 113.6. Inadequate budgetary allocation for public building projects contributed to delays in. completion of such projects, hence a steady decline in "index" of reported public buildings.

REAL TRENDS IN BUILDING AND CONSTRUCTION *. 1993-1997

Table 12.1 1982=100

	1993	1994	1995	1996	1997"
"Index" of reported private building work completed in main towns	44.5	34.9	37.6	38.0	
"Index" of reported public building work completed In main towns	5.5	3.8	3.2	2.6	
"Index" of government expenditure on roads	46.7	80.1	91.6	81.6	113.6
Cement consumption (000 tonnes)	894.2	858.5	1,065.0	941.9	816.3
"Index"	154.3	148.5	183.8	162.6	140.9
Employment ('000)	72.7	73.1	76.4	78.8	79.0
"Index"	120.4	120.9	126.5	130.5	130.8

* 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. In 1997, the modern building and construction sector engaged a total of 79.0 thousand people slightly above the 78.8 thousand people engaged in the previous year, expanding by less than two per cent. Significant proportion of the workers, over 60 per cent were in the private sector. Both building and other construction activities registered lower growths in 1997 as compared with the previous year. Since 1995, due to unsatisfactory performance of the economy there has been a steady slow-down in growth of employment within the sector. Modest increases in employment recorded during the period has been confined to the private sector, as wage employment in the public sector continued to decline due to reforms in the public sector institutions and Central Government.

12.4. As shown in Table 12.2, the overall building and construction cost index remained at a single digit level of 7.9 per cent in 1997, that was slightly above the 6.7 per cent recorded in the previous year. The upturn was partly attributed to the depreciation of Kenya Shilling against both the US dollar and sterling pound observed during the second half of 1997. The prices of key construction inputs maintained modest price changes in 1997. The material cost index picked up marginally from 2.9 per cent in 1996 to 4.7 per cent in 1997, while labour cost maintained a lower growth rate compared to 1995 and 1996 levels. Material inputs whose prices rose during the year included; cement, concrete products, explosives, fuels and lubricants, and electrical installation. Higher price changes were more pronounced in 'other' construction inputs whose cost index rose by 9.9 per cent compared to 7.1 per cent and 6.3 per cent for non-residential and residential buildings, respectively. Due to foreign exchange rate fluctuations observed in 1997, frequent price changes were observed in fuels, which had spillover effects on the prices of other key construction material inputs due to increases in transport costs.

ANNUAL PERCENTAGE INCREASE IN BUILDING AND CONSTRUCTION COST INDICES*, 1995-1997

Table 12.2

	MATERIALS			LABOUR			TOTAL COST		
	1995	1996	1997**	1995	1996	1997**	1995	1996	1997**
Residential Buildings	14.3	1.9	4.0	32.2	18.7	16.6	16.7	4.5	6.3
Non-Residential Buildings	6.4	3.1	4.4	32.2	18.7	16.6	10.8	6.2	7.1
All Buildings	10.4	2.2	4.2	32.2	187	16.6	13.8	5.1	6.7
"Other'Construction	31.4	6.9	5.7	32.2	18.7	16.6	31.7	11.8	9.9
TOTAL COST INDEX	15.8	2.9	4.7	32.2	18.7	16.6	19.4	6.7	7.9

* From December to December

* * Provisional.

12.5. Labour cost in the construction industry recorded a lower growth rate in 1997 compared to 1995 and 1996 levels. Labour cost index dropped from 32.2 per cent in 1995 to 18.7 per cent and 16.6 per cent in 1996 and 1997, respectively. In the period under review, semi-skilled and unskilled labour recorded increases of 15.8 per cent and 18.2 per cent, respectively. These increases were attributable to collective agreements signed between the employees unions and the association of contractors in the industry.

12.6. Total value of building plans approved by Nairobi and other Towns as shown in Table 12.3 declined marginally by less than one per cent in 1997. This was mainly due to a decline

recorded in other towns. Total value of plans declined from K£ 756.2 million in 1996 to K£ 748.8 million in 1997. Total value of plans approved by Nairobi City Council (NCQ decelerated sharply from 35.4 per cent in 1996 to less than one per cent in 1997. During the period under review, NCC approved a total of 1,380 building units of which 974 units were residential compared to 1,438 units of which 1,109 were residential approved in the previous year. In other towns category, the value of plans approved declined further to K£ 97.8 million in 1997 from K£ 109.3 million and K£ 167.5 million in 1996 and 1995, respectively.

VALUE OF BUILDING PLANS APPROVED BY NAIROBI AND OTHER TOWNS, 1993-1997

Table 12.3 K£million

YEAR	NAIROBI	OTHER TOWNS	TOTAL
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
1997*	651.06	97.78	748.84

* Provisional.

12.7. Table 12.4 presents a comparison of value of private buildings completed and plans approved during the last five years. The value of buildings completed as a proportion of the plans approved declined from its peak (15 per cent) in 1993 to 10 per cent and 11 per cent in 1995 and 1997, respectively. The declining trend shows that a significant proportion of the plans approved took longer time to be completed.

COMPARISON OF VALUE OF PRIVATE PLANS APPROVED AND BUILDINGS COMPLETED IN MAIN URBAN AREAS, 1993-1997

Table 12.4 K£million

YEAR	PLANS APPROVED	BUILDING WORK COMPLETED
1993	333.10	50.50
1994	413.45	56.97
1995	637.75	66.21
1996	756.24	73.27
1997*	748.84	79.06

* Provisional.

12.8. The rise in total value of reported building works completed, including the value of extensions, in main towns decelerated to 8.8 per cent in 1997 from 9.5 per cent growth recorded in the previous year. Nairobi, which contributes slightly more than half of the total value of buildings completed, recorded a marginal decline of less than one per cent in 1997. Mombasa and Malindi towns recorded 10 per cent and 19 per cent rise, respectively, while Nakuru recorded a modest decline of 4 per cent during the period. The details of value of reported building works completed are shown in Table 12.5.

12.9. Analysis of reported completion of new private buildings by residential and non-residential categories presented in Table 12.6 show a marginal rise in the number of reported residential units from 1,434 units in 1996 to 1,449 units in 1997. The corresponding estimated

costs picked up by 5 per cent during the period by rising from K£ 51.6 million to K£ 54.2 million. The number of non-residential units significantly dropped from 58 units to 30 units while the corresponding costs rose from K£ 21.6 million recorded in 1996 to K£ 24.8 million in 1997.

VALUE OF REPORTED PRIVATE BUILDING* WORKS COMPLETED IN MAIN TOWNS, 1993-1997

Table 12.5 K£million

Year	Nairobi	Mombasa	Kisumu	Nakuru	Malindi	Total
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
1997	42.62	24.24	4.80	5.62	4.88	82.16

* Including the value of extension.

** Provisional.

REPORTED COMPLETIONS OF NEW PRIVATE BUILDINGS* IN MAIN TOWNS, 1993 -1997

Table 12.6

YEAR	NUMBER		ESTIMATED COST K£million		
	Residential	Non-Residential	Residential	Non-Residential	Total
1993	1,305	54	35 92	1458	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
1997**	1,449	30	54 24	2482	79.06

* Excluding the value of extensions.

** Provisional.

12.10. The decline in both the number and value of reported completion of new public buildings in main towns recorded between 1994 and 1996 continued through 1997. Total value declined from K£ 3.4 million in 1994 to K£ 2.3 million and K£ 2.2 million in 1996 and 1997. There was a significant decline in the total number of units completed within the period as shown in Table 12.7. The unsatisfactory performance of public buildings sub-sector was mainly due to inadequate budgetary allocation for public building projects observed in the recent past.

Housing

12.11. Housing is an investment good in both Public and Private sector. Besides social function, investment in housing contributes to employment creation and also supports growth in building and construction sector by providing a market for industrial products such as cement, glass, and steel. In recent years, high interest rates charged on development loans by commercial banks and other financial institutions coupled with inadequate budgetary provision by Central Government has constrained the supply of houses by the private and public sector. To complement private sector's effort, the public sector participation in housing has been through the Ministry of Works and Housing, Local Government, and

National Housing Corporation (NHC) through various housing schemes and programmes. The objective has mainly been to alleviate housing problems that exist in major towns.

REPORTED COMPLETIONS OF NEW PUBLIC BUILDINGS' IN MAIN TOWNS, 1993 -1997

Table 12.7

YEAR	NUMBER		ESTIMATED COST K£million		
	Residential	Non-Residential	Residential	Non-Residential	Total*
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
1997"	90	9	1.66	0.54	2.20

* Including the value of extensions.

** Provisional.

12.12. Table 12.8 shows Central Government expenditure on housing. From its peak of K£ 28.7 million recorded in the 1993/94 fiscal year, approved expenditure has contracted to K£ 6.0 million recorded during 1997/98. A similar trend was observed in approved expenditure as a percentage of total development expenditure, which dropped from 2.2 per cent to less than one per cent. In 1996/97, actual expenditure on housing development improved significantly to K£ 8.1 million from K£ 6.1 million recorded the previous year. The rise in actual expenditure was partly due to increase in loans and grants to NHC for the completion of various housing schemes at various stages of development in various parts of the country.

APPROVED AND ACTUAL CENTRAL GOVERNMENT EXPENDITURE ON HOUSING, 1993/94 -1997/98

Table 12.8

YEAR	K£ Million		Approved Expenditures as Percentage of Development Expenditure
	Approved	Actual	
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	8.12	0.32
1997/98*	6.03		0.26

* Provisional.

12.13. National Housing Corporation, which was established under the housing act, is charged with responsibility of ensuring effective implementation of Government housing policies and programmes throughout the country. In its endeavours to improve the housing conditions of the urban dwellers, the corporation has continued to implement housing schemes and programmes namely: mortgage, rental, tenant purchase, rural housing loans scheme and urban renewal programme aimed mainly at benefiting both low and low-medium income earners. In 1987, the corporation embarked on the urban renewal programme. The primary objective of the programme was to gradually re-develop all the old housing estates and slum settlements in major urban areas. As part of this programme, flats have been constructed at Pumwani-Majengo and Kibera, which has benefited the low and low-medium earners. The enacting of

the Sectional Properties Act of 1987 was of great assistance for this kind of housing development.

12.14. Table 12.9 presents housing units completed by NHC over the last five years. Despite inadequate budgetary provision due to Governments budgetary rationalisation programme, the corporation has over the period completed a total of 1,179 units at a total cost of K£ 23.1 million. In 1997, only one scheme comprising of 35 units at total cost of K£ 1.3 million was completed. In the same year, a total of 287 units with an estimated cost of K£ 37.5 million were at various stages of construction. When completed, the houses will ease the demand for houses in urban areas. Among the schemes under construction included the Kibera Highrise phase II extension, Kiboko (Thika) Phase IV and Eldoret Phase III comprising of 53 units, 42 units and 17 units, respectively.

12.15. Implementation of housing projects under the Urban Pool Housing Programme implemented by the Ministry of Works and Housing continued to be constrained by lack of funds. The scheme is aimed at alleviating housing shortage for civil servants in various parts of the country. The programme recorded a drop in expenditure to about K£ 48 thousand during 1997/98 fiscal year.

HOUSING UNITS COMPLETED BY THE NATIONAL HOUSING CORPORATION, 1993-1997

Table 12.9

	1993	1994	1995	1996	1997*
Units completed					
PROVINCE-					
Nairobi		952	16	1	
Coast	23	66			
North-Eastern					
Eastern					
Central				26	35
Rift valley					
Nyanza					
Western		60			
TOTAL NUMBER	23	1,078	16	27	35
Value of units completed K£000					
Nairobi		17,478	1,363	625	
Coast	487	768			
North-Eastern					
Eastern					
Central				812	1,341
Rift valley					
Nyanza					
Western		258			
TOTAL VALUE	487	18,504	1,363	1,437	1,341

* Provisional

12.16. The total amount of loans advanced to individuals to assist them construct better houses in the rural areas under "The Rural Housing Loans Scheme" continued to show an improvement during the 1996/97 financial year. During the year, rural housing loan

amounting to K£ 214 thousand were advanced to 31 beneficiaries compared to K£ 174 thousand advanced to 33 beneficiaries during the previous financial year. It is noticeable however, that since 1985/86 financial year, when a total of 731 individuals benefited from the scheme, the number of beneficiaries has continued to show a downward trend due to inadequate funding.

Roads

12.17. Efficient road network is a crucial requirement for the country to achieve rapid industrialisation for sustained development, which is the theme adopted for the country's current development plan. Externally, better road network facilitates the exports of goods and also promotes trade within the region. In 1997, the construction of new roads remained depressed due to emphasis placed on the maintenance and repair of the roads already put in place. In the last quarter of the year, sections of some of the roads and bridges were swept away by floods attributed to heavy rains observed during the period. This worsened the road conditions in the country. However, the sector also benefited from the re-carpeting of some roads in Nairobi under the World Bank funding. During 1996/97 fiscal year, the road sub-sector recorded a mixed performance in Government expenditure. Expenditure on recurrent (maintenance and repair) continued to rise which is attributable to use of funds from the Road Maintenance Levy Fund (RMLF), while road development expenditure dropped significantly.

12.18. Analysis of 'classified' road network is presented in Table 12.10. The 'classified' road network covered a total of 63 8 thousand kilometres as at July 1997 with the bulk of the roads being those classified as earth/gravel roads which covered 54.8 thousand kilometres. During the period under review, the length of bitumen road network rose by 200 kilometres. The development of the bitumen roads has been slow over the last five years due to priority given to maintenance and rehabilitation of the existing road network. Between 1993 and 1997, the length of earth/gravel roads reduced by about 100 kilometres due to upgrading of some of the roads to bitumen standard. In 1997, gravel roads covered a total of 27.9 thousand kilometres compared to 26.5 thousand kilometres for earth roads.

KILOMETRES OF ROAD AS AT 1st JULY, 1993 AND 1st JULY, 1997 BY TYPE AND CLASSIFICATION

Table 12.10 '000Km

Type of Road	1993		1997	
	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	2.6	5.6	2.5	5.2
D- Secondary	1.2	10.1	1.2	10.0
E- Minor	0.7	26.0	0.8	26.3
F- Special Purpose*	0.2	10.9	0.2	11.0
TOTAL	8.8	54.9	9.0	54.8

* Special purpose roads include Government access, settlement, rural access,sugar,

12.19. A detailed breakdown of Government expenditure on roads is given in Table 12.11. Expenditure on road development after showing a steady rise between 1994/95 and 1995/96, dropped significantly to K£ 138.3 million during 1996/97. All categories of roads except secondary roads registered a decline in expenditure during 1995/96 fiscal year. The drop in expenditure was partly attributable to a decline in donor funds for road development and the emphasis on the part of the Government to use the existing funds on the maintenance of the existing infrastructure. The expenditure under this item is expected to rise to K£ 311.6 million during 1997/98 fiscal year. The recurrent (maintenance and repair) expenditure continued to show an upward trend .The actual expenditure on road maintenance and repair rose from K£ 177.8 million during 1995/96 to K£ 235.4 million, representing a rise of 32.4 per cent. It is expected to grow further by 10.6 per cent during 1997/98 fiscal year by rising to K£ 260.3 million. The need for increased maintenance and repair works is as a result of damage on roads and bridges occasioned by the heavy rains experienced in the last quarter of 1997.

TOTAL EXPENDITURE ON ROADS. 1995/96-1997/98

Table 12.11 K£million

	1995/96	1996/97	1997/98*
DEVELOPMENT			
Trunk Roads	90.9	39.3	145.7
Primary Roads	51.7	41.5	56.8
Secondary Roads	28.8	34.2	48.4
Unclassified Roads			
Miscellaneous Roads	28.1	23.3	60.7
TOTAL	199.5	138.3	311.6
RECURRENT (maintenance and repair)	177.8	235.4	260.3
TOTAL	377.3	373.7	571.9

Provisional

12.20. Farming and trading activities in rural areas depends on minor and special purpose road network. The roads provide an important link between the farms, processing plants and the markets for the farms produce. Both the minor and special purpose roads covered a total of 38,291 kilometres as at July 1997 compared to 37,852 kilometres in the previous year. Significant proportions of these roads are under earth/gravel surface with only 2.5 per cent of the total kilometres being of bitumen standard. Special purpose roads including settlement, sugar, tea and wheat roads constitute 8.5 per cent of road network. Minor roads, including rural access roads, covered a total of 35,020 kilometres during the period.

12.21. During 1996/97 fiscal year only two roads and a bridge were completed. These were: Makuyu-Isebania, Ruai-Kangundo and Sabaki bridge, all at a total cost of K£ 63.3 million. Six roads covering a total of 367 kilometres were being upgraded to bitumen standard in various parts of the country. Among the roads included Busia-Mumias, Ziwa-Kitale, Rodi Kopany-Karungu Bay and Mwingi Kalanga comer roads. Out of the 28 road projects in progress 19 involved resealing works to improve the existing poor conditions.

CHAPTER 13 - TOURISM

Overview

Tourism sector, the second highest foreign exchange earner after agriculture, performed poorly in 1997. The recovery in the number of visitor arrivals that started in 1996 continued into the first half of 1997, but reversed during the second half of the year. The last quarter of the year recorded an extremely poor performance compared with the same period in 1996. This was attributed to the unstable situation that prevailed in some parts of the Coast, the deteriorating infrastructure mainly caused by the el nino rains and the uncertainty brought about by the country's second multi-party general elections. As a result, total visitor arrivals and departures declined by 0.2 per cent and 5.7 per cent respectively.

13.2. Earnings from tourism fell sharply by 11.6 per cent from K£ 1,280 million in 1996 to K£ 1,132 million in 1997. The average length of stay declined by 11.3 per cent. The number of visitors to national parks and games reserves fell by 8.3 per cent from 1,488.7 thousand in 1996 to 1.364.5 thousand. There was a corresponding decrease in the number of visitors to museums, snake parks and other historical sites from 758.8 thousand recorded in 1996 to 588.1 thousand recorded in 1997.

Arrivals and Departures

13.3. Availability of information on migration statistics has necessitated the Central Bureau of Statistics (CBS) to revise the data on visitor arrivals and departures from 1993. The revised data show that the one million target in visitor arrivals was attained in 1994 and maintained in 1997 with slight decrease.

13.4. Visitor arrivals declined marginally by 0.2 per cent from 1,003.0 thousand persons in 1996 to 1,000.6 persons in 1997. The first and third quarters of 1997 were slightly better in terms of visitor arrival compared to the corresponding quarters in 1996. On the other hand, visitor arrivals declined in both second and fourth quarters of 1997 compared to same quarters in 1996. Thus, visitor arrivals declined by 11.6 per cent from 224.5 thousand in the second quarter of 1996 to 198.5 thousand in the corresponding quarter of 1997. The last quarter of 1997 was particularly bad with the two main international airports of Jomo Kenyatta and Moi recording a decline of 7.1 per cent and 33.3 per cent in visitor arrivals when compared to the previous year.

QUARTERLY VISITOR ARRIVALS BY PURPOSE OF VISIT, 1993-1997

Table 13.1 '000

Quarter/	Purpose	1993	1994	1995	1996	1997*
1stQr	Holiday	181.0	212.0	212.9	213.8	233.6
	Business	22.9	26.8	26.9	27.0	29.5
	Transit	14.9	15.7	13.8	12.1	14.2
	Other	4.9	5.7	5.8	5.8	6.3
	TOTAL	223.7	260.2	259.4	258.7	283.6
2nd Qr	Holiday	199.9	190.8	182.1	175.3	176.4
	Business .	25.2	24.0	23.0	22.1	22.3
	Transit .	14.7	14.2	13.9	12.0	15.5
	Other	5.4	5.2	4.9	4.8	4.8
	TOTAL	245.2	234.2	223.9	214.2	219.0
3rd Qr	Holiday	199.1	206.2	199.0	212.1	210.0
	Business ..	25.1	26.1	25.1	26.8	26.5
	Transit	15.7	14.3	14.1	17.2	20.4
	Other	5.4	5.6	5.4	5.8	5.7
	TOTAL	245.3	22.2	243.6	261.9	262.6
4th Qr.	Holiday	202.4	2146	201.7	219.6	184.8
	Business	25.6	27.1	25.5	27.8	23.4
	Transit	15.8	14.2	14.0	14.9	22.2
	Other	5.5	5.8	5.5	5.9	5.0
	TOTAL	249.3	261.7	246.7	268.2	235.4
Year	Holiday	782.4	823 6	795.7	820.8	804.8
	Business	98.8	104.0	100.5	103.7	101.7
	Transit	61.1	58.4	55.8	56.2	72.3
	Other	21.2	22.3	21.6	22.3	21.8
	TOTAL	963.5	1,008.3	973.6	1,003.0	1.000.6

* Provisional

13.5. There was general similarity in the pattern of arriving visitors by purpose between 1996 and 1997. Visitors who came on holiday accounted for 80.4 per cent in 1997, compared to 81.8 per cent in 1996. Those on business accounted for 10.2 per cent in 1997, compared to 10.3 per cent in 1996 and those on transit accounted for 7.2 per cent in 1997 as compared to 5.6 per cent the previous year. The number of visitors who came on holiday dropped by 1.9 per cent from 820.8 thousand in 1996 to 804.8 thousand in l997. The number of visitors who came on business dropped by 1.9 per cent while visitors on transit went up by 28.6 per cent from 56.2 thousand to 72.3 thousand over the same period.

13.6. The total number of departing visitors dropped by 5.7 per cent to stand at 924.7 thousand in 1997 when compared with 980.8 thousand recorded in 1996. The highest decreases were 11.6 per cent and 14.6 per cent recorded during the second and fourth quarters of 1997 respectively as a result of significant drops of 16.8 per cent and 23.7 per cent in departing visitors recorded for Jomo Kenyatta and Moi International Airports. All categories of departing visitors except visitors who were on transit showed significant decreases. These details are shown in Table 13.2.

the Sectional Properties Act of 1987 was of great assistance for this kind of housing development.

12.14. Table 12.9 presents housing units completed by NHC over the last five years. Despite inadequate budgetary provision due to Governments budgetary rationalisation programme, the corporation has over the period completed a total of 1,179 units at a total cost of K£ 23.1 million. In 1997, only one scheme comprising of 35 units at total cost of K£ 1.3 million was completed. In the same year, a total of 287 units with an estimated cost of K£ 37.5 million were at various stages of construction. When completed, the houses will ease the demand for houses in urban areas. Among the schemes under construction included the Kibera Highrise phase II extension, Kiboko (Thika) Phase IV and Eldoret Phase III comprising of 53 units, 42 units and 17 units, respectively.

12.15. Implementation of housing projects under the Urban Pool Housing Programme implemented by the Ministry of Works and Housing continued to be constrained by lack of funds. The scheme is aimed at alleviating housing shortage for civil servants in various parts of the country. The programme recorded a drop in expenditure to about K£ 48 thousand during 1997/98 fiscal year.

HOUSING UNITS COMPLETED BY THE NATIONAL HOUSING CORPORATION, 1993-1997

Table 12.9

	1993	1994	1995	1996	1997*
Units completed					
PROVINCE-					
Nairobi		952	16	1	
Coast	23	66			
North-Eastern					
Eastern					
Central				26	35
Rift valley					
Nyanza					
Western		60			
TOTAL NUMBER	23	1,078	16	27	35
Value of units completed K£000					
Nairobi		17,478	1,363	625	
Coast	487	768			
North-Eastern					
Eastern					
Central				812	1,341
Rift valley					
Nyanza					
Western		258			
TOTAL VALUE	487	18,504	1,363	1,437	1,341

* Provisional

12.16. The total amount of loans advanced to individuals to assist them construct better houses in the rural areas under "The Rural Housing Loans Scheme" continued to show an improvement during the 1996/97 financial year. During the year, rural housing loan

DEPARTING VISITORS BY COUNTRY OF RESIDENCE AND PURPOSE OF VISIT, 1996-1997

Table 13.3 '000

Country of Residence	Holiday		Business		Transit		Total**	
	1996	1997*	1996	1997*	1996	1997*	1996	1997*
Germany	195.2	182.7	4.6	4.3	6.7	7.7	206.5	194.7
United Kingdom	123.2	115.1	18.9	17.6	5.8	6.7	147.9	139 4
Switzerland	20.5	19.0	2.6	2.4	2.0	2.3	25.1	23.7
Italy	25.4	23.7	3.0	2.8	1.7	1.9	30.1	28.4
France	19.6	18.1	2.7	2.5	1.8	2.1	24.1	22.7
Scandinavia	16.7	15.5	2.3	2.1	1.6	1.8	20.6	19.4
Other Europe	152.2	141.7	3.4	3.2	8.9	10.2	164. 5	155.1
TOTAL EUROPE	552.8	515.8	37.5	34.9	28.5	32.7	618.8	583.4
USA	45.9	42.9	5.3	4.9	2.4	2.8	53.6	50.6
Canada	14.7	13.6	1.9	1.8	1.3	1.5	17.9	16.9
TOTAL NORTH AMERICA	60.6	56.5	7.2	6.7	3.7	4.3	71.5	67.5
Uganda	14.8	13.7	21.9	20.4	2.5	2.9	39.2	37.0
Tanzania	27.0	24.2	5.8	5.4	6.8	7.8	39.6	37.4
Other Africa	32.7	29.5	18.1	16.8	8.3	9.5	59.1	55.8
TOTAL AFRICA	74.5	67.4	45.8	42.6	17.6	20.2	137.9	130.2
India	12.4	11.5	2.5	2.3	1.3	1.5	16.2	15.3
Japan	10.7	10.0	1.3	1.2	0.6	0.7	12.6	11.9
Israel	5.9	5.6	0.9	0.8	0.3	0.3	7.1	6.7
Other Asia	13.4	12.2	3.4	3.2	1.7	2.0	18.5	17.4
TOTAL ASIA	42.4	39.3	8.1	7.5	3.9	4.5	54.4	51.3
Australia and New Zealand	14.4	13.3	1.6	1.5	1.0	1.2	17.0	16.0
All Other Countries	55.8	52.0	0.9	0.8	2.8	3.3	59.5	56.1
TOTAL	800.5	744.3	101.1	94.0	57.5	66.2	959.1	904.5

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

NUMBER OF DAYS STAYED* BY PURPOSE OF VISIT, 1993-1997

Table 13.4 '000

Purpose	1993	1994	1995	1996	1997"
Holiday	9,942.5	13,472.2	10,371.2	12,087.6	9,603.0
Business	984.8	1,309.6	1,203.7	1,246.1	785.4
Transit	155.3	204.4	232.5	264.5	284.7
TOTAL	11,082.6	14,986.2	11,807.4	13,598.2	10,673.1
Average length of stay in days	11.9	15.2	12.2	13.3	11.8

* Excludes days stayed by "Other Visitors" Category
** Provisional

13.8. Tourism earnings and hotel occupancy are largely a function of the number of visitor arrivals and the average length of stay. Table 13.4 details the number of days stayed by purpose of visit. The total number of days stayed by visitors other than "Other" visitors category went down by 21.5 per cent from 13,598.2 in 1996 to 10,673.1 in 1997. The number of days stayed by visitors on holiday and business during the year dropped by 20.6 per cent and 37.0 per cent respectively. The number of days stayed by visitors on transit however went up by 7.6 per cent. Consequently, the average length of stay for all visitors fell by 11.3 per cent from 13.3 days in 1996

to 11.8 days, equal to 11.3 per cent.

Hotel Occupancy

13.9. As shown in Table 13.5 and 13.6, bed availability declined by 16.2 per cent from 11,354.5 thousand in 1996 to 9,516.6 thousand bed nights in 1997. This precipitated the closure of several hotel establishments particularly at the Coast. The number of bed nights occupied dropped by 3.0 per cent from 5,061.2 thousand bed nights in 1996 to 4,910.3 thousand bed nights. As a result, overall hotel occupancy rate rose by 15.7 per cent.

HOTEL BED-NIGHTS OCCUPIED BY COUNTRY OF RESIDENCE, 1993-1997

Table 13.5 '000

	1993	1994	1995	1996	1997*
Permanent Occupants"	82 1	108.5	99.2	41.8	28.3
Germany	1,430.1	1,334.3	1,201.4	1,275.6	1,135.1
Switzerland	363.1	339.9	312.0	301.9	272.6
United Kingdom	813.8	909.2	984.6	934.1	956.0
Italy	468.2	296.2	305.7	174.6	249.3
France	517.4	324.4	310.1	278.0	267.6
Scandinavia	121.4	90.2	86.3	135.4	152.1
Other Europe	388.7	289.0	289.0	360.9	321.9
EUROPE	4,102.7	3,583.2	3,489.1	3,460.5	3.354.6
Kenya Residents	895.0	689.6	689.3	782.6	776.8
Uganda	47.5	31.8	30.8	32.8	36.6
Tanzania	522	37.7	40.6	40.3	40.6
East and Central Africa	748	46.7	41 9	46.5	50.2
West Africa	29.1	28.8	28.2	18.3	21.7
North Africa	17.1	12.0	12.0	15.7	15.0
South Africa			23.1	32.3	43.6
Other Africa	135.3	89.9	89.9	69.5	64.4
AFRICA	1.251.0	936.5	955.8	1,038.0	1,048.9
USA	386.0	243.4	265.9	232.7	225.7
Canada	81.0	45.9	51.6	28.3	29.9
Other America	27.7	15.0	15.0	14.8	23.2
AMERICA	494 7	304.3	332.5	275.8	278.8
Japan	52.0	32.6	33.4	42.4	49.6
India	42.8	27.1	27.8	54.2	31.1
Middle East	40.0	27.0	29.6	45.3	34.6
Other Asia	45.1	25.5	25.5	37.7	26.2
ASIA	179.9	112.2	116.3	179.6	141.5
Australia and New Zealand	46 2	28.2	25.1	33.9	30.2
All Other Countries	32.2	36.8	36.8	31.6	28.0
TOTAL- OCCUPIED	6,188.8	5,109.7	5.054.8	5.061.2	4,910.3
TOTAL -AVAILABLE	11,908.9	11,908.9	11,562.2	11,354.5	9,516.6
Occupancy rate %	52.0	43.1	43.7	44.6	51.6

* Provisional

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

The reduction of hotel bed capacity caused an improvement in the overall hotel occupancy rate, which rose from 44.6 per cent to 51.6 per cent. The month by month analysis reveals a very poor performance of the hotel industry during the last four months of the year, when hotel occupancy rates dropped to as low as 32.6 per cent recorded in the month of November. There was also a decline in the number of bed-nights by residents of Kenya from 782.6 thousand in 1996 to 776.8 thousand in 1997.

HOTEL BED-NIGHTS OCCUPIED BY ZONE, 1993-1997

Table 13.6 '000

Zone	1993	1994	1995	1996	1997**
Coastal-Beach	3,762.0	3,071.5	3,059.6	3,144.9	3,074.4
-Other	196.2	185.2	166.7	70.9	71.5
Coast Hinterland	146.2	133.2	120.3	114.2	59.0
Nairobi-High Class	649.9	55.0	613.7	774.1	801.5
-Other	499.0	454.7	413.8	313.0	311.8
Central	369.0	299.0	275.4	253.4	218.1
Masai land	372.7	247.8	245.3	237.1	215.0
Nyanza Basin	105.6	82.8	78.6	114.3	88.2
Western	79.9	69.9	65.5	33.0	64.3
Northern	8.3	15.2	15.9	6.3	6.5
TOTAL-OCCUPIED	6,188.8	5,110.0	5,054.8	5,061.2	4,910.3
TOTAL-AVAILABLE	11,908.9	11,908.9	11,562.2	11,354.5	9,516.6

* Provisional

13.10. Kenya continued to source most of her tourists in 1997 from European countries. Residents of Italy, United Kingdom and Scandinavia, registered a combined growth of 9.1 per cent in hotel bed occupancy. All other European countries jointly registered 9.9 per cent decline in bed occupancy in 1997. However, the number of hotel bed-nights by residents of Europe declined by 3.1 per cent from 3,460.5 thousand in 1996 to 3,354.6 thousand in 1997. The most important tourist generating countries of Germany and the United Kingdom recorded mixed performance. Hotel bed-nights by residents of Germany dropped by 11.0 per cent from 1,275.6 thousand to 1,135.1 thousand while bed-nights by residents of the United Kingdom went up by 2.3 per cent from 934.1 thousand to 956.0 thousand. Clients from the two countries accounted for 42.6 per cent of total bed-nights in 1997 as compared to 43.7 per cent during the previous year. North America was the second most important source of tourist with 278.8 thousand bed-nights, of which over 80 per cent were by residents of the United States of America. The financial instability in Asian countries discouraged visits by residents of Asia, hence the reduction in hotel bed-nights by 38.1 thousand bed-nights, equal to 21.2 per cent.

13.11. The warm coast beaches attract most tourists visiting Kenya. During the review period, 62.6 per cent of all hotel bed-nights were by tourists staying in Coast beach hotels. However, this was a drop of 2.2 per cent from the bed nights recorded in 1996. These are presented in Table 13.6. The number of hotel bed-nights in other Coast hotels went up marginally from 70.9 thousand to 71.5 thousand between 1996 and 1997. The poor state of roads and disturbances at the Coast led to a reduced performance of hotels in Coast hinterland, which recorded a drop of 48.3 per cent in the number of bed-nights. This is evidenced by the decline from 114.2 thousand to 59.0 thousand between 1996 and 1997. Nairobi high-class hotels recorded an improvement in the number of bed-nights from 774.1 thousand in 1996 to 801.5 thousand in 1997. Hotel establishments in the other zones with the exception of

Western and Northern zone had generally poor performance in 1997 compared to 1996. The steep rise in the number of bed-nights in the Western zones was as a result of improved response rather than an influx of tourists to this zone.

13.12. Table 13.7 shows hotel bed-nights occupied by country of residence and by area. In 1997, hotel bed-nights occupied in Nairobi and other areas went up by 2.4 per cent and 13.2 per cent respectively. On the other hand, hotel bed-nights occupied in Coast and in Lodges dropped by 2.2 per cent and 28.8 per cent respectively over the same period. Residents from Europe spent 2,700.5 thousand hotel bed-nights in hotels in the Coast. This represents more than 80 per cent of all hotel bed-nights occupied by European tourists in the country. The main destination of domestic tourists continued to be the Coast. Kenya residents however spent 4.5 per cent fewer bed-nights in Coast hotels from 305.7 thousand in 1996 to 291.8 thousand in 1997. This represents close to 40 per cent of all hotel bed-nights occupied by Kenya residents in the country. Residents from Asia, Australia and New Zealand spent over 60 per cent of hotel bed-nights in Nairobi reiterating the business nature of their visits. Residents of Europe, with 213.0 thousand bed-nights, were with 30 per cent of them occupying most of the hotel bed-nights occupied in game lodges by residents of the United Kingdom.

13.13. As shown in Table 13.8 the drop in the number of visitors to parks and game reserves in 1997 did not augur well for bed-occupancy in game lodges. The number of bed-nights occupied in these establishments dropped by 28.8 per cent from 493.2 thousand in 1996 to 351.2 thousand in 1997. Foreign residents and East African residents spent 30.0 per cent and 13.6 per cent fewer bed-nights, respectively, during 1997 when compared to the previous period. Most clients to game lodges opted for full catering.

HOTEL BED-NIGHTS OCCUPIED BY COUNTRY OF RESIDENCE, 1997*

Table 13.7 k£'000

Country of Residence	Nairobi	Coast	Lodges	Others	Total
Permanent Occupants"	14.6	11.2	1.3	1.1	28.3
Germany	46.1	1,036.7	43.5	8.8	1,135.1
Switzerland	12.3	244.2	13.6	2.5	272.6
United Kingdom	148.6	714.2	64.4	28.8	956.0
Italy	22.4	214.0	10.9	2.0	249.3
France	37.3	184.1	38.7	7.5	267.6
Scandinavia	34.2	98.1	15.5	4.3	152.1
Other Europe	77.0	209.2	26.4	9.3	321.9
Kenya	262.3	291.8	29.8	192.9	776.8
Uganda	22.3	9.9	0.3	4.1	36.6
Tanzania	24.3	11.7	1.1	3.5	40.6
East and Central Africa	41.1	7.6	0.2	1.3	50.2
West Africa	18.6	2.1	0.7	0.3	21.7
North Africa	12.4	1.6	0.4	0.6	15.0
South Africa	29.2	13.1	0.8	0.5	43.6
Other Africa	45.5	16.7	0.7	1.5	64.4
U.S.A	118.8	26.8	66.2	13.9	225.7
Canada	18.1	6.3	3.9	1.6	29.9
Other America	11.4	4.6	4.3	2.9	23.2
Japan	29.8	4.9	10.7	4.2	49.6
India	18.4	8.0	3.3	1.4	31.1
Middle East	23.0	3.9	5.3	2.4	34.6
Other Asia	13.8	8.0	2.8	1.6	26.2
Australia and New Zealand	19.5	2.9	5.7	2.1	30.2
All Other Countries	12.1	14.5	0.7	0.7	28.0
TOTAL	1.113.1	3,146.1	351.2	299.9	4,910.3

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

GAME LODGES" OCCUPANCY, 1995- 1997

Table 13.8 '000

Lodge locality/Type	BEDNIGHTS OCCUPIED					
	Foreign Residents			E.A. Residents		
	1995	1996	1997*	1995	1996	1997*
Game Reserves	218.6	255.5	178.9	21.0	20.9	18.0
National Parks	172.5	201.7	141.2	15.1	15.1	13.1
TOTAL	391.1	457.2	320.1	36.1	36.0	31.1
Of which full catering	341.2	398.9	279.3	28.3	28.2	24.4
Self Service	49.9	58.3	40.8	7.8	7.8	6.7

* Provisional
** Lodges in National Parks and Game Reserves only

Other Tourist Attractions

13.14. The downward trend in the number of visitors to parks and game reserves that was observed in 1995 continued in 1997, as detailed in Table 13.9. It will be observed that Bamburi Nature Park in Mombasa North Mainland, owned and managed by Baobab farm, which is a wholly owned subsidiary of Bamburi Portland Cement Company, has been included for the first time and hence the variation in the data series. This park has proved to be a popular tourist attraction. The number of visitors to parks and game reserves went down by 8.3 per cent from 1,488.7 thousand recorded

in 1996 to 1,364.5 thousand in 1997. There was poor performance in the 8 major national parks with the exception of Amboseli National Park, which registered a growth of 7.4 per cent from 109.1 thousand in 1996 to 117.2 thousand in 1997. Visitors to Lake Nakuru dropped by 15.8 per cent from 156.9 thousand to 132.1 thousand while visitors to Tsavo East National Park declined by 10.4 per cent from 137.5 thousand to 123.2 thousand over the same period. This may be attributed to the poor performance in visitor arrivals during the second half of 1997 brought about by the disturbances at the Coast and the poor state of roads mainly due to the heavy rains. The number of visitors to the three marine parks of Mombasa, Watamu and Malindi, which declined by 24.1 per cent from 81.2 thousand visitors in 1996 to 61.6 thousand in 1997.

NUMBER OF VISITORS TO PARKS AND GAME RESERVES, 1993-1997

Table 13.9 '000

	1993	1994	1995	1996	
Nairobi	164.6	163.2	113.5	158.3	149.6
Animal Orphanage	155.3	182.0	212.1	210.6	193.7
Amboseli	121.1	159.5	114.8	109.1	117.2
Tsavo (West)	102.9	105.4	93.1	93.6	88.6
Tsavo (East)	135.8	132 4	228.8	137.5	123.2
Aberdare	60.8	60.2	70.1	602	59.0
Buffalo Springs					
Lake Nakuru .	178.6	164.3	166.8	156.9	132.1
Masai Mara	133.1	138.2	133.2	130.3	118.3
Bamburi Nature Park	93.2	98.9	109.2	107.0	86.8
Malindi Marine	41.1	39.4	38.8	39.3	27.0
Lake Bogoria	37.2	43.2	14.2	14.2	24.5
Meru	7.4	7.9	7.3	7.8	4.1
Shimba Hills	24.8	31.6	20.0	23.4	22.5
Mount Kenya	18.0	17.2	17.2	17.1	14 8
Samburu	21.5	9.2	9.1	9.1	8.3
Kisite/Mpunguti	27.5	34.8	32.4	39.9	35.1
Mombasa Marine	43.3	48.0	23.9	21.7	15.2
Watamu Marine	31.7	32.1	16.1	20.2	19.4
Heirs Gate	47.4	44.9	50.1	52.1	47.2
Impala Sanctuary (Kisumu)	59.1	5.5	3.5	65.6	62.4
Other**	16.6	9.6	18.9	14.8	15.5
TOTAL	1,551.6	1,557.5	1,493.1	1,488.7	1 ,364.5

* 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

13.15. Table 13.10 shows the number of visitors to museums, Snake Park and other historical sites. The number of visitors to these attractions continued to decline in 1997 for the second consecutive year. During the period under review, there was a substantial fall in the number of visitors to the three most popular attractions of National Museum, Snake Park and Fort Jesus from 218.0 thousand, 170.6 thousand and 180.2 thousand recorded in 1996 to 184.5 thousand, 148.6 thousand and 124.4 thousand, respectively. The rest performed equally poorly to give rise to an overall drop of 22.5 per cent in visitors to museums, Snake Park and other sites. Overall the number of visitors stood at 588.1 thousand in 1997.

VISITORS TO MUSEUMS, SNAKE PARK AND SITES, 1993-1997

Table 13.10 '000

	1993	1994	1995	1996	1997
National Museum: (Main Gate)	202.7	217.9	215.4	218.0	184.5
National Museum: (Snake Park)	175.2	187.0	181.6	170.6	148.6
Fort Jesus	289.9	221.4	245.3	180.2	124.4
Kisumu Museum	35.0	33.2	36.1	49.5	18.2
Kitale Museum	26.3	23.9	27.5	29.0	16.1
Gedi	37.2	45.7	43.7	29.6	29.7
Meru Museum	18.6	22.6	21.0	12.4	9.4
Lamu	7.7	10.4	10.7	12.2	8.6
Jumba la Mtwala	6.9	9.6	11.3	8.5	4.9
Olorgessaile					2.2
Kariandusi	2.0	2.1	3.0	2.3	0.7
Hyrax Hills				1.9	1.5
Karen Blixen	47.5	43.8	46.1	43.7	38.6
Kilifi Mwarani	0.9	0.7	0.8	0.9	0.7
T6tAl	849.9	818.3	842.5	758.8	588.1

* Provisional.

Conference Tourism

13.16. Two major United Nations agencies, the United Nations Environment Programme (UNEP) and the United Nations Centre for Human Settlements (HABITAT), have their world headquarters in Kenya. This is in addition to several other regional and international bodies having their regional or international headquarters in the country. This makes the country ideal for international conferences. However, the preference of major hotels by conference organisers in 1997, continued to cause decreased activity at the Kenyatta International Conference Centre. There was only one conference with 250 delegates for 3 days. The Centre's occupancy was consequently drastically reduced to 0.8 per cent. Arrangements are being made to monitor international coherences held outside this centre.

CONFERENCES HELD AT KENYATTA INTERNATIONAL CONFERENCE CENTRE, 1993-1997*

Table 13.11

	1993	1994	1995	1996	1997
Number of conferences	13	16	18	8	1
Number of conferences days	18	119	126	24	3
Attendance (Number of Delegates)	8,070	11,560	12,720	5,660	250
Percentage of occupancy	4.9	32.6	34.4	6.6	0.8

* Provisional
** International conferences/delegates only

Tourism Promotion

13.17. Kenya's tourism has continued to be promoted through three main axis. The individual hotel chains have been promoting Kenya's tourism with emphasis on their hotel establishments. Tourism is also promoted through Kenya's tourist offices located in the major tourist generating countries. The Ministry of Tourism and Wildlife through the Tourism Department also plays an important role in tourism promotion particularly by participating in international tourism fairs. On the local scene the Ministry promotes domestic tourism through their participation in the Agricultural Society of Kenya (ASK) Shows. The recently launched Kenya Tourist Board is charged with co-ordinating tourism promotion but its impact within the industry is yet to be felt.

Development of Tourism

13.18. There are two public institutions charged with the responsibility of tourism development in the country. These are the Kenya Tourist Development Corporation (KTC and the Kenya Utalii College. The KTDC has been identified as a strategic parastatal with the following functions to:-

- continue being the Government investment arm in the tourism industry;
- continue supporting Government policy;
- provide information to foreign and domestic private investors in the tourism industry; and
- play a catalystic role and act as a confidence builder attracting both foreign and local private investment in the industry.

13.19. The Kenya Utalii College has the responsibilty of training high and middle level manpower for the tourism industry. By the end of 1997,the college had trained 19,382 candidates at ordinary, advanced and in-Service levels with 1,476 of them trained in 1997. Out of the total trainees during the year, 1,802 undertook in-service courses.

13.20. The following projects have already received Government approval and are programmed for development during the 1998/99 period:

- Mombasa Island Hotel
- Jomo Kenyatta International Airport Hotel
- Meeting point plaza in Nairobi
- Kitale Hotel
- Bomas of Kenya project
- Floating Ship Hotel in Lake Victoria
- Fourteen Falls Lodge in Thika
- District Focus Hotels in 6 districts

CHAPTER 14 - TRANSPORT, STORAGE AND COMMUNICATIONS

Overview

The general slowdown in the growth of the domestic economy first recorded in 1996 continued through 1997. Transport, storage and communications sector recorded a decelerated output growth of 6.1 per cent in 1997 compared to the 1996 output growth of 12.8 per cent. The sector's overall value of output at nominal prices went up from K£ 3,425.8 million in 1996 to K£ 3,635.9 million in 1997. The dampened growth of the sector, particularly during the second half of 1997, may be attributed to several factors. Among them are; the general decline of major economic activities such as tourism; dilapidated infrastructure especially the roads; the sudden depreciation of the Kenya shilling against major trading currencies and the disruption of transit traffic through Mombasa harbour to the hinterland.

14.2. Substantial increases in the total value of output were recorded for air transport, water transport, pipeline transport and communications sub-sectors whose growths were 11.0 per cent, 7.0 per cent, 3.9 per cent and 7.9 per cent respectively. Apart from water transport, the recorded output growths in air transport, pipeline and communications sub-sectors were well below the levels attained in 1996. The road transport industry recorded an output growth of 5.2 per cent in 1997 compared to 14.3 per cent in 1996. The constrained growth of the sub-sector in 1997 was mainly due to the poor state of the roads, which led to increasing operational costs. The total number of newly registered vehicles rose by a modest 4.3 per cent in 1997 compared to 29.0 per cent recorded in 1996.

Overall Results

14.3. Table 14.1 summarises details of the overall value of output from the transport and communications sector.

TRANSPORT AND COMMUNICATIONS- VALUE OF OUTPUT, 1993-1997

Table 14.1 K£million

	1993	1994	1995	1996	1997*
Road Transport	719.3	762.2	810.7	926.4	974.5
Railway Transport''	153.2	185.5	225.0	183.6	167.2
Water Transport	182.7	250.7	372.3	367.3	393.0
Air Transport	388.6	408.8	471.1	540.6	600.2
Services Incidental to Transport	94.3	118.4	153.8	181.1	186.5
Pipeline Transport	78.6	143.6	197.8	230.7	239 8
Communications	547.9	683.8	805.1	996.1	1,074.7
TOTAL	2,164.6	2,553.0	3,035.8	3,425.8	3,635.9

* Provisional.

** Includes other revenue

In nominal prices, the road transport sub-sector registered a total output value of K£ 974.5 million in 1997 compared to K£ 926.4 million in 1996. The slow down in output growth from the sub-sector may be attributed to the deterioration of road infrastructure during the period under review, which inhibited operations of most economic activities.

14.4. The communications sub-sector recorded a total output growth of 7.9 per cent from K£ 996. 1 million in 1996 to K£ 1,074.7 million in 1997. This growth was largely attributed to the impressive economic performance of the telecommunications industry. Other sub-sectors that posted positive growths in 1997, albeit slower than those attained in 1996 were air and pipeline transport with growths of 11.0 per cent and 3.9 per cent respectively. Technical, financial and operational constraints continued to suppress output growth. from railway transport resulting in a drop of 8.9 per cent in 1997.

EARNINGS FROM ROAD AND RAIL TRAFFIC, 1993-1997

Table 14.2 K£million

	1993	1994	1995	1996	1997*
Passenger Traffic:					
Road	438.5	451.3	466.0	526.9	504.5
Rail	14.4	13.0	14.5	14.6	14.9
Total	452.9	464.3	480.5	541.5	519.4
Freight Traffic:					
Road	280.8	310.9	344.7	399.4	470.0
Rail	146.1	152.0	171.3	156.7	142.4
Total	426.9	462.9	516.0	556.1	612.4
Total Road Traffic	719.3	762.2	810.7	926.3	974.5
Total Rail Traffic	160.5	165.0	185.8	171.3	157.3
Total	879.8	927.2	996.5	1,097.6	1,131.8

* Provisional

14.5. Details comparing the earnings from road and rail transport are presented in Table 14.2. On one hand, total earnings realised from ferrying passengers by road and railway recorded a marginal fall of 4.1 per cent from K£ 541.5 million in 1996 to K£ 519.4 million in 1997. On the other hand, freight traffic earnings rose by 10.1 per cent from K£ 556.1 million in 1996 to K£ 612.4 million in 1997. Road transport has over the years dominated freight transport activity and was the cause of the overall growth in earnings recorded during 1997. Rail passenger earnings remained near the 1996 levels but rail freight earnings declined by 9.1 per cent.

Road Transport

14.6. Details of registration of newly purchased road vehicles are presented in Table 14.3. Vehicle registration recorded a growth rate of 4.3 per cent from 28,664 vehicles registered in 1996 to 29,893 in 1997. Notable increases were recorded for lorries and trucks, wheeled tractors and station wagons, which rose by 23.0 per cent, 20.6 per cent and 4.7 per cent respectively. The top two in registration growth rates were recorded for vehicles needed for farming and freight transport activities. In terms of the absolute number of vehicles registered, saloon cars, panel vans and pick-ups, and static wagons took the first three positions in that order. There was a decline in registration of vans and pick-ups, mini buses and construction vehicles.

NEW REGISTRATION OF ROAD VEHICLES, 1993- 1997

Table 14.3 Number

Type of Vehicle	1993	1994	1995	1996	1997*
Saloon Cars	4,542	7,031	6,519	8,625	8,995
Station Wagons	1,828	2,699	3,260	4,069	4,259
Panel Vans, Pick-ups, etc.	2,510	3,380	5,778	7,711	7,544
Lorries/Trucks	750	1,315	1,778	2,222	2,732
Buses and Coaches	519	390	743	888	931
Mini Buses	295	427	813	946	927
Special Purposes Vehicles	20	19	32	38	35
Trailers	291	541	444	674	680
Rollers, Graders. Cranes	55	53	89	104	102
Wheeled Tractors	474	578	977	1,047	1,263
Crawler Tractors	2	6	11	9	6
Motor and Auto Cycles	1,133	1,488	1,778	2,328	2,415
Three Wheelers	1	1	2	3	4
Total	12,420	17,928	22,224	28,664	29,893

* Provisional.

14.7. Table 14.4 presents details of the number of licenses issued for vehicles on hire since 1993. Licenses for Passenger Service Vehicles (PSV's) which include buses and tourist vehicles only, declined slightly by 2.3 per cent from 2,042 in 1996 to 1,996 in 1997. This may be viewed against the fall in tourism industry during the year.

LICENCES ISSUED FOR VEHICLES ON HIRE, 1993-1997

Table 14.4 Number

	1993	1994	1995	1996	1997*
Passenger Service Vehicles **	1,753	2,399	2,185	2,042	1,996
Freight Transport Vehicles	6,290	8,414	7,752	6,517	9,031
Total	8,043	10,813	9,937	8,559	11,027

* Provisional.

** PSV licenses for buses and tourist vehicles only

Conversely, licenses for Freight Transport Vehicles (FTV's) rose sharply by 38.6 per cent to 9,031 in 1997 from 6,517 in 1996. The sudden rise in the licensing of FTV's in 1997 compares well with the number of newly registered trucks, vans and pick-ups during the same period. Licenses for Passenger Service Vehicles (Matatu) recorded a significant increase of 17.5 per cent from 24,470 licenses issued in 1996 to 28,760 in 1997. Nairobi City alone accounted for 21.2 per cent of the total PSV Matatu licenses issued countrywide.

Railway Transport

14.8. Table 14.5 summarises details of the railway traffic performance. Freight tonnage transported on the railway network fell by 21.3 per cent from 2,059.7 thousand tonnes in 1996 to 1,620.6 thousand tonnes in 1997.

RAILWAY TRAFFIC, 1993-1997

Table 14.5

	Unit	1993	1994	1995	1996	1997*
Freight						
Tonnes	'000	2,310.0	1.901.0	2,090.1	2,059.7	1,620.6
Tonne km	million	1,312.0	1,172.0	1,456.1	1,308.5	1,068.2
Revenue	K£million	146.1	152.0	171.3	156.7	142.4
Revenue per tonne Km	cts	221.0	259.0	235.0	240.0	267.0
Passenger:						
Journeys	000	2,426.0	1,910.6	1,624.1	2,378.9	2,386.4
Passenqer-Km	million	464.0	408.0	363.0	371.2	339.0
Revenue	K£million	14.4	15.2	14.5	14.6	14.9
Revenue per passenger-Km.	cts	62.0	75.0	80.0	78.6	87.8

* Provisional

Consequently, the revenue earned from rail freight transport dropped to K£ 142.4 million in 1997 from K£ 156.7 million in 1996. Passenger journeys made in 1997 rose modestly by 0.3 per cent from 2,378.9 thousand in 1996 to 2,386.4 thousand journeys at a time when passenger-kilometres fell by 8.7 per cent. Total revenue collected from passengers in 1997 amounted to K£ 14.9 million compared to K£ 14.6 million earned in 1996, a marginal rise of 2.1 per cent. The poor performance by the railway freight service stream had a negative impact on the overall earnings from rail transport sub-sector. This is mainly due to the fact that freight transport has been providing over ten times more revenue than passenger services. The dismal performance of this service stream arose from technical, financial and operational constraints the Corporation was facing. The same reasons explain the Corporation's inability to respond effectively to the growing demand for freight and passenger transport services particularly during the last quarter of 1997 when heavy rains destroyed the road infrastructure.

14.9. The Corporation has undertaken measures, such as job evaluation study with an aim of improving its productivity, economic performance and reducing manning levels. Passenger services were separated from freight traffic services to increase the letter's efficiency and guarantee optimal revenue collection.

Harbours and Shipping

14.10. Table 14.6 summarises details of freight traffic at the port of Mombasa. Total volume of freight traffic handled by the Kenya Ports Authority dropped by 3.3 per cent in 1997 to 8,410 thousand tonnes from 8,694 thousand tonnes in 1996. A significant drop of 23 per cent in the volume of export freight handled at port in 1997 was reported, while imported freight recorded a modest growth of 4.1 per cent during the same period. The general decline in port freight activity is attributed to the disruption of transit traffic brought about by civil strife in the Great Lakes region (i.e. Rwanda, Burundi, Democratic Republic of Congo and the Southern part of Sudan). Transit traffic through the port had grown rapidly in the previous five years with a peak at 2,837 thousand tonnes in 1996 compared to 1,936 thousand tonnes in 1995. There was , however, a decline of 63.0 per cent in 1997.

FREIGHT HANDLED AT MOMBASA HARBOUR, 1993-1997

Table 14.6 '000 Tonnes

	1993	1994	1995	1996	1997*
Loaded:					
Dry Cargo	2,068	1,446	1,752	2,103	1,647
Bulk Liquids	685	213	181	273	183
Total	2,773	1,659	1,933	2,376	1,830
Landed:					
Dry Cargo	2,773	3,930	3,397	3,538	5,087
Bulk Liquids	2,371	2,680	2,643	2,780	1,493
Total	5,144	6,610	6,040	6;318	6,580
Total Freight Handled	7,917	8,269	7,973	8,694	8,410

* Provisional.

14.11. KPA has embarked on an aggressive marketing campaign targeting transit countries within COMESA, the Great Lakes region and the revitalised East African Co-operation, with the aim to increase the Port of Mombasa's share of transit traffic. Key initiatives undertaken in this regard include the opening of KPA liaison office in Kampala, Uganda in 1997 and provision of attractive tariff concessions for transit traffic handled at the port. These initiatives together with the on-going Cargo computerisation within the port and beyond by UNCTAD under the ACIS (Advanced Cargo Tracking Information System) project will ensure that Mombasa harbour becomes a crucial transhipment hub in Eastern Africa.

Pipeline Transport

14.12. Total pipeline throughput rose by 4.5 per cent to reach 2,483.1 thousand cubic metres in 1997 from 2,376.9 thousand cubic metres in 1996 as detailed in Table 14.7. The volumes of motor spirit premium, kerosene and light diesel pumped in 1997 rose by 14.6 per cent, 7.9 per cent and 3.1 per cent respectively compared to 1996. On the other hand, the volume of motor spirit regular pumped declined by 1.9 per cent to 183.8 thousand cubic metres in 1997 from 187.4 thousand cubic metres in 1996. Volumes of Jet fuel and aviation turbo pumped in 1997 recorded declines of 1.5 per cent and 13.7 per cent respectively compared to 1996.

14.13. The overall economic performance of the pipeline transport was hurt by the sudden depreciation of the Kenya shilling at the beginning of the second half of 1997 following the suspension of financial assistance by the International Monetary Fund (IMF) under the Enhanced Structural Adjustment Facility (ESAF).

PIPELINE THROUGHPUT OF WHITE PETROLEUM PRODUCTS, 1993-1997

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
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 ...	512.6	187.4	303.0	766.9	580.0	27.0	2,376.9
1997*	587.5	183.8	326.9	790.4	571.2	23.3	2,483.1

* Provisional

The suspension placed higher financial burden on the Company, which required resources for purchases of spare parts abroad for rehabilitating and modernising the existing pipeline. The latter is a key initiative undertaken by the company to enhance its operational efficiency of supplying and delivering petroleum products to its local and foreign consumers.

Air Transport

14.14. Table 14.8 portrays the performance of commercial traffic at Jomo Kenyatta and Moi International Airports. The number of passengers who landed at the airports in 1997 went up by 10.8 per cent to 1,259.6 thousand from 1,137.2 thousand in 1996. Similarly, the total number of passengers who embarked on planes from the two airports in 1997 went up by 10.1 per cent to 1,275 thousand from 1,158 thousand in 1996. A sharp decline of 24.1 per cent in the total number of transit passengers handled was recorded in 1997 compared to 1996. Total volume of cargo and mail handled at the two airports recorded slight increases in 1997 compared to 1996. Overall, total volume of freight handled rose by 2.6 per cent from 65.5 thousand tonnes in 1996 to 67.2 thousand tonnes in 1997.

COMMERCIAL TRAFFIC AT JOMO KENYATTA AND MOI INTRNAYTIONAL AIRPORTS, 1993-1997

Table 14.8

	1993	1994	1995	1996	1997*
Passengers-000's:					
Landed	1,193.7	1,187.4	1,104.8	1,137.2	1,259.6
Embarked	1,190.4	1,214.4	1,186.4	1,158.0	1,275.1
In Transit"	336.6	370.8	383.5	395.8	300.5
Total	2,720.7	2,772.6	2,674.7	2,691.0	2,835.2
Freight - 000's tonnes:					
Cargo: Landed	17.9	23.0	22.2	23.8	23.9
Loaded	45.4	59.2	49.1	40.2	41.7
Mail: Landed	1.3	1.2	1.1	1.0	1.1
Loaded	0.8	0.8	0.5	0.5	0.5
Total	65.4	84.2	72.9	65.5	67.2

* Provisional

Postal and Telecommunications Services

14.15. Table 14.9 provides details, of the performance of postal and telecommunications network and traffic services. The postal traffic services recorded mixed performance during 1997. The total number of available post offices declined by 2.6 per cent from 1,062 in 1996 to 1,034 in 1997.

POSTAL AND TELECOMMUNICATION SERVICES, 1993-1997

Table 14.9

	Unit	1993	1994	1995	1996	1997*
Post Offices	No	1,094	1,074	1,061	1,062	1,034
Private Letter Boxes	'000	268	280	302	318	326
Registered and Insured Items Posted	million	3.1	3.0	2.4	2.2	2.1
Total correspondence handled	million	384	450	456	523	529
Parcels handled	'000	310	278	257	263	263
Telephone Exchange connections	'000	215	229	250	261	271
Public Call boxes	No	5,722	5,910	5,922	5,932	6,267
Card Phones	No	58	58	48	48	48
Mobile Telephone	No	1,162	1,727	2,580	2,727	5,345
Manual Telephone Calls made	million	8.1	6.8	5.7	48	4.0
Subscriber Dialed Units	million	2,365	2,870	2,870	2,870	2,870
Telex Subscribers	'000	1.7	1.5	1.6	1.4	1.3
Telegrams Handled	'000	1,730	1,784	1,835	1,916	1,916
Money Orders	No.(million)	1.9	1.7	1.5	1.0	1.7
Postal Orders	No.('000)	101	41	47	46	

* Provisional

This decline resulted from the closure of uneconomical Sub-Post offices. In an effort to meet the growing demand for private letter boxes, the Postal Department installed a total of 7,641 additional boxes in 1997; an increase of 2.5 per cent from 318 thousand in 1996. Total correspondence handled rose marginally by 1.1 per cent to 529 million in 1997 from 523 million in 1996. Expedited Mail Service (EMS), a service stream of the postal department that specialises in faster delivery of letters and parcels, recorded an impressive growth of 60.0 per cent from 20 thousand to 32 thousand parcels posted for local delivery. Local letters sent using the EMS facility also recorded a significant growth of 16.5 per cent to reach 317 thousand in 1997 from 272 thousand in 1996. Remittance services of postal and money orders posted significant growths of 67.4 per cent and 6.3 per cent respectively during 1997 compared to the previous year.

14.16. The impressive performance recorded by the telecommunications sub-sector in 1996 was again evident in 1997. The commendable performance by the sub-sector may be attributed to the introduction of new value added services in the network, the rationalisation of exchanges from low to high potential areas and intensified maintenance of telephone network. As shown in Table 14.9, the total number of exchange connections rose by 3.8 per cent from 261 thousand in 1996 to 271 thousand in 1997. Similarly, the total number of public pay phones

went up by 5.6 per cent from 5,932 in 1996 to 6,267 in 1997 mainly due to installation of computerised pay phones in major urban centres. There has, however, been a steady decline in the number of telex subscribers over the last five years. A total of 1.4 thousand persons subscribed for the service in 1996 compared to 1.3 thousand in 1997. By contrast, the number of mobile telephone subscribers almost doubled in 1997 to reach 5,345 compared to 2,727 subscribers in 1996. The significant rise of 96.0 per cent in the number of mobile telephone subscription is associated with the introduction of Global System for Mobile Communication (GSM) service. GSM is a digital mobile telephone system that compliments the existing Enhanced Total Access Communications (ETACS). Although the initial coverage of the service was metropolitan Nairobi, it is now being expanded to cover the outskirts of Nairobi City.

14.17. Table 14.10 details the performance of external telecommunications services. Total duration in minutes of outgoing telephone service recorded an increase of 3.4 per cent from 26.2 million to 27.1 million paid minutes in 1997. By contrast, total duration of incoming telephone services recorded a significant decline of 9.4 per cent to 52.2 million in 1997 from 57.6 million paid minutes in 1996. Duration in minutes of outgoing and incoming telex services both recorded a significant decline of 40 per cent. As noted in the previous section, fewer customers subscribed for the telex facility, which explains the diminishing trend in the total duration of the telejx service paid minutes. Provisional information shows that there were significant declines in the number of pages and documents sent using Bureau Faxes during the period under review.

EXTERNAL TELECOMMUNICATIONS TRAFFIC, 1993-1997

Table 14.10

	1993	1994	1995	1996	1997*
Telephone service-million paid minutes-					
Outgoing	24.9	20.9	25.8	26.2	27.1
Incoming	45.1	51.7	58.0	57.6	52.2
Telex service-million paid minutes-					
Outgoing	1.9	1.1	0.7	0.5	0.3
Incoming	2.3	1.2	08	0.5	0.3
Telegraph service-million paid words-					
Outgoing	0.5	0.2	0.2	0.1	0.1
Incoming	0.8	0.5	0.5	0.2	0.1
Bureau lax					
Outgoing					
Documents	6,897	1,727	20,364	18,250	13,593
Pages	8,199	8,256	24,005	21,326	18,671
Incoming :					
Documents	2,311	3,820	3,860	4,001	3,169
Pages	3,785	5,930	6,672	7,164	5,941

* Provisional.

Information and Mass Media

14.18. As shown in Table 14.11, the rising trend in the total number of new radios and TV sets sold and licensed recorded in the previous two years was again evident in the 1997.

NEW RADIOS AND T V. SETS SOLD AND LICENSED, 1993 -1997 "

Table 14.11 Number

	1993	1994	1995	1996	1997*
Radios - '000	119.5	109.1	151.8	163.1	172.1
Television Sets - '000	26.0	27.1	30.2	35.8	44.4

* Provisional.

** Series revised from 1995.

A total of 172,121 new radios were sold and licensed in 1997 compared to the revised figure of 163,091 sold and licensed in 1996; a rise of 5.5 per cent. The total number of new television sets sold and licensed from 1993 show substantial increases, with an average annual growth rate of about 18 per cent. During the period under review, a total of 44,357 new TV sets were sold and licensed compared to 35,772 in 1996. The upward trend in the total number of purchased radios and TV's is attributed to among other factors, the Government's downward revision of V.A.T on electronic equipment. The poor performance of the tourism industry affected the revenue collection from hotels for business premises television licenses. However, the performance of the sub-sector may improve following the extension of the coverage of the commercial Metro FM radio station to Mombasa and Western Kenya. The licensing of other commercial and private broadcasting stations may enhance the performance further. Installation of a new TV transmitter in Timboroa together with the proposed commissioning of Webuye and Kisii TV transmitting stations, will ensure quality reception of TV signals in Nyanza and Western Kenya region thereby occasioning increased purchases of TV sets.

14.19. Table 14.12 displays the daily/weekly average circulation figures of the local newspapers. The daily and weekly newspaper readership recorded sharp increases during the period under review; a reflection of the rising level of the local society's need to be kept informed on both local and international issues. Average circulation copies of morning English dailies went up by 12.0 per cent from 235.1 thousand copies in 1996 to 263.3 thousand in 1997.

DAILY/WEEKLY AVERAGE LOCAL NEWSPAPER CIRCULATION, 1993 - 1997

Table 14.12

	1993	1994	1995	1996	1997*
Morning Newspapers-					
English	308.3	213.1	231.6	231.5	263.3
Swahili	39.2	29.6	32.5	31.6	33.7
Other Newspapers-					
English Weeklies	348.2	392.8	447.6	506.4	582.1
Swahili	48.7	30.5	36.5	40.5	46.9

* Provisional

A slower growth of 6.6 per cent from 31.6 thousand copies in 1996 to 33.7 thousand copies in 1997 was recorded in the average daily circulation copies of morning Swahili newspapers. A significant increase in the average weekly circulation of 14.9 per cent from 506.4 thousand in 1996 to 582.1 thousand copies in 1997 was recorded for English weekly newspapers. The conspicuous increase in the average circulation copies for weekly newspapers is attributed to their in-depth and analytical coverage of both local and international news on topical issues as well as inclusion of more features particularly those for business and leisure.

Expenditure on education went up by 20.0 per cent to reach K£ 26.24 million while that of other social services rose by 2.7 per cent to stand at K£ 6.15 million in the period under review.

Education

EXPENDITURE OF THE MINISTRY OF EDUCATION, 1994/95 - 1997/98

Table 15.3 K£milion

	1994/95	1995/96	1996/97*	1997/98**
RECURRENT EXPENDITURE-				
General Administration and Planning	977.46	1,106.76	1,187.18	1,794.47
Pre Primary Education	0.18	0.24	0.44	0.51
Primary Education	18.51	18 84	25.30	20.03
Secondary Education	15.94	16.12	27.12	22.28
Technical Education*	12.41	13.32	14.60	22.31
Teacher Training* +	10.10	10.26	8.68	10.04
Special Education	1.72	2.33	2.73	3.11
Polytechnic Education*	6.41	6.93	7.65	9.52
Higher Education**	199.90	235.47	223.73	257.47
Miscellaneous	4.02	4.44	6.14	6.79
TOTAL	1,246.65	1,414.71	1,503.57	2,146.53
DEVELOPMENT EXPENDITURE-				
General Administration and Planning	10.50	7.29	1.75	4.32
Pre Primary Education	-	-	1.59	3.14
Primary Education	15.14	18.19	14.14	17.95
Secondary Education	2.14	1.85	1.13	4.25
Technical Education*	0.02	0.12	0.13	3.51
Teacher Training**	25.94	6.27	16.97	21.79
Special Education	0.29	1.98	16.35	3.24
Polytechnic Education *	0.82	0.06	0.06	
Higher Education	20.07	47.85	24.28	39.79
Miscellaneous	-	-	-	
TOTAL	74.92	83.61	66.40	97.99
TOTAL RECURRENT & DEVELOPMENT EXPENDITURE	1,321.57	1,498.32	1,569.97	2,244.52

* Provisional.
** Estimates including supplementaries.
*** Includes expenditue on Universities of Nairobi, Moi, Kenyatta, Jomo Kenyatta University of Agriculture & Technology and Egerton.
\+ Currertly under the Ministry of Technical Training and Applied Technology
++ Includes Expenditure on Kenya Technical Teachers College

15.3. The Ministry of Education expenditure rose remarkably by 43.0 per cent from K£ 1,569.97 million in 1996/97 to K£ 2,244.52 million in 1997/98 fiscal year as shown in Table 15.3. General administration and planning continue to get the highest allocation of about 83.6 per cent of the total recurrent budget estimate followed by the higher education sub-sector with 12.0 per cent. The exceptionally high allocation in the general administration and planning is due to teachers salaries. On the other hand, higher education sub-sector received the largest share (40.6 per cent) of the development budget estimate followed by teacher training (22.2 per cent). The Table shows a gradual decline in recurrent budget allocation for higher education since the 1995/96 fiscal year. This may be attributed to the government policy of shifting financial resources from universities to primary and secondary education.

15.4. The number of educational institutions rose significantly by 6.5 per cent from 40,846 in 1996 to 43,482 in 1997 as shown in Table 15.4. Pre primary schools continue to dominate all others. Registered pre primary schools increased by 9.8 per cent to reach 23,344 in 1997 while primary schools went up by 3.2 per cent to stand at 17,080 in the review period. Secondary schools and primary teachers training colleges recorded marginal increases while secondary teachers training colleges remained constant since 1993.

NUMBER OF EDUCATIONAL INSTITUTIONS, 1993 - 1997

Table 15.4 Numbers

Category	1993	1994	1995	1996	1997*
Schools:					
Pre Primary	18,487	19,083	20,186	21,261	23,344
Primary	15,804	15,906	16,115	16,552	17,080
Secondary	2,639	2,834	2,878	3,004	3,028
Training Colleges:					
Primary	25	25	25	26	27
Secondary*	3	3	3	3	3
TOTAL	36,958	37,851	39,207	40,846	43,482

* Provisional.
\+ Includes Kenya Technical Teachers Colleges

15.5. Enrolment in pre-primary schools improved by 3.0 per cent to reach 1,064,053 in 1997 from 1,033,367 in 1996. Girls represented 49.2 per cent of the total enrolment, indicating a near gender parity at the pre-primary school level of education. Teachers increased significantly in number by 8.8 per cent from 33,210 in 1996 to 36,129 in 1997. This constituted a pupil-teacher ratio of 29, a marginal improvement from the previous year when it stood at 30. However, the pupil-trained teacher ratio improved tremendously from 82 in 1996 to 71 in 1997.

15.6. Primary schools enrolment rose marginally by 1.8 per cent from 5.6 million in 1996 to 5.7 million in 1997. These details are presented in Table 15.5. The Table further shows that since 1994, enrolment has increased by only 2.2 per cent, a discouraging trend for a country that is striving to achieve universal primary education level. However, in terms of gender, girls accounted for 49.3 per cent of the total enrolment, implying that at the national level, gender balance has more or less been achieved. It is worth noting that slightly more girls than boys have been consistently enrolled in standard 6 and 7 since 1994. This may partly be associated with high repetition rate for girls in those crucial classes. There were 438,904 candidates registered for the 1997 Kenya Certificate of Primary Education (KCPE), which is 3.9 per cent higher than the previous year where 422,229 candidates were registered. This registration includes 3,166 private candidates from the Ministry of Culture and Social Services.

PRIMARY SCHOOL ENROLMENT BY STANDARD, 1994-1997

Table 15.5 '000

Class	1994		1995		1996		1997*	
	Boys	Girls	Boys	Girls	Boys	Girls	Boys	Girls
Standard 1	491.0	463.4	492.1	459.9	494.2	463.9	498.2	468.2
Standard 2	424.5	399.8	426 8	405.8	437.4	414.9	442.9	421.1
Standard 3	387.7	378.7	392.3	373.3	397.0	374.7	402.1	370.4
Standard 4	379.3	374.9	368.1	366.2	372.9	364.2	379.5	372.4
Standard 5	330.0	337.0	329.2	334.0	330.9	330.8	331.7	334.6
Standard 6	294.3	296.7	292.0	300.4	297.5	307.0	304.1	312.4
Standard 7	295.5	301.2	290.2	300.5	296.2	299.8	301.2	310.9
Standard 8	212.5	190.3	211.6	194.0	217.3	199.0	220.5	207.1
TOTAL	2,814.8	2,742.0	2,802.3	2,734.1	2,843.4	2,754.3	2,880.2	2,797.1
GRAND TOTAL	5,556.8		5,536.4		5,597.7		5,677.3	

* Provisional

15.7. Table 15.6 shows enrolment in secondary schools by form and sex from 1993 to 1997. The Table indicates that, enrolment in secondary schools increased by 4.4 per cent to stand at 687,473 in the period under review. Female students formed 47.1 per cent of the total enrolment, a slight improvement from the previous year, which was 46.4 per cent. This indicates that gender equity in secondary school enrolment is yet to be achieved. Male students unlike that of primary school dominate all the forms (classes) in secondary school education. In 1997, 156,714 candidates were registered for the Kenya Certificate of Secondary Education (KCSE) examination as compared to 152,397 in 1996, an increase of 2.8 per cent.

ENROLMENT IN SECONDARY SCHOOLS BY FORM AND SEX, 1993- 1997

Table 15.6 Numbers

Form	1993		1994		1995		1996		1997*	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Form 1	81,543	69,560	90,774	78,140	96,360	83,650	97,394	85,917	98,487	88,614
Form 2	73,125	61,158	87,993	76,549	88,737	75,961	93,526	81,444	95,539	86,856
Form 3	72,847	55,467	79,067	66,328	82,623	69,876	83,902	71,924	89,365	79,496
Form 4	67,881	49,961	78,605	62,383	74,087	61,094	78,104	66,042	80,457	68.659
TOTAL	295,196	236,146	336,439	283,400	341,807	290,581	352,926	305,327	363,848	323,625
GRAND TOTAL	531,342		619,839		632,388		658,253		687,473	

* Provisional.

15.8. Number of primary school teachers by qualification and sex from 1994 to 1997 is presented in Table 15.7. The number of teachers went up by 1.2 per cent from 184,393 in 1996 to 186,590 in 1997, with female teachers accounting for 41.4 per cent of the total primary school teaching force. Trained teachers formed 94.3 per cent of the total force. The marginal increase in the number of trained teachers and the gradual decrease of untrained teachers is attributed to the Ministry's policy of non-recruitment of untrained teachers and emphasis on training and in-servicing of existing untrained teachers in primary schools. The pupil-teacher ratio remained at 30 while the pupil-trained teacher ratio improved from 33 in 1996 to 32 in 1997.

NUMBER OF PRIMARY TEACHERS BY QUALIFICATION AND SEX, 1994-1997

Table 15.7

	1994			1995			1996			1997*		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
TRAINED:-												
Graduate	4	4	8	9	10	19	21	37	58	17	14	31
Approved •	590	258	848	866	448	1,314	994	610	1,604	1,364	795	2,159
S1/Diploma	5,410	2,510	7,920	6,287	3,351	9,638	7,873	4,939	12,812	9,993	5,392	15,385
P1	63,447	41,822	105,269	66,728	44,396	111,124	69,042	48,112	117,154	70,017	50,221	120,238
P2	18,969	12,484	31,453	19,158	13,015	32,173	18,128	13,132	31,260	17,809	13,108	30,917
P3	4,966	5,098	10,064	4,714	4,797	9,511	4,050	4,071	8,121	3,474	3,796	7,270
P4	12	17	29	69	67	136	21	25	46	11	23	34
TOTAL	93,398	62,193	155,591	97,831	66,084	163,915	100,129	70,926	171,055	102,685	73,349	176,034
UNTRAINED:-												
K . A . C . E . ('A' Level)	1,276	722	1,998	1,612	942	2,554	1,027	556	1,583	622	387	1,009
K .C. E/K.S.C.E. ('O' Level)	10,605	6,467	17,072	7,786	4,675	12,461	6,006	3,734	9,740	4,940	2,935	7,875
K. J. S. E	2,020	733	2,753	1,523	515	2,038	954	375	1,329	873	350	1,223
C.P.E	347	213	560	216	197	413	188	156	344	151	129	280
Other	90	33	123	335	259	594	197	145	342	74	95	169
TOTAL	14,338	8,168	22,506	11,472	6,588	18,060	8,372	4,966	13,338	6,660	3,896	10,556
GRAND TOTAL	107,736	70,361	178,097	109,303	72,672	181,975	108,501	75,892	184,393	109,345	77,245	186,590

* Provisional

* An approved teacher has completed the equivalent of a University Education

NUMBER OF SECONDARY TEACHERS BY QUALIFICATION AND SEX, 1994-1997

Table 15.8

	1994			1995			1996			1997*		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
TRAINED:-												
Graduate	9,142	5,856	14,998	11,413	6,719	18,132	12,825	7,770	20,595	14,706	8,559	23,265
Approved	1,622	569	2,191	1,169	373	1,542	1,976	902	2,878	2,237	866	3,103
S1/Diploma	8,826	4,770	13,596	8,285	4,030	12,315	7,108	3,610	10,718	7,123	3,908	11,031
Technical	433	143	576	770	414	1,184	387	163	550	699	171	870
P1	198	34	232	214	56	270	143	39	182	135	23	158
TOTAL	20,221	11,372	31,593	21,851	11,592	33,443	22,439	12,484	34,923	24,900	13,527	38,427
UNTRAINED:-												
Graduate	1,322	473	1,795	2,196	753	2,949	1,896	533	2,429	2,068	545	2,613
Dip\Technical	543	182	725	846	311	1,157	494	183	677	482	164	646
K . A . C . E . ('A' Level)	2,604	876	3,480	2,098	622	2,720	2,040	578	2,618	1,516	474	1,990
K C E./K.S C.E. ('O' Level)	171	62	233	633	223	856	269	97	366	362	89	451
Other	364	117	481	278	81	359	196	71	267	173	78	251
TOTAL	5,004	1,710	6,714	8,051	1,990	8,041	4,895	1,462	6,357	4,601	1,350	5,951
GRAND TOTAL	25,225	13,082	38,307	27,902	13,582	41,484	27,334	13,946	41,280	29,501	14,877	44,378

* Provisional

\+ An approved teacher has completed the equivalent of a University Education

CHAPTER 15 - SOCIAL SCENE

The Central Government expenditure on social services rose significantly by 45.1 per cent from K£ 2,118.36 million in 1996/97 to K£ 3,074.03 million in 1997/98 fiscal year. Recurrent expenditure increased by 38.2 per cent to K£ 2,643.91 million in the review period while development expenditure more than doubled to stand at K£ 430.12 million in the same period. The education sector continued to take the largest share of the recurrent expenditure estimates by receiving 79.9 per cent of the budget estimates in 1997/98 fiscal year while health sector received 73.6 per cent of the development expenditure in the same year. Details are shown in Table 15.1.

CENTRAL GOVERNMENT EXPENDITURE ON SOCIAL SERVICES, 1994/95 -1.997/98

Table 15.1 K£million

	1994/95	1995/96	1996/97*	1997/98**
RECURRENT EXPENDITURE-				
Ministry of Education	1,224.93	1,391.69	1,478.45	2,111.30
Ministry of Health	286.21	361.11	386.19	482.42
Ministry of Labour	8.19	10.69	11.25	12.25
Ministry of Culture and Social Services	30.86	34.33	36.62	37.94
TOTAL	1,550.19	1,797.82	1,912.51	2,643.91
DEVELOPMENT EXPENDITURE-				
Ministry of Education	73.97	83.37	65.21	94.40
Ministry of Health	55.40	83.75	130.82	316.58
Ministry of Labour	0.28	0.50	0.30	0.66
Ministry of Culture and Social Services	5.89	51.5	9.52	19.08
TOTAL	135.54	172.77	205 85	430.12
TOTAL EXPENDITURE	1,685.73	1,970.59	2,118.36	3,074.03

* Provisional.

** Estimates including supplementaries

Local Government expenditure on social services from 1993/94 to 1997/98 is shown in Table 15.2. Local Government expenditure on social services rose significantly by 25.3 per cent from K£ 66.61 million in 1996/97 to K£ 83.45 million in 1997/98.

LOCAL GOVERNMENT EXPENDITURE ON SOCIAL .

	94/95		1995/96	1996/97*	1997/98*
Education	16.79	22.68	18.78	21.86	26.24
Health	17.90	26.24	35.82	38.76	51.06
Other Social Services	1.16	2.65	4.27	5.99	6.15
TOTAL EXPENDITURE	35.85	51.57	58.87	66.61	83.45

* Provisional

** Estimates

The health sector continued to get the lion's share of the expenditure estimates by taking 61.2 per cent of the total expenditure estimates on social services in 1997/98 fiscal year. The health sector expenditure rose markedly by 31.7 per cent from K£ 38.76 million in 1996/97 to K£51.06 million in 1997/98 fiscal year.

15.9. The number of secondary school teachers increased by 7.5 per cent to reach 44,378 in 1997 as shown in table 15.8. The trained secondary school teachers constituted 86.6 per cent of all teachers. Of the trained teachers, only 35.2 per cent were female teachers. Overall, female teachers constituted 33.5 per cent of the total secondary school teaching force. Graduate teachers continue to dominate both the trained and untrained teaching force by forming 60.5 per cent and 43.9 per cent of the total secondary school teachers respectively. The student-teacher ratio stood at 15 in 1997 compared to 16 in 1996, while the student-trained teacher ratio stood at 18. Though good for quality teaching, these ratios are too low, hence quite expensive for a developing nation like Kenya to maintain.

15.10. Table 15.9 shows students enrolment in Government Primary Teachers Training Colleges (PTTCs) in 1997/98. Government PTTCs enrolled a total of 18,407 students in 1997/98 with females constituting a proportion of 49.2 per cent. The total enrolment was higher than the previous year's enrolment of 18,111 by a marginal 1.6 per cent. Most of the students, 96.5 per cent were admitted for Primary 1 (PI) course while the rest were pursuing Primary 2 (P2) course. A total of 8,929 first year students were admitted in the colleges, where female students accounted for 49.1 per cent.

STUDENT ENROLMENT IN ALL GOVERNMENT PRIMARY TEACHERS TRAINING COLLEGES, 1997/98'

Table 15.9 Numbers

	1st YEAR		2nd YEAR		TOTAL		
CERTIFICATION	Male	Female	Male	Female	Male	Female	Total
P1	4,445	4,179	4,686	4,450	9,131	8,629	17,760
P2	104	201	108	234	212	435	647
TOTAL	4,549	4,380	4,794	4,684	9,343	9,064	18,407

* Provisional

15.11. Kenya, Mombasa and Eldoret Polytechnics enrolled a total of 8,658 students in 1997 compared to 8,649 students enroled in 1996. Kenya Polytechnic had the highest enrolment of 4,672 students followed by Mombasa Polytechnic w*h 3,400 students. Enrolment in the 20 Technical Training Institutes (TTIs) declined significantly by 17.3 per cent from 10,340 in 1996 to 8,553 in 1997, while that of the 16 Institutes of Technology (ITs) rose by 5.4 per cent to reach 6,280 in the same period.

15.12. The five public Universities enrolled a total of 43,591 students in 1997/98 academic year, representing a remarkable 14.8 per cent increase from the previous academic year. The proportion of female students enrolled, improved from 28.8 per cent to 29.2 per cent in the period under review. Nairobi University with 15,400 students had the highest enrolment constituting 35.4 per cent of the total student population followed by Kenyatta University with 9,461 (21.7 per cent) students. Maseno University College recorded the lowest enrolment of 2,809 (6.4 per cent) students in the year under review.

1M3. Nairobi University enrolled a total of 15,400 students in 1997/98 academic year. This was a 25.5 per cent rise from the previous academic year's enrolment. Female students constituted 25.9 per cent of the total enrolment. Of the total enrolment, 9.8 per cent were pursuing postgraduate studies. The University also enrolled a total of 2,619

first year students in 1997/98 academic year out of which 27.2 per cent were female students.

15.14. There were a total of 9,461 students enrolled at Kenyatta University in 1997/98 academic year compared to 8,574 students registered in 1996/97 academic year. A total of 797 students or 8.4 per cent of the students were admitted in the postgraduate programme. Of the total enrolment, 38.8 per cent were female students. This is the highest proportion of female students enrolled in public universities in 1997/98 academic year. First year students totalling 1,918 enrolled in the university formed 20.3 per cent of all students. Female students constituted 43.2 per cent of the total first year students enrolment in the same academic year.

15.15. Enrolment at Jomo Kenyatta University of Agriculture and Technology (JKUAT) recorded a remarkable increase of 34.5 per cent to stand at 3,005 in 1997/98 academic year. Female students constituted 15.0 per cent of the total enrolment. In the same academic year, the university admitted 915 first year students where 341 were pursuing diploma courses.

15.16. In 1997/98 academic year, Moi University (excluding Maseno University College) enrolled a total of 4,810 students compared to 4,469 students enrolled in 1996/97 academic year. Female students accounted for 27.5 per cent of the total enrolment. The University had 1,283 students enrolled in first year in the review period with 32.4 per cent being female students.

15.17. Maseno University College enrolment for 1997/98 academic year increased by 8.1 per cent from 2,598 in 1996/97 academic year to 2,809 with 33.8 per cent being females. Of the total enrolment, 174 or 6.2 per cent enrolled for Masters Programme while 34 or 1.2 per cent were pursuing the Doctorate programme. Students enrolled in first year were 587 with 37.2 per cent being female students.

15.18. There were 8,056 students enrolled at Egerton University in the 1997/98 academic year compared to 7,785 enrolled in 1996/97 academic year. Female students constituted 29.2 per cent of the total enrolment. Of the total enrolment, 114 or 1.4 per cent were pursuing postgraduate studies. Female students enrolled in postgraduate courses accounted for 16.7 per cent.

15.19. Registered private universities increased by one to reach 13 after Kenya Methodist University was registered last year. Private universities accredited by the government also rose to four after Scott Theological College received the charter last year. Enrolment in the four private universities accredited by the government went up by 7.9 per cent to reach 3,646 in 1997/98 academic year. Female students constituted 50.3 per cent of the total enrolment, indicating achievement of gender parity in private universities enrolment. The highest enrolment was in Daystar University with 38.3 per cent of the total enrolment, while Scott Theological College with 82 students had the lowest level of enrolment.

Health

15.20. The Government is still determined to encourage effective and efficient management of health services by emphasising appropriate planning, budgetary control and management principles. This determination is reflected in the increase of funds to improve the health sector. In 1996/97, the total recurrent expenditure on health increased by 21.3 per cent to K£ 437.97 million from K£ 361.11 million in 1995/96. There was also an increase in development expenditure from K£ 83.75 million in 1995/96 to K£ 300.43 or by 66.7 per cent in 1996/97. The health sector was allocated 28.7 per cent of the total expenditure to ensure completion of on-going rehabilitation and extension work and to further improve the services provided to the population.

15.21. Details of health institutions, beds and cots availability by province and category in 1997 are shown in table 15.10. There was an increase of 1.9 per cent in total number of health institutions from 3,993 in 1996 to 4,069 in 1997. In the period under review, the number of hospitals, health centres, health sub-centres and dispensaries went up by 2.8 per cent, 3.3 per cent and 1.5 per cent, respectively. Due to the increase in health institutions, the number of beds and cots also rose by 3.2 per cent in the period under review. The number of beds per 100,000 population increased maginally from 175 to 176.

HEALTH INSTITUTIONS AND HOSPITAL BEDS AND COTS BY PROVINCE, 1997*

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	47	36	297	380	6,487	323
Coast	43	47	358	448	4,136	176
Eastern	52	71	660	783	6,361	130
North-Eastern	6	9	51	66	1,498	216
Centra	45	76	341	462	7,009	182
Rift Valley	80	145	954	1,179	10,156	149
Nyanza	79	101	293	473	9,695	195
Western	46	81	151	278	5,567	164
TOTAL 1997	398	566	3,105	4.069	50,909	176
TOTAL 1996	387	548	3,058	3,993	49,331	175

* Provisional

15.22. The trend of personnel trained in Maternal and Child Health Care Services from 1993 to 1997 is shown in table 15.11. Overall, there was a drop of 15.5 per cent in the number of trained personnel in 1997. A total of 190 enrolled nurses were trained in 1997, which was 19.8 per cent less than those trained in 1996. At the same time, the number of Kenya Registered Nurses/midwife trained increased by 57.1 per cent. The increase in the number of Kenya Registered Nurses/Midwife, could have been prompted by the great demand of their services especially in the rural areas which in turn affected the number of enrolled nurses although the latter remained the majority (i.e. 89.1 per cent) among those trained in maternal and child care services.

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CENTRAL GOVERNMENT EXPENDITURE ON SOCIAL SERVICES, 1994/95 -1.997/98

Table 15.1 K£million

	1994/95	1995/96	1996/97*	1997/98**
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Ministry of Culture and Social Services	30.86	34.33	36.62	37.94
TOTAL	1,550.19	1,797.82	1,912.51	2,643.91
DEVELOPMENT EXPENDITURE-				
Ministry of Education	73.97	83.37	65.21	94.40
Ministry of Health	55.40	83.75	130.82	316.58
Ministry of Labour	0.28	0.50	0.30	0.66
Ministry of Culture and Social Services	5.89	51.5	9.52	19.08
TOTAL	135.54	172.77	205 85	430.12
TOTAL EXPENDITURE	1,685.73	1,970.59	2,118.36	3,074.03

* Provisional.

** Estimates including supplementaries

Local Government expenditure on social services from 1993/94 to 1997/98 is shown in Table 15.2. Local Government expenditure on social services rose significantly by 25.3 per cent from K£ 66.61 million in 1996/97 to K£ 83.45 million in 1997/98.

LOCAL GOVERNMENT EXPENDITURE ON SOCIAL .

	94/95		1995/96	1996/97*	1997/98*
Education	16.79	22.68	18.78	21.86	26.24
Health	17.90	26.24	35.82	38.76	51.06
Other Social Services	1.16	2.65	4.27	5.99	6.15
TOTAL EXPENDITURE	35.85	51.57	58.87	66.61	83.45

* Provisional

** Estimates

The health sector continued to get the lion's share of the expenditure estimates by taking 61.2 per cent of the total expenditure estimates on social services in 1997/98 fiscal year. The health sector expenditure rose markedly by 31.7 per cent from K£ 38.76 million in 1996/97 to K£51.06 million in 1997/98 fiscal year.

NATIONAL HOSPITAL INSURANCE FUND. 1992/93-1996/97

Table 15.13 K£million

YEAR	Receipts	Benefits	Contribution Net of Benefits
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	55.00
1996/97	82.40	27.20	55.20

Other Social Services

15.25. **National Youth Service**: Total enrolment of service men and women increased remarkably by 14.2 per cent to 3,202 in 1997 from 2,805 in 1996 as shown in Table 15.14. Service men recruitment rose significantly by 24.0 per cent to stand at 2,737 in 1997 but service women dropped remarkably by 22.1 per cent to a low of 465 in the year. Total revenue earned increased by 29.4 per cent to record K£ 2.2 million in the period under review.

NATIONAL YOUTH SERVICE ENROLMENT AND INCOME EARNED, 1993-1997

Table 15.14

Year	Enrolment (Numbers)			Income Earned K£ million
	Service men	Service women	Total	
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
1997*	2,737	465	3,202	2.20

* Provisional

15.26. **National Social Security Fund**: Table 15.15 presents information on the number of registered employers and employees, annual contribution by members and annual benefits paid to members between 1993 and 1997. In the period under review, the number of employers and employees registered with the fund rose significantly from 46.4 thousand to 48.0 thousand and from 2,401.1 thousand to 2,498.2 thousand, respectively. Annual contribution to the fund declined by 0.6 per cent to register K£ 79.5 million in 1997 while benefits paid increased by 6.2 per cent to K£ 27.6 million.

15.27. The National Social Security Fund mission is to provide basic social security welfare support to workers. The N.S.S.F strives to maintain close contact with its members and the public in general. This is in a bid to keep them well informed about its role in the provision of social security benefits to the workers and the vital role it plays in mobilising public savings for the development of the country. The fund is determined to improve the quality and the speed of its service delivery at all times. Through the on-going public education programme via appropriate media such as radio, television publication and forums such as barazas as well as agricultural shows, it has strived not only to

disseminate information on its services but even more importantly to facilitate systematic feedback from contributors.

NATIONAL SOCIAL SECURITY FUND, 1993 -1997

Table 15.15

	1993	1994	1995	1996	1997*
Employers registered '000	42.7	44.1	45.7	46.4	48.0
Employees registered '000	2,150.1	2,229.6	2,294.3	2,401.1	2,498.2
Annual contribution K£mn	71.6	73.8	70.3	80.0	79.5
Annual benefits paid K£mn	17.3	17.1	17.0	26.0	27.6

15.28. Adult Education: In 1997 there was a 5.7 per cent increase in male enrolment from 26,612 registered in 1996 to 28,139 registered in the year. However, there was a decline in female enrolment by 21.5 per cent to stand at 73,215 persons in 1997. Table 15.17 shows details of candidates who enrolled for proficiency test and KCPE between 1992 and 1996. There was a remarkable increase in the number of candidates who enrolled for proficiency test from 6,963 in 1995 to 8,405 in 1996, which represents a 20.7 per cent increase.

ADULT EDUCATION ENROLMENT BY SEX 1993-1997

Table 15.16

Year	Male	Female	Total	% of Female Enrolment
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
1996	26,612	89,029	115,641	77.0
1997*	28,139	73,215	101,354	72.2

* Provisional

The candidates who enrolled for KCPE examinations increased by 49.2 per cent from 868 in 1995 to 1,295 in 1996. The increase may be attributed to repeating of the exams due to mass failures in the previous year and pregnancies that prevented most of the candidates from sitting for the examinations in the previous year.

NUMBER OF ADULTS WHO PASSED PROFICIENCY TEST AND THOSE REGISTERED FOR KCPE BY PROVINCE, 1992-1996

Table 15.17

Province	1992		1993		1994		1995		1996*	
	PTP	KCPE	PTP	KCPE	PTP	KCPE	PTP	KCPE	PTP	KCPE
Nairobi	118	458	80	474	203	400	316	330	191	566
Central	1,074	76	1,231	90	1,216	98	1,016	102	1,091	95
Coast	809	72	398	77	536	97	518	78	493	194
Nyanza	1,237	26	1,740	25	1,347	13	1,204	18	1,474	50
Eastern	1,568	29	1,710	43	1,482	86	887	96	2,054	28
NVEastern	613	32	361	37	415	22	512	30	306	43
Rift Valley	1,508	234	1,492	404	1,452	240	1,472	188	1,724	279
Western	1,069	13	842	24	743	14	768	26	1,072	38
Total	7,996	940	7,854	1,174	7,394	970	6,693	868	8,405	1,293

KCPE: Indicates number registered for KCPE including re-sits.
PTP: Indicates number who passed proficiency test
* Provisional

15.29. **Gender and Development:** Gender and Development issues focuses on women's active involvement in development efforts and on understanding the different needs and priorities of both men and women in areas of development. The role of creating awareness has been the responsibility of Women's Bureau through gender sensitization seminars and workshops and working closely with focal point officers from different institutions both public and private. Women's Bureau monitors the progress of women groups all over the country. These groups are identified as strategic in creating awareness at the grass roots, hence they have a role in development and improving the status of women. By engaging in income-generating activities, the economic and social status of the members has improved hence the increase in membership.

15.30. Table 15.18 gives details of the total number of registered women groups, membership, group contribution and government grants. In 1997, the number of women groups grew by 34.0 per cent. Although this was lower than the 94.3 per cent increase in 1995/96, a positive trend was maintained. Membership in 1997 increased by 52.3 per cent compared to 89.6 per cent in 1996. Group contribution registered an increase of 9.5 per cent compared to 8.8 per cent in 1996. Government grants to women groups in 1997 totalled Ksh.200.0 million compared to Ksh.0.58 million and Ksh.0.61 million recorded in 1995 and 1996, respectively. The big increase in Government grants in 1997 was due to the national harambee for Women Development Fund in aid of women groups.

REGISTERED WOMEN GROUPS, THEIR MEMBERSHIP, CONTRIBUTION AND GOK GRANTS, 1995-1997

Table 15.18

	1995	1996	1997
No. of Women Groups	32,737	63,599.0	85,205
Membership	1,072,149	2.032.564.0	3,096,102
Group Contribution (Ksh Million)	295.90	321.90	352.50
Grants by GoK (Ksh Million)	0.58	0.61	200.00

Suorce: Women's Bureau, MCSS

15.31. Among the activities planned by Women's Bureau is the holding of a Symposium for permanent secretaries to deliberate on actions agreed upon in the implementation of the

Capital Revenue	12.31	38.62	29.02	79.08	18.86	53.21
Capital Expenditure	566.67	715.17	896.50	762.19	886.57	56.45
Net Lending	35.90	29.52	15.92	154.40	-35.85	-199.86
External Grants	458.15	661.45	290.70	289.15	327.00	-28.63
OVERALL DEFICIT	-1,006.77	164.36	-198.18	-393.35	-905.67	-10.04
FINANCING OF DEFICIT:						
External Loans (Net)	-56.75	-106.50	-3.25	-331.70	-289.25	409.69
Total Domestic Borrowing	1,212.15	401.90	-108.15	955.10	1,273.45	5.06
Long-term(net)	-168.80	-376.70	-352.45	-206.05	-26.00	-84.60
Short-term(net)	1,380.95	778.60	244.30	1,161.15	1,299.45	-5.90
CHANGES IN CASH BALANCES:						
Increase = (-)	-148.63	-459.76	309.58	-230.05	-78.53	-47.16
MEMORANDUM ITEMS:						
Public Debt Redemption	2,461.34	1,579.62	1,463.96	1,265.79	3,906.66	58.72
(a) External	1,018.70	944.87	960.33	917.96	1,022.24	0.35
(b) Internal	1,442.64	634.75	503.63	347.83	2,884.42	99.94

Source CBS and MoF

* This Table details Kenya Government's deficit and its financing
Basic aggregates in the Table can be reconciled as follows:

1. Current Revenue plus Capital Revenue shown in the Table equals Revenue on Recurrent Account as shown in Table 6 4
2. The sum of Current Expenditure, Capital Expenditure, Net Lending and memorandum items equals total Expenditure in Table 6 9.

** Provisional
*** For details, see Table 6.9
\+ Estimates

6.4. Analyses of key fiscal trends for the last five fiscal years are presented in Table 6.2. Current balance as a percentage of current revenue declined from a surplus of 2.1 per cent in 1996/97 to a deficit of 4.8 per cent in 1997/98 due to faster growth in current expenditure, which was not matched by the growth in current revenue. Total Government expenditure as a percentage of GDP increased from 33.3 percent in 1996/97 to 45.4 percent in 1997/98.

6.5. Table 6.3 gives a comparison of the budget estimates and the actual out-turn of expenditure and revenue. In 1997/98 the revised revenue estimates are expected to surpass the budgeted amount by K£ 40 million due to improved revenue collection. On the other hand, development expenditure and net lending are expected to drop due to re-allocation of development funds to recurrent expenditure to finance unexpected expenditures in the course of 1997/98.