ECONOMIC SURVEY 2001

Prepared by Central Bureau of Statistics

Ministry of Finance and Planning

NAIROBI

JUNE, 2001

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UNITS AND SYMBOLS USED

1. *Tonnes are metric tons = 1,000 Kg.*
2. *1 Hectare = 2.47 acres*
3. *mn = million*
4. *Totals may not add up due to rounding*
5. *"-" means nil or negligible*
6. *".." means figures not available*

ABBREVIATIONS

ACP-EU	- African Caribbean and Pacific Countries – European Union
AGOA	- African Growth and Opportunity Act
BEC	- Broad Economic Category
BH	- Bore Hole
BOD	- Biological Oxygen Demand
CBK	- Central Bank of Kenya
CCF	- Country Cooperation Framework
CEDC	- Children in Especially Difficult Circumstances
COFREP	- Coffee Factories Rural Electrification Programme
COMESA	- Common Market for Eastern and Southern Africa
CPE	- Certificate of Primary Education
CSRP	- Civil Service Reform Programme
DBK	- Development Bank of Kenya
Dip	- Diploma
E.A	- East African
EAC	- East African Community
EIA	- Environmental Impact Assessment
EPC	- Export Promotion council
EPZ	- Export Processing Zones
EU	- European Union
FAD	- Fish Aggregating Devices
GDP	- Gross Domestic Product
GEF	- Global Environment Facility
GFR	- Gross Farm Revenue
GNP	- Gross National Product
GWH	- Gigawatt Hours
HCDA	- Horticultural Crops Development Authority
HIV/AIDS	- Human Immune-deficiency Virus/Acquired Immune Deficiency Syndrome
ICDC	- Industrial and Commercial Development Cooperation
IDA	- International Development Association
IDB	- Industrial Development Bank
ILO	- International Labour Organization
IMF	- International Monetary Fund
IPEC	- International Programme for Elimination of Child Labour
IPI	- American Petroleum Institute
IPPs	- Independent Power Producers
JKUAT	- Jomo Kenyatta University of Agriculture and Technology
KACE	- Kenya Advanced Certificate of Education
KBC	- Kenya Broadcasting Corporation
KCC	- Kenya Cooperative Creameries
KCE	- Kenya Certificate of Education
KCPE	- Kenya Certificate of Primary Education
KCSE	- Kenya Certificate of Secondary Education
KenGen	- Kenya Electricity Generating Company Limited
KIE	- Kenya Industrial Estate
KJSE	- Kenya Junior Secondary Examination
KPLC	- Kenya Power and Lighting Company
KPRL	- Kenya Petroleum Refineries Limited
KRA	- Kenya Revenue Authority
KSh	- Kenya Shillings
KTB	- Kenya Tourist Board
KUTIP	- Kenya Urban Transport Infrastructure Project

KV	- Kilo Volt
KVA	- Kilo Volt Amperes
LAFT	- Local Authority Transfer Fund
LBDA	- Lake Basin Development Authority
LPG	- Liquefied Petroleum Gas
MENR	- Ministry of Environment and Natural Resources
Mn	- Million
MOARD	- Ministry of Agriculture and Rural Development
MoH	- Ministry of Health (Medical Officer of Health)
MOU	- Memorandum Of Understanding
MRL	- Maximum Pesticide Residue Levels
MTEF	- Medium Term Expenditure Framework
MW	- Mega Watt
NACC	- National Aids Control Council
NFA	- Net Foreign Assets
NGO	- Non Governmental Organization
NHIF	- National Hospital Insurance Fund
NIB	- National Irrigation Board
NSE	- Nairobi Stock Exchange
NSSF	- National Social Security Fund
NWC&PC	- National Water Conservation and Pipeline Corporation
ODS	- Ozone Depleting Substances
OPEC	- Organization of Petroleum Exporting Countries
P1	- Primary School Teacher Grade One
P2	- Primary School Teacher Grade Two
P3	- Primary School Teacher Grade Three
P4	- Primary School Teacher Grade Four
PRGF	- Poverty Reduction and Growth Facility
PRSP	- Poverty Reduction Strategy Paper
PSV	- Public Service Vehicles
PTP	- Numbers that Passed Proficiency Test
PV	- Photo- Voltaic
PVC	- Polymers of Vinyl Chloride
REP	- Rural Electrification Programme
S1	- Secondary School Teacher Grade One
SACCOs	- Savings and Credit Co-operative Societies
SITC	- Standard International Trade classification
STABEX	- Stabilization Exports
TSC	- Teachers Service Commission
TSh	- Tanzania Shilling
UEB	- Uganda Electricity Board
UHBS	- Urban Household Budget Survey
UNDP	- United Nations Development Programme
UNFCCC	- United Nations Framework Convention on Climate Change
US	- United States
USA	- United States of America
Ush	- Uganda Shilling
VAT	- Value Added Tax
WPP	- Water Purification Points

SUMMARY AND OUTLOOK

International Scene

The global economy recorded a growth of 4.7 per cent in the year 2000, the highest during the last decade. Most developed and economies in transition registered faster growth rates in 2000 than in 1999. The Japanese economy recorded a better growth than earlier anticipated while USA registered the highest real GDP growth since 1984. World unemployment declined as a result of improved global economic performance. The year under review also witnessed a rapid expansion in world trade volume.

The world economic growth is expected to remain strong in 2001 albeit at a slower pace than in 2000. Globally world trade is expected to contract moderately. The USA and the European Union economies are likely to slowdown in 2001 while Japan is projected to display a better performance during the same period.

African economies recorded improved growth rates in 2000 compared to 1999 and are further expected to benefit from improved economic integration, as regional organisations within the continent such as East African Community (EAC), Common Market for Eastern and Southern Africa (COMESA), Southern Africa Development Cooperation (SADC), bring new trading and investment opportunities.

Domestic Economy

The Kenyan economy registered a negative growth rate of 0.3 per cent. The decline was reflected in almost all the sectors of the economy. Agriculture and Manufacturing, which contribute over one third of the GDP were most adversely affected, recording negative growth of 2.4 per cent and 1.5 per cent respectively.

Both trade and the current account deficits further widened, with trade deficit rising to KSh 113,277 million while current account deficit rose to 18,145 million. Export and import prices registered increases of 7.6 per cent and 10.8 per cent respectively.

The financial sector remained relatively stable, although banking faced the problem of handling non-performing loans, which comprise 39.3 per cent of total loan portfolio. Loans to the construction sector contracted by KSh.1,500 million. Consumption and production of cement declined by 16.2 per cent each. Total power generation fell by 8.8 per cent. Hydroelectric power generation fell drastically by 41.4 per cent.

Per capita income grew by 3.2 per cent during the year under review. Resources available for consumption and investments increased by KSh. 83,300 million. Remuneration of employees increased by 12.0 per cent largely as a result of wage increases in the private sector.

Gross National Product grew by 6.8 per cent to a record of KSh.778,779 million in 2000. Real Capital Formation declined for a third year in a row from KSh.18,133 million in 1999 to KSh. 17,706 million in 2000.

Social Scene

During the 2000/2001 financial year, total estimated Government expenditure on social services recorded an increase of 13.6 per cent. The estimated recurrent expenditure increased by 8.7 per cent from KSh. 58,983.52 million in 1999/2000 to KSh. 64,137.69 million in 2000/2001 while estimated development expenditure more than doubled to record KSh. 4,845.88 million during the year under review. Education took the largest share accounting for 75.4 per cent of recurrent expenditure estimates for social services. The health sector received 57.6 per cent of the development expenditure estimates over the same period.

Local government expenditure on social services also recorded an increase growing by 11.8 per cent from KSh. 1,822.6 million in 1999/2000 to KSh. 2,037.3 in 2000/2001 financial year. During the period under review Health and Education sectors took 56.0 and 30.3 per cent of the total expenditure respectively.

Enrolment in Pre-primary, primary and secondary schools went up marginally in 2000 compared to 1999. Of the total enrolment, the proportion of girls in the same institutions stood at 49.1, 49.4 and 47.0 per cent respectively. The number of teachers in Pre-primary schools increased modestly by 5.8 per cent while that of primary and secondary schools dropped by 4.1 and 1.7 per cent respectively. In the year 2000 the pupil to trained teacher ratio remained constant at 26 in pre-primary schools. However, the student to trained teacher ratio in primary schools moved from 33 in 1999 to 34 in 2000. Although this reflects a minor deterioration, the ratio was below the normal student teacher ratio of 40:1. In secondary schools the ratio moved from 16 in 1999 to 17 in 2000.

Enrolment in the Technical Training Institutes and the Institutes of Technology increased by 15.4 and 5.2 per cent respectively while that of the national polytechnics declined by 5.8 per cent during the period under review. In public universities, enrolment went up by 1.6 per cent. Private universities recorded a marginal increase in enrolment during the 2000/2001 academic year.

In the Health sub-sector, the number of health institutions rose marginally by 2.8 per cent to 4,355 in 2000. The number of registered doctors rose by 2.2 per cent to stand at 4,506 compared with 4,411 in 1999.

Employment, Earnings and Consumer Prices

Total employment outside small-scale farming and pastoralist activities rose from 5.5 million persons in 1999 to 5.9 million persons in 2000. The employment expansion was mainly in the informal and the private sectors. The informal sector created 412,100 additional jobs in 2000. Wage employment in the modern sector was adversely affected by the current recession and expanded by only 0.2 per cent to 1.7 million persons in 2000. As a result of the public sector reform programme, employment in the public declined further by 1.4 per cent to stand at 673,900 persons in 2000.

The overall wage bill increased from KSh 245,330.6 million in 1999 to KSh 274,642.8 million in 2000, an increase of 11.9 per cent. Of this increase wage payments in the private sector increased by 16.7 per cent while that of the public sector increased by 5.1 per cent. Average earnings per person increased from KSh 146,151.9 to KSh 163,790.0 per annum, decelerating from 13.0 per cent in 1999 to 12.1 per cent in 2000. Upward wage adjustment, led to improvement of real average

earnings by 5.5 per cent from KSh 23,032.6 per annum in 1999 to KSh 24,296.0 per annum in 2000. The number of collective wage agreements registered with industrial court declined from 328 in 1999 to 316 in 2000.

Inflation rate during the year 2000 rose to 6.2 per cent from the 1999 rate of 3.5 per cent. The impact of the increase in inflation was more pronounced in the lower income group, largely due to increases in food prices occasioned by prolonged drought in 2000. Other factors contributing to the rise in inflation levels included Value Added Tax (VAT) that rose from 15 per cent to 18 per cent, the weakening of Kenya Shilling against the US dollar and increases in petroleum prices in the course of the third quarter of 2000. However, reduced money supply and implementation of prudent fiscal policy helped to moderate the effects of inflationary pressures.

Money, Banking and Finance

The banking sector was relatively stable in 2000 despite the apprehension that gripped the banking sector at the turn of the century due to the anticipated millennium bug problems. The banks however continued to grapple with non-performing loans, which as at December 2000 constituted 39.3 per cent of the total loan portfolio.

Due to the tight monetary policy pursued by the Central Bank money supply (M3) increased by only 0.8 per cent. The Net Foreign Assets (NFA) grew by 57.1 per cent while domestic credit expanded by 2.7 per cent. Interest rates remained generally low as reflected by the decline in the 91-day Treasury bill rates during the year. The demand for credit remained subdued due to the slow economic growth.

The Kenyan Stock Market was reorganised into four independent market segments to enhance efficiency. Activities in the Nairobi Stock Exchange remained depressed during the period as shown by movements in the share prices and foreign capital inflows. The NSE 20-share index fell from 2,303 points in 1999 to 1,913 points in 2000. The insurance industry faced massive losses and fraudulent claims on Public Service Vehicles (PSV) policies, which necessitated the doubling of premiums.

Public Finance

In financial year 2000/2001, the total government expenditure as a percentage of the GDP at current prices is estimated to rise from 30.2 in 1999 to 41.4 in 2000. This was due to increases in capital expenditure related to importation of power generation equipments and current expenditures on relief food. Over the same period, the overall deficit stood at 3.3 per cent of GDP compared to a surplus of 1.6 in the previous year.

The total government expenditure and net lending increased from KSh 223,225.1 million in 1999/2000, to KSh 326,663.0 million in 2000/2001, while the total revenue increased from KSh 180,541.2 million to KSh 200,337.7 million over the same period. The Government continued to implement stringent fiscal policy. Nevertheless, due to the higher expenditure growth rate over revenue, there was significant increase in the deficit.

Revenue generated from import duty and excise duty increased marginally from KSh 26,429.2 million to KSh 26,881.4 million and from KSh 13,278.9 million to KSh 13,605.4 million respectively over the last fiscal year.

Total government debt was lower in 2000/2001 compared to the previous year. Unfunded debt decreased from KSh 325,463.1 million in 1999/2000 to KSh 303,689.2 million in 2000/2001, while the funded debt dropped from KSh 3,430.1 million to 3,005.7 million over the same period.

The total expenditure for the local authorities increased from KSh 10,612.8 million in 1999/2000 to KSh 11,935.7 million in 2000/2001, as total revenue collected grew from KSh. 9,020.4 million to KSh 9,593.2 million.

International Trade and Balance of Payments

International trade and most items of the balance of payments indicated a poor performance. The trade deficit widened further by 35.1 per cent in 2000 compared to 9.4 per cent in 1999. The current account deficit deteriorated while capital and financial accounts registered smaller surplus.

Total export earnings covered only 54.3 per cent of the import bill in 2000 compared to 59.4 per cent in 1999. The general rise in both import volumes and prices resulted in a much higher value of imports. This led to the widening of the trade deficit to KSh 113,277 million in 2000 up from KSh 83,842 million in 1999.

Net service earnings recorded a surplus of KSh 8,379 million in 2000, when compared to a surplus of KSh 14,408 million in 1999 mainly as a result of lower earnings from tourism. Net inflow of transfers rose by 46.8 per cent. Overall, the current account deficit deteriorated to KSh 18,145 million in 2000 from a deficit of KSh 6,875 million in 1999.

Agriculture

The continued poor performance in the agricultural sector is attributed to insufficient rainfall, poor world commodity prices, and poor rural access roads. The prices paid to farmers for coffee, sisal, wheat, seed cotton and milk declined in 2000. The decline in coffee prices was due to poor international prices as a result of a glut in the international market.

The prices of sugarcane, pyrethrum (extract equivalent), tea, and bacon, increased in the year under review. For a second consecutive year, maize production declined from 25.0 million bags in 1999 to 22.0 million bags in 2000, resulting in the importation of 409.4 thousand tonnes of maize for relief and commercial purposes. Wheat production increased from 55.4 thousand tonnes in 1999 to 73.8 thousand tonnes in 2000.

Coffee production increased from 68.1 thousand tonnes in 1998/99 crop year to 100.7 thousand tonnes in 1999/2000 crop year. The tea production, however, recorded a decline of 5.0 per cent falling from 248.7 thousand tonnes in 1999 to 236.3 thousand tonnes in 2000. The decline in tea production was attributed to frost. The volume of marketed milk declined from 180 million litres in 1999 to 137 million litres in 2000. Horticulture exports remained at the 1999 levels, which was 99.0 tonnes.

Environment and Natural Resources

In the year 2000 expenditure on water supplies and related services went up from KSh 1,504.0 million in 1999/2000 to KSh 1,983.4 million in 2000/2001. The

quantity of fresh and marine fish landed declined by 1.6 per cent to stand at 209,916 metric tonnes, compared to 213,396 metric tonnes in 1999 mainly as a result of the total ban in fishing at Lake Naivasha. The area under forest plantation remained at the 1999 level while the population of most wildlife animals decreased as a result of drought. Mineral production increased by 2.0 per cent to record 777,530 metric tonnes in 2000.

Energy

The instability of world oil prices during the period under review translated into erratic price movements of refined petroleum products in the domestic economy. The rapid price changes of petroleum products were attributed to the rise in import prices of crude oil coupled with weakening of the Kenya shilling against the US dollar. Import bill also went up due to the power generation. The volume of crude oil imports increased by 14.6 per cent while those of refined petroleum fuels declined substantially by 30.1 per cent. The import bill rose significantly by 60 per cent.

Total installed power generation capacity rose by 23.3 per cent. Out of the overall installed capacity of 1,147 Megawatt (MW), a total of 105 MW was a from temporary installation of emergency generators contracted by the Government under World Bank funding of US$ 75 million. This notwithstanding, hydro electric power generation recorded a 41.4 per cent drop. This resulted in prolonged period of power rationing which had a negative impact on the overall performance of the economy.

Manufacturing

In 2000, real output growth in the manufacturing sector recorded a decline. The devastating effects of drought compounded the existing structural weaknesses in the sector contributing its the poor performance. Metered power supply to the commercial and industrial sector declined by 5.4 per cent, leading to increased use of generators as an alternative source of power. Consequently, there was reduced plant capacity utilization leading to less output, loss of jobs and increase in product prices. Growth in output declined by 1.5 per cent in 2000.

The Agro-based Industries were worst hit by the severe weather conditions, which reduced agricultural output. Grain milling, sugar, tobacco, and bakery products dropped. Output in the textile, clothing and leather industries stabilized in 2000, while that in the chemicals and transport industries continued with the downward trend. Investment in the sector also fell to all time low. On the positive front, output indicators at the Export Processing Zones (EPZ) recorded improved performance in 2000 when compared with 1999.

Building and Construction

The building and construction industry performed poorly during the period under review. Cement consumption declined by 16.2 per cent while the value of building plans approved and buildings completed dropped by 10.4 per cent and 15.4 per cent respectively. The employment level registered in 2000 did not change much from the 1999 level, which was 78.7 thousand persons compared to 78.0 thousand persons in 2000. Although the interest rates were lower as compared to 1999, the loans advanced by the Commercial Banks to the sector dropped by 8.2 per cent. The

Building Societies also recorded a slow down in housing developments due to a slump in the property market.

Public sector involvement in housing, roads and other civil works declined in 2000. Increased construction costs adversely affected the sector's performance. Increases in material and construction costs were attributed to higher fuel, bitumen and lubricant prices. Similarly, the labour costs increased by 7.0 per cent.

Tourism

The performance in tourism sector continued to pick up albeit at a slower pace than in 1999. The number of visitor arrivals, which had grown by 8.4 per cent in 1999, only grew by 6.9 per cent in year 2000. The number of departing visitors decelerated from 11.6 per cent observed in 1999 to 2.8 per cent in 2000. Tourism receipts dropped by 8.3 per cent from KSh 21,367 million to KSh 19,593 million over the same period. This was largely attributed to the fall in the average length of stay, which fell from 9.4 days in 1999 to 8.7 days in 2000.

The number of beds available as well as the number of beds occupied rose by 7.7 per cent and 25.0 per cent respectively in 2000 when compared to1999. This resulted in an increase of 5.4 percentage points in bed occupancy from 33.9 per cent in 1999 to 39.3 per cent in 2000. The number of visitors to game parks and game reserves went up by 7.3 per cent while the number of visitors to museums, the snake park and other historical sites went up by 2.1 per cent over the same period.

Transport, Storage and Communications

The transport and communications sector recorded improved performance in 2000. The total value of output from the sector rose by 14.2 per cent in the year, which was slightly higher than the 11.3 per cent increase attained in 1999. Total number of newly registered vehicles during the period declined by 27.4 per cent. The volume of freight carried along the railway network rose by 9.1 per cent while the number of passenger journeys undertaken during the year fell by 10.6 per cent. The volume of export freight handled at the harbours declined by 11.7 per cent during the period under review while that of imports rose by 11.9 per cent.

Total throughput of petroleum products transported by the pipeline during the year remained at the 1999 levels. Commercial traffic at the two main airports of Jomo Kenyatta and Moi International Airports recorded substantial increases in 2000. In the postal and telecommunications sector, a total of 51 post offices were closed down during 2000, as they were deemed uneconomical to operate. The number of telephone exchange connections rose by 5.7 per cent to 313 thousand. There was also a marked increase in the subscription for mobile telephone services after commissioning of the second private mobile telephone service provider.

Urban Household Budget Survey

The total annual urban household consumption expenditure was estimated at KSh.81,246 million. Food constituted 42.4 per cent of total consumption expenditure, followed by Rent and Other Housing costs, accounted for 24.1 per cent. The smallest proportions of consumption expenditure were on Alcohol and Tobacco with a share of 1.1 per cent. The mean annual household consumption was estimated at KSh 83,202, or monthly equivalent expenditure of KSh 6,934 per

household. The top decile households were the highest spenders with an estimated share of 37.2 per cent while the bottom decile were the lowest spenders with a share of only 2.0 per cent. The median annual expenditure was estimated at KSh 54,100.

Consumption expenditure by households in Nairobi accounted for 57.7 per cent of the total. Mombasa had a share of 12.9 per cent, while Kisumu and Nakuru accounted for 2.7 per cent and 2.5 per cent, respectively. The "other urban" category made up of 47 towns accounted for 18.5 per cent. Total non-consumption expenditures amounted to KSh 14,200 million of which 50.8 per cent was on loan repayment.

Child Labour

Of the 10.9 million children 7.4, were reported to be in school representing an attendance rate of 67.9 per cent. Some 3.5 million were recorded to be out of school. The majority (78.7 per cent) of the working children worked as unpaid family workers in family farms or businesses, 18.5 per cent worked for pay, while only 1.6 per cent were running their own businesses.

Outlook

The outlook of the 2001/2002 Financial Year will depend on a number of factors. . The Government completed the Poverty Reduction Strategy Paper (PRSP) which included broad-based consultations with all stakeholders up to the District level. The PRSP will enable the Government to focus its spending on priority areas identified by the Districts and the sectors.

There is renewed commitment to the implementation of reforms including to improving governance in order to create an enabling environment necessary for good and sustained economic performance. These developments are important in marshalling additional concession external resources from bilateral and multilateral donors. In 2000, the IMF and World Bank announced that support to Kenya would resume, subject to the progress made in fulfilling the conditions agreed on. However, following ruling by the Judiciary that the Kenya Anti-Corruption Authority (KACA) was unconstitutional, non-passage of the Economic Crimes and code of ethics Bills by parliament, and delayed privatisation of Telkom, donors withheld disbursement of programme funds. This led to budgetary constraints forcing the Government to reduce planned expenditures substantially during the year.

Priority is being given to the measures aimed at resuming bilateral and multi-lateral donor support. This is to be realized through reforms to strengthen the public service, constitutional review; to accommodate KACA and the tabling of Economic Crimes, and code of ethics Bills in Parliament.

The recent rains are expected to boost agriculture production. Improved agricultural production will in turn lead to improvements in other sectors of the economy. Tea production is expected to reach 262 thousand tonnes in 2001 but coffee production is expected to decline to about 68 thousand tonnes.

Increased water supply is expected to contribute to the lowering of the cost of energy, hence increased industrial production. The manufacturing sector is expected to rebound back to its 1999 levels as power supply increases.

In the short run the future of horticulture is likely to be threatened by a looming ban of the commodity in the European market. Efforts must be intensified to meet the deadline for eliminating Maximum Pesticide Residue Levels (MPRL).

The banking industry may face tough times if the Central Bank of Kenya Amendment Bills is enacted. The proposed Amendments aims to: control lending and deposit rates, limit the maximum amount of interest that Banks charge on the principal amount and limit the type of charges that a Bank can levy.

The domestic debt overhang also needs to be dealt with. The conversion of a proportion of domestic debt into long-term bonds has been put in place. The strategy will be supported by the pursuit of appropriate inflation targets. This will also help to remove distortions on interest rate and exchange rate to allow for quick adjustments to shocks in the medium term.

Given the constraints on the domestic resources, it will be necessary that the reform program is firmly on course so as to tap on external concessial financing.

Table 1: KEY ECONOMIC AND SOCIAL INDICATORS, 1996 - 2000*

DESCRIPTION		1996	1997	1998	1999	2000**	
1 Population	(million)	26.3	27.1	27.9	28.7	29.3	
2 Growth of GDP at constant prices ..	(per cent)	4.6	2.4	1.8	1.4	-0.3	
3 GDP at market prices..	(KSh. mn)	528,739.5	623,235.1	690,842.1	740,330.0	788,917.0	
4 Net cost of petroleum products ..	(KSh. mn)	16,001.0	18,703.6	21,008.6	29,954.8	53,667.0	
5 Trade balance	(KSh. mn)	-50,286.2	-70,228.4	-76,608.1	-83,841.6	-113,276.8	
6 Money Supply (M3)	(KSh. mn)	267,828.0	294,052.0	303,750.0	312,116.0	314,686.0	
7 Total domestic credit	(KSh. mn)	279,235.0	327,412.0	350,629.0	371,366.0	381,325.0	
8 Balance of payments (current account balance)	(KSh. mn)	-4,200.0	-26,829.0	-28,688.0	-6,875.0	-18,145.0	
9 Coffee-marketed production	('000 tonnes)	103	68	51	64	98	
10 Tea-marketed production	('000 tonnes)	257.2	220.7	294.2	248.8	236.3	
11 Maize-marketed centrally	('000 tonnes)	296	205	218	224	201	
12 Wheat-marketed centrally	('000 tonnes)	130.0	124.2	176.7	52.9	70.5	
13 Sugar-cane production	('000 tonnes)	3,870.00	4,278.00	4,600.00	4,416.00	3,942.0	
14 Milk sold centrally	(mn litres)	257	197	126	180	137	
15 Manufacturing output	(KSh. mn)	576,400.0	675,240.0	703,000.0	742,500.0	661,200.0	
16 Construction output	(KSh. mn)	32,220.0	33,140.0	37,800.0	43,214.0	47,103.4	
17 Cement Consumption	('000 tonnes)	1,161.5	1,136.9	1,071.9	1,014.0	846.2	
18 Petroleum Consumption	('000 tonnes)	2,230.5	2,175.2	2,199.1	2,311.6	2,448.1	
19 Electricity consumption	(GWH)	3,487.9	3,671.7	3,601.8	3,685.2	3,320.7	
20 Tourism earnings	(KSh mn)	25,600.0	22,640.0	17,509.0	21,367.0	19,593.0	
21 New registration of vehicles ..	(number)	28,664.0	29,893.0	31,718.0	27,892.0	20,236.0	
22 Rail freight	(mn tonnes-Km)	1,218.8	1,068.2	1,111.0	1,491.6	1,556.9	
23 Air passengers handled	('000)	2,691.0	2,835.2	2,873.4	3,557.7	3,990.0	
24 Wage employment	('000)	1,618.8	1,647.4	1,664.6	1,673.6	1,676.8	
25 Education-primary enrolment ..	('000)	5,597.7	5,677.3	5,919.6	5,791.6	5,882.7	
26 Education-secondary enrolment ..	('000)	658.3	687.5	700.5	638.5	652.3	
27 Education-post secondary enrolment	('000)	86	89	76	77	90.1	
28 Hospital beds and cots	(number)	49,331.0	50,909.0	52,186.0	54,378.0	57,416.0	
29 Registered doctors and dentists ..	(number)	4,656.0	4,782.0	4,997.0	5,145.0	5,252.0	
30 GDP Per capita (Current)	(KSh.)	17,095.9	19,788.4	21,267.1	22,207.7	22,942.6	
31 GDP Per capita (Constant)	(KSh.)	3,732.0	3,707.5	3,665.0	3,613.3	3,527.5	
32 Government Budget Out-turn***							
Overall Deficit (% of GDP) at Current Market Prices	(KSh.)	-0.8	-1.4	0.7	1.6	-3.3	
Overall Deficit (-)/Surplus(+)	(KSh.)	-4,403.6	-8,979.6	4,795.0	11,495.0	-26,316.8	
Recurrent Revenue and Grants	(KSh.)	152,866.8	172.417.8	184.871.8	184.788.2	221.472.2	
Total Expenditure	(KSh.)	183,741.6	315.139.0	242.736.0	223.643.4	327.410.1	
33 Debt Service Charge as % of GDP ***		5.7	4.3	4.2	4.2	4.4	
External Debt Service as % of Exports of Goods & Services		17.3	15.1	17.0	16.54	16.51	
INDEX NUMBERS: (1982=100)							1996 - 2000 Annual % Rate of change
Export volumes		200	174	173	186	191	-1.1
Import volumes		167	177	179	162	187	2.9
Terms of trade		93	102	100	86	84	-2.5
Consumer prices + ...		517	575	613	635	674	6.9
Real wages		113	108	112	111	109	-0.9
Agricultural terms of trade ..		88	101	107	105	108	5.3

* More precise measures are given in individual chapters.

** Provisional.

*** Year ending 30th June

\+ Weighted Revised Index (Feb/March 1986=100)

CHAPTER 1

INTERNATIONAL SCENE

Introduction

The global economy grew more strongly in the year 2000 than 1999. Output is estimated to have grown by 4.7 per cent in 2000, as a result of strong increase in the capital stocks, continued strength of US economy, robust upswing of growth in Europe, recovery in Japanese output and the rebound of growth in Dynamic Asian Economies (DAEs). The expansion also owes much to the concerted effort of policymakers across the globe. The outlook appears bright despite high oil prices and fluctuations in stock markets especially in USA and Europe.

1.2. A number of economic and financial imbalances continue to exist in the global arena. These include uneven pattern of GDP and demand growth among the three major currency areas (USA, Japan and the Euro area) and the associated imbalances in their external accounts; a record deficit in USA and a huge surplus in Japan. The Euro is also apparently misaligned against the US Dollar and the Yen.

1.3. High oil prices in the year 2000 emanated from supply constraints in producing countries and the continued expansion of global demand. If oil prices increase further, output growth is likely to be impacted negatively, accompanied by high inflation and interest rates particularly for those economies dependent on imported oil.

1.4. The remarkable strength in the US economy has been driven mainly by consistent pursuit of sound macroeconomic policies coupled with flexibility of the country's products and labour markets and also the willingness of policy makers to maintain large current account surpluses. In Japan, private consumption has remained weak as a result of declining households' earnings and high saving rates, while unemployment rate has remained high. In addition, Asian economies recovery has been fueled by continued monetary and fiscal stimulus and increased external demand.

1.5. Economic growth in the European Union has to a large extent been due to increased exports, strong domestic demand and continued progress on structural reforms. During the year, output growth rebounded in a number of African countries against a background of appropriate macroeconomic policies and reform efforts that have allowed these countries to benefit from stronger export market growth.

1.6. Underlying inflation rates in most advanced economies remained subdued although overall inflation rates in the year rose in response to jumps in oil prices. There are strong possibilities of inflation declining in most of the developing countries as well as in transition economies.

1.7. Overall, the world's unemployment rate edged down in year 2000 mainly on account of improved economic performance. In USA, unemployment rate fell from 4.2 per cent in 1999 to 4.0 per cent in 2000, while in the European union the rate improved to 8.2 per cent in 2000 from 9.1 per cent in 1999. Details of these developments are presented in Table 1.1.

1.8. A key occurrence in 2000 was the rise in world oil prices to nearly double the average prices. Brent crude averaged US$ 31 per barrel during the month of October. The rise affected the overall pace of economic activity in the Organization

for Economic Co-operation and Development (OECD) area through reduced purchasing power of households. The Euro depreciated by around 7.5 and 8 per cent against the US Dollar and Yen respectively. Stock Markets in the United States fluctuated, while equity markets in Japan softened.

Country/Regional Analysis

1.9. **USA:** Real GDP is estimated to have grown by 5.2 per cent in 2000 compared to 4.2 per cent in 1999. Among the contributing factors was the continued strong increase in capital stock and technological advancement particularly in the information and communication industries, which has boosted the economy's capacity. Inflationary pressures increased markedly on account of higher oil prices.

1.10. Aggregate demand remained high resulting to accelerated imports and further widening of the current account deficit. Unemployment rate stood at 4 per cent. Real household incomes continued to grow at a brisk rate while government consumption declined by 0.1 percentage point. Private consumption expanded by 0.1 percentage points from 5.3 in 1999 to 5.4 in 2000.

1.11. **Japan:** The economic recovery in 2000 was stronger than expected. Real GDP growth was 1.9 per cent in 2000 up from 0.2 per cent in 1999. The improvement may be accounted for by high business investment and increased exports. The recovery is expected to continue if more explicit monetary policy to contain long-term interest rates is pursued. Unemployment rate remained at 4.7 per cent.

1.12. **Germany:** Economic activities accelerated in the first half of 2000, underpinned by buoyant investment in machinery and equipment and a more rapid expansion of private consumption. Real GDP registered a growth of 3 per cent in 2000, up from 1.6 per cent in 1999. GDP growth, however, is expected to slow down to 2.5 per cent by 2002 as a result of declining world trade. There was also a remarkable increase in export volumes and prices, which improved the net contribution of the external sector to GDP. Private consumption improved strongly in the second quarter after stagnating in the early months of the year. Employment growth picked in the first half of 2000, to an annual rate of 1.8 per cent occasioned by new part-time entrants into the market. Consumer price inflation rose to around 2.5 per cent in 2000 from 0.6 per cent in 1999 while core inflation remained at half this level. Inflation was mainly influenced by acceleration in oil prices and depreciation of the Euro.

1.13. **The Euro Area**: Real GDP grew by 3.5 per cent in 2000 compared to 2.5 per cent in 1999. The trend in growth has mainly been as a result of the weakening Euro. Underlying inflation trends have been remarkably favourable in the face of the rising oil prices and the depreciation of the Euro. However, core inflation is likely to move up in 2001. The prospects for the Euro are highly uncertain, mainly due to the fact that the reasons for its sharp drop so far are not well understood. Foreign participation in the Euro bond markets and relative medium and long term growth prospects have been some of the factors contributing to the movement of the Euro against the US Dollar and the Yen.

1.14. **The Russian Federation**: The economy exhibited strong growth in the year 2000 due to high prices of key exports notably energy products and metals. Real GDP grew by 6.5 per cent and industrial output growth was 10 per cent higher than in 1999. Production of investment goods picked up, reflecting 17 per cent growth in fixed capital formation over 1999. High export prices, growth in export volumes and a modest recovery in import demand significantly increased Russia's current

account surplus. This had the effect of improving the credibility of the country's monetary policy and the Rouble.

1.15. In contrast to the chronic budget deficits of the past, the Federal budget experienced a surplus amounting to 4.0 per cent of GDP in the first half of 2000. The turnaround is attributable to improved tax collection, volume of exports and excise tax receipts. The outlook for the Russian economy is bright in the short term, but key structural reforms including taxation, corporate governance and competition are still needed.

1.16. **Central and South America:** The growth in this region seems to have picked up albeit unevenly. In Brazil, growth was spurred by increased export and domestic demand, while oil revenues helped economic activity in Venezuela. On the contrary there was a slight decline in the second quarter of 2000 in some countries, notably Argentina, Colombia and Chile. Inflation remained moderate and is likely to stay subdued if oil prices do not go up.

Table 1.1: Key Economic Indicators and Projections for selected Industrial Countries (OECD)*

	1999	2000	2001	2002
	(percentage changes from previous period)			
Real GDP -				
United States	4.2	5.2	3.5	3.3
Japan	0.2	1.9	2.3	2.0
European Union	2.4	3.4	3.0	2.7
Total OECD	3.0	4.3	3.3	3.1
Real total domestic demand -				
United States	5.2	5.8	3.6	3.4
Japan	0.5	1.3	2.4	1.8
European Union	3.1	2.9	2.7	2.7
Total OECD	3.8	4.2	3.2	3.0
Inflation (GDP deflators)				
United States	1.5	2.1	2.2	2.3
Japan	-0.9	-1.5	-0.4	-0.2
European Union	1.5	1.4	2.0	2.2
Total OECD	2.5	2.6	2.4	2.3
	(US $billion)			
Current balances-				
United States	-332.0	-433.0	-471.0	-483
Japan	107.0	128.0	127.0	143
European Union	21.0	-15.0	-13.0	1
Total OECD	-	-	-	-
	(Per cent of labour force)			
Unemployment-				
United States	4.2	4.0	4.2	4.5
Japan	4.7	4.7	4.6	4.6
European Union	9.1	8.2	7.6	7.2
Total OECD	6.7	6.2	6.0	5.9
	(Percentage changes from previous year)			
World Trade** ..	4.9	13.3	9.7	8.0

Source: OECD Economic Outlook no. 68 December, 2000. Cut off date for other information used in the compilation of the projections was

* Assumptions underlying the projections include:

- no change in actual and announced fiscal policies;
- unchanged exchange rates from 30th October, 2000 '; in particular $1 = ¥ 108.80 and 1.190 euro

1.17. **Mexico:** The economy picked up mainly due to improved exports to USA and a boom in domestic demand. Real GDP grew by 7.0 per cent in 2000 compared to 3.7 per cent in 1999. The currency strengthened despite election related volatility earlier in the year, while tighter monetary conditions caused inflation to go down. Real wage increased and job creation in the formal sector went up. Revenues earned

from privatization fell short of budget projections, but these were more than offset by booming activity and oil related receipts. Real GDP growth could go down if oil prices continue to rise and if export demand from USA slows as is projected.

1.18. **Dynamic Asian Economies and China:** Economic growth in Dynamic Asian Economies (DAEs) and China has been stronger than projected. However, there were some differences among the countries with the leaders being Malaysia, Singapore and Hong Kong, China all of which recorded real GDP growth above potential in the first half of 2000. This growth is attributable to the very rapid export growth driven by the strong external demand, especially from USA and Asian OECD countries.

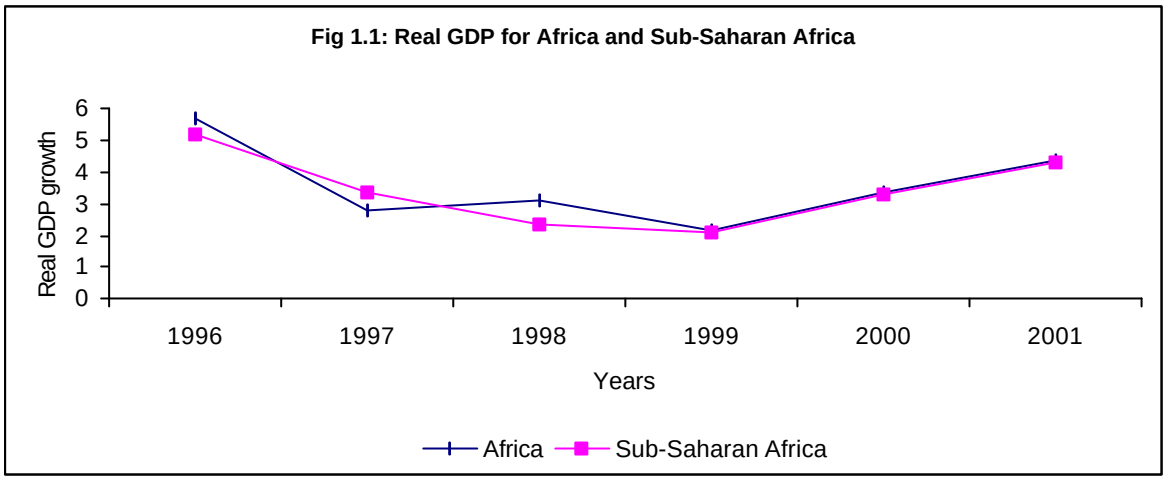
1.19. Imports have been rising rapidly spurred by sharply rising demand for inputs used by export industries inventory re-stocking. The recovery in Indonesia has been relatively weak, particularly in domestic demand. The dampening impact of higher oil prices is likely to be felt most by Thailand and the Philippines.

1.20. Private consumption, inventory accumulation and fiscal stimulus have been major contributors to the growth in domestic demand in the DAEs. Although posted inflation rates rose as a result of upward adjustment of oil prices, core inflation rates remained relatively low in 2000.

1.21. In China, strong export growth, recovery in urban consumption and investment contributed to a real GDP growth of 8.0 per cent in 2000 in comparison to 7.1 per cent in 1999. Construction industry grew rapidly thus, not only reversing weakened trends of 1999 but also compensating for the sluggish performance of the agricultural sector. The current recovery will, however, be pegged to macro-economic stimulus and external demand.

1.22. On the external front, export growth has remained robust, spurred by global and regional demand. Inflation edged up from negative 1.3 per cent in 1999 to 0.4 per cent in 2000 and is expected to reach 1.0 per cent in 2001 due to oversupply and increase in prices of services.

1.23. **Africa:** Economic developments in many African countries have significantly been shaped by external factors, including commodity prices and growths in export markets. In oil-producing countries of Africa, increases in OPEC oil production quotas and rebound in oil prices have boosted economic activity and resulted in stronger fiscal and external balances. On the contrary, non-oil-producing countries have suffered substantial terms-of-trade losses due to high oil import prices, and the generally depressed export prices of non-oil and other primary goods. Despite this, growth in a number of African countries' economies rebounded in 2000 as a result of appropriate macroeconomic policies and reform implementation. Weak performances were, however, witnessed in some war-ravaged countries and those that experienced drought.



Source: World Economic Outlook

Impact of HIV/AIDS on African Economies

1.24. HIV/AIDS pandemic has increasingly become a major source of concern in Africa and needs to be addressed through effective education, health and other social programs. By the end of 1999, about 33.6 million people were living with HIV/AIDS, out of which, around 25 million were reported to be from Africa, with the highest rate of infection being in the Southern Africa nations. If the spread of the disease is not curbed, there will be substantial effect across the spectrum of economic variables including GDP growth, poverty, labour supply, domestic savings and productivity. The burden has already been felt by most of the African countries especially in increased health care expenditure as well as loss of workers in the labour market. Due to the nature of HIV/AIDS its full effects are yet to be felt.

Commodity Prices

1.25. Table 1.2 shows world price indices for some selected commodities. There was a sharp increase in petroleum prices resulting from constrained supply by the producing countries. A substantial drop in coffee prices was witnessed for the third year running while tea prices improved by 6.9 per cent in 2000. Prices of non-fuel commodities also recorded a slight increase.

Table 1.2: Selected World Commodity Price Indices, 1996-2000

(1995=100)

Year	``Other milds'' Coffee*	Tea**	Sisal***	Sugar+	Petroleum++	All+++ Commodities	World Bank LMIC's+
1996	80.5	107.9	122.2	99.8	118.4	98.8	94.1
1997	123.8	144.5	109.4	90.9	112.0	95.7	96.2
1998	88.6	145.3	115.6	86.9	76.0	81.6	81.1
1999	68.1	141.3	97.9	86.0	104.5	75.9	72.2
2000	56.9	151.1	--	80.6	164.0	77.2	71.0

Source: IMF, International Financial Statistics, (February ,2000).
Indices are based on prices in US dollar.
* Other milds (New York).
** Average Auction (London).
*** East African (Europe).
\+ E.U. Import Price.
++ Average crude price(Spot) (US $ per barrel).
+++ World (non-fuel commodities).
+ Low and Middle Income Countries(LMIC's)
-- data not available

Outlook

1.26. Broadly, the world economic outlook is favourable, particularly if oil prices ease from the present levels and if the equity markets gain some strength. However, there are some uncertainties as a result of continuing political tensions in the Middle East. Core inflation is expected to remain low in many OECD countries. Overall, employment is likely to grow but unemployment may remain at the present level.

1.27. The budget surplus experienced in USA in the recent years is expected to rise even after the takeover by the new administration. The economy may, however, slow down in the face of a decline in private demand in response to tightened monetary policy, decline in stock market prices and higher oil prices.

1.28. In the Euro area, output is likely to expand over the next two years while unemployment is expected to decline. Core inflation is projected to rise. Real GDP is likely to decelerate to 3.1 per cent in 2001 and further to 2.8 per cent in 2002, but total domestic demand is expected to remain fairly stable over the next two years. In most countries, further progress in public finances is required in view of large public indebtedness and future pension liabilities. A major uncertainty for the Euro area is the outlook for oil prices. Oil prices are higher now than were projected in 2000. If the financial conditions tighten further than projected, this could deal a negative blow to growth prospects.

1.29. The Japanese economy is likely to perform better this year with the growth estimated to reach 2.3 per cent. The focus for the economy has shifted from crisis to recovery management. Rising profits and increasing demand for information technology will continue to support business investment and to drive the expansion. Employment is expected to remain modest although unemployment might remain high as the labour force responds to the improved economic situation.

1.30. In Germany, the economy is expected to slow as a result of slowing expansion of world trade and the current high oil prices. GDP is estimated to drop from 3.0 per cent in 2000 to 2.7 per cent in 2001 and further to 2.5 per cent in 2002. As a result of tax reduction and better labour market conditions, private consumption may accelerate in 2001. A favourable investment climate is expected, against a background of tax cuts and wage moderation embodied in collective agreements that are fixed until 2002. Construction is expected to remain weak although it is expected to benefit from higher infrastructure investment. Unemployment rate is likely to decline from 8.3 per cent recorded in 1999 to around 6.3 per cent in 2002.

1.31. In Hong Kong, China, GDP growth is expected to drop from 9.0 per cent in 2000 to 7.1 per cent in 2001 while in Indonesia performance is expected to improve from 3.7 per cent registered in 2000 to 6.1 per cent in 2002. Despite the rapid growth witnessed in the recent past in Malaysia, performance is likely to slow down in the year. Core inflation is likely to be sustained at low level in most of the DAE countries, except possibly for Philippines due to dampening impact of oil prices.

1.32. China is likely to register fairly stable growth in the next three years. GDP is projected to be slightly below 8.0 per cent for each year within this period. Private consumption is expected to recover, although the speed of the recovery will be subdued by labour shedding effects from urban enterprises. Foreign direct

investment inflows have recorded growth, perhaps in anticipation of China's entry into the World Trade Organization. Impact of oil prices will be relatively mild, as net imports of oil are not substantial.

1.33. The growth witnessed in Russia in 2000 may spill over to early 2001. Real GDP is estimated to grow at a rate of 4 per cent in both 2001 and 2002, although the current account surplus is expected to contract. The outlook for the economy is bright in the short term, especially if key structural reforms are made. The current political and economic environment presents a major opportunity for Russia to make progress.

1.34. Growth is likely to strengthen further in South America, although it might not reach its estimated potential. Inflation may remain subdued although pressures may emerge from accelerating oil prices. The Brazilian economy is projected to grow by 4.0 per cent in 2001 from 3.5 per cent in 2000. This recovery is expected to spur the export sector.

1.35. In Mexico, with the presumed slow down in demand, stable oil prices and in the context of tight macro-economic policies, the real GDP is projected to grow at a moderate rate 5 per cent in 2001 and 2002. Inflation is expected to decline, based on an unchanged exchange rate.

1.36. In Argentina, domestic demand seems unlikely to recover in the short term and export prospects are also limited by a weak competitive position. Recovery in Argentina is, therefore, not assured. High interest rates, recession and loss of confidence continues to dog the economy. There are indications of economic slump.

CHAPTER 2

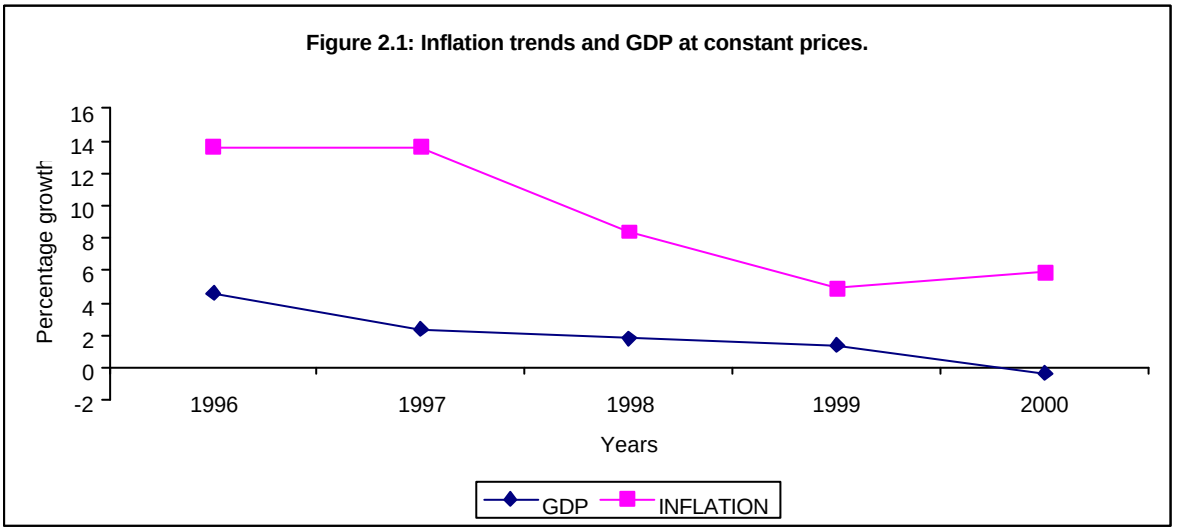
DOMESTIC ECONOMY

Overview

The year 2000 was the most difficult for the Kenyan economy in recent history. The rate of economic growth contracted for a fifth consecutive year, closing with a negative growth rate of 0.3 per cent. The deceleration was occasioned by a decline in almost all the key sectors of the economy and may be attributed to the prolonged drought (1999-2000), inadequate power supply, deterioration of infrastructure and low aggregate demand. Agriculture and manufacturing sectors, which contribute over one third of the Gross Domestic Product (GDP), were the most adversely affected. Trade deficit worsened considerably while the current account deteriorated. The growth rate of Kenya's GDP declined from 4.6 per cent in 1996 to negative 0.3 per cent in 2000. This trend is similar to that of Africa, which contracted from 5.8 per cent in 1996 to 2.2 per cent in 1999. Growth prospect for Africa is projected to grow at 4.4 per cent in 2001, while Kenyan GDP is projected to expand by 2.0 per cent in 2001.

2.2. The adverse weather in 2000, made it imperative for Kenya to seek food relief and assistance in energy generation. Development partners provided this support. World Food Programme (WFP) and World Bank provided food and funds for energy support respectively. In addition, under the Poverty Reduction and Growth Facility (PRGF), the economy benefited from KSh 2,000 million from IMF.

Figure 2.1: Inflation trends and GDP at constant prices.



2.3. Although revenue collection was on target, Government expenditure outstripped collection leading to increased government borrowing from domestic sources. The Government, however, continued with its efforts to ensure tighter fiscal control over expenditure. Central Bank of Kenya (CBK) also continued to exercise prudent monetary policy and despite cost-push pressures, contained average inflation to single digit level during the year.

2.4. Inflation increased from 3.5 per cent in 1999 to 6.2 per cent in 2000. This was due to increases in food and fuel prices, increased VAT and upward power price adjustments.

2.5. External trade performance deteriorated in the year 2000. The trade deficit widened by 35.1 per cent, while the current account deficit expanded by KSh 11,270 million. Slower growth in the value of domestic exports (9.8 per cent) and faster acceleration in imports (by 20.1 per cent) precipitated this outcome. There was however a strong growth in official capital inflows leading to overall balance of payments surplus of KSh 8,244 million in year 2000, compared to a surplus KSh 411 million in 1999.

2.6. Export and import prices registered 7.6 per cent and 10.8 per cent growth respectively. Crude petroleum import prices went up by 63.5 per cent, while prices of refined products increased by 19.3 per cent. These increases were as a result of the depreciation of the Kenya Shilling against the US dollar and the steep increases in oil prices in the world market.

Sectoral Analysis

Agriculture

2.7. During the year under review, agriculture sector GDP share declined marginally to about 24.0 per cent from 24.5 per cent in 1999. In real terms, sector growth rates declined from 1.2 per cent in 1999 to negative 2.4 per cent in 2000. The poor performance was attributed mainly to the drought that persisted from 1999 and 2000. This resulted in reduced crop production and pasture for livestock. Poor infrastructure and high cost of livestock and agricultural inputs also adversely affected agricultural production and marketing. Although coffee production experienced a tremendous growth, international prices fell drastically. Tea production on the other hand was 5.0 per cent lower than 1999.

2.8. **Maize**: Production of maize recorded a deficit of 11 million bags. This is attributed to insufficient rainfall in the maize growing regions during the crop season coupled with low supply of quality seeds, high cost of farm inputs, poor crop husbandry and weak extension services. Approximately 4 million bags were imported to offset this deficit. Prices of maize on average rose from KSh 14/kg to KSh 19/kg during the year.

2.9. **Coffee**: Production increased by 48 per cent from 68.1 thousand tonnes in the 1998/99 crop year to 100.7 thousand tonnes in the 1999/2000 season. This is because there are fewer coffee diseases in dry weather than in wet seasons, although the quality is compromised. However, the prices fell as a result of increased world production and stocks from previous seasons such that 100-Kg bag of coffee fetched KSh 11,500 in 2000, compared to KSh 15,632 in 1999.

2.10. **Tea**: Production of tea declined further from 248.7 thousand tonnes in 1999 to 236.3 thousand tonnes in 2000. The decline in the last two years was attributed to dry weather experienced in the years 1999 and 2000 as mentioned earlier. Overall, tea prices increased, recording about 22 per cent rise over the 1999 prices.

2.11. **Sugarcane**: The sugar industry in the recent past has been experiencing structural difficulties including stiff competition from cheaper imported sugar. Further more, local sugar attracts 18 per cent VAT and 7 per cent Sugar Development Levy which makes less competitive. Cane farmers have also not been remunerated on time. Consequently, sugarcane delivery declined by 11.3 per cent to 3.9 million tonnes while sugar imports more than doubled in 2000.

Table 2.1 Gross Domestic Product at Factor Cost, 1996 - 2000

KSh million

	Current Prices					Constant (1982) Prices				
	1996	1997	1998*	1999*	2000**	1996	1997	1998*	1999*	2000**
A. NON-MONETARY ECONOMY										
Forestry	1,688.0	1,724.2	1,800.4	1,831.6	1,874.2	722.6	742.0	751.8	762.3	770.7
Fishing	111.2	136.6	135.0	135.4	137.6	28.4	29.4	29.6	29.7	29.5
Building and Construction	2,431.4	2,492.0	2,528.0	2,599.8	2,667.4	1,598.2	1,617.4	1,619.0	1,620.4	1,628.5
Water Collection	1,354.4	1,437.8	1,518.4	1,612.0	1,711.0	573.8	594.6	619.0	634.4	650.3
Ownership of Dwellings	7,410.2	8,089.2	8,261.0	9,022.0	9,870.0	2,492.2	2,579.4	2,656.8	2,710.0	2,747.0
TOTAL NON-MONETARY ECONOMY	12,995.2	13,879.8	14,242.8	15,200.8	16,260.2	5,415.2	5,562.8	5,676.2	5,756.9	5,826.0
B. MONETARY ECONOMY										
1. Enterprises and Non-Profit Institutions										
Agriculture	124,660.0	137,999.0	148,018.0	139,936.0	124,411.0	24,507.0	24,751.0	25,121.6	25,425.0	24,813.0
Forestry	4,477.0	5,093.8	5,361.6	5,639.4	5,922.0	1,300.0	1,339.0	1,380.8	1,415.4	1,387.6
Fishing	1,367.4	1,688.8	1,638.2	1,636.4	1,664.8	284.8	304.0	309.0	312.4	305.8
Mining and Quarrying	741.2	815.4	823.2	993.8	1,142.9	240.2	243.4	246.8	252.0	254.2
Manufacturing	47,758.4	54,606.9	65,970.7	78,534.7	87,973.6	13,153.6	13,408.8	13,596.6	13,732.5	13,526.6
Building and Construction	17,583.2	18,771.0	21,404.8	24,470.0	26,466.2	2,429.4	2,475.6	2,507.7	2,530.3	2,492.0
Electricity and Water	4,400.0	4,840.0	5,443.6	5,755.8	5,912.9	974.4	1,013.8	1,038.8	1,054.4	1,011.2
Trade, Restaurants and Hotels	82,895.2	109,804.0	123,452.6	137,316.4	150,253.0	11,933.6	12,407.4	12,693.4	12,947.2	13,077.4
Transport, Storage& Communications	35,471.2	41,816.0	43,255.2	45,616.8	49,892.0	5,931.6	6,047.4	6,118.0	6,202.0	6,326.0
Finance, Insurance, Real Estate and Business Services	55,718.6	68,747.0	75,009.8	76,078.0	69,750.0	9,843.1	10,360.8	10,690.3	10,904.1	10,945.0
Ownership of Dwellings	18,722.0	20,968.6	22,352.6	24,368.8	27,177.6	5,406.4	5,593.8	5,705.6	5,796.6	5,877.8
Other Services	16,372.0	19,973.8	23,721.2	27,790.4	33,151.6	3,367.0	3,438.8	3,499.6	3,569.6	3,587.8
Less:Imputed Bank Service Charges	-36,107.2	-39,296.2	-47,126.6	-42,178.0	-30,758.0	-3,826.7	-3,972.1	-4,099.2	-4,195.1	-4,245.6
TOTAL	374,059.0	445,828.1	489,324.9	525,958.5	552,959.6	75,544.4	77,411.7	78,809.0	79,946.4	79,358.8
2. Private Households (Domestic Services)	5,683.4	6,174.8	6,710.2	7,293.6	7,928.6	2,496.4	2,641.2	2,793.0	2,920.4	2,990.0
3. Producer of Government Services										
Public Administration	13,515.6	15,635.8	17,897.6	14,792.6	15,929.4	. .	. .	. .	. .	. .
Defence	1,295.4	1,379.9	1,395.4	1,718.3	2,122.6	. .	. .	. .	. .	. .
Education	31,046.4	40,598.6	50,264.2	56,532.3	60,300.6	. .	. .	. .	. .	. .
Health	5,205.2	6,187.2	6,493.8	7,465.6	7,513.6	. .	. .	. .	. .	. .
Agricultural Services	2,010.8	2,236.4	2,026.8	2,950.6	3,851.0	. .	. .	. .	. .	. .
Other Services	3,810.4	4,343.6	4,997.0	5,449.3	5,353.6	. .	. .	. .	. .	. .
TOTAL	56,883.8	70,381.5	83,074.8	88,908.7	95,070.8	14,695.8	14,857.2	14,974.5	15,077.9	15,181.9
TOTAL MONETARY ECONOMY	436,626.2	522,384.4	579,109.9	622,160.9	655,959.1	92,736.6	94,910.0	96,576.5	97,944.6	97,530.7
TOTAL NON-MONETARY AND MONETARY ECONOMY	449,621.4	536,264.2	593,352.7	637,361.7	672,219.3	98,151.8	100,472.8	102,252.7	103,701.5	103,356.6
ESTIMATED POPULATION (million)	26.3	27.1	27.9	28.7	29.3	26.3	27.1	27.9	28.7	29.3
GROSS DOMESTIC PRODUCT PER CAPITA KS	17,095.9	19,788.3	21,267.1	22,207.7	22,942.6	3,732.0	3,707.5	3,665.0	3,613.3	3,527.5

* Revised

** Provisional

Table 2.2: Growth of Gross Domestic Product, 1996 - 2000

Percentages

	Current Prices					Constant (1982) Prices				
	1996-97	1997-98*	1998-99*	1999-00**	1996-00***	1996-97	1997-98*	1998-99*	1999-00**	1996-00***
A. NON-MONETARY ECONOMY										
Forestry	2.1	4.4	1.7	2.3	2.7	2.7	1.3	1.4	1.1	1.6
Fishing	22.8	-1.2	0.3	1.6	5.5	3.5	0.7	0.5	-0.9	0.9
Building and Construction	2.5	1.4	2.8	2.6	2.3	1.2	0.1	0.1	0.5	0.5
Water Collection	6.2	5.6	6.2	6.1	6.0	3.6	4.1	2.5	2.5	3.2
Ownership of Dwellings	9.2	2.1	9.2	9.4	7.4	3.5	3.0	2.0	1.4	2.5
TOTAL NON-MONETARY ECONOMY	6.8	2.6	6.7	7.0	5.8	2.7	2.0	1.4	1.2	1.8
B. MONETARY ECONOMY										
1.Enterprises and Non-Profit Institutions										
Agriculture	10.7	7.3	-5.5	-11.1	0.0	1.0	1.5	1.2	-2.4	0.3
Forestry	13.8	5.3	5.2	5.0	7.2	3.0	3.1	2.5	-2.0	1.6
Fishing	23.5	-3.0	-0.1	1.7	5.0	6.7	1.6	1.1	-2.1	1.8
Mining and Quarrying	10.0	1.0	20.7	15.0	11.4	1.3	1.4	2.1	0.9	1.4
Manufacturing	14.3	20.8	19.0	12.0	16.5	1.9	1.4	1.0	-1.5	0.7
Building and Construction	6.8	14.0	14.3	8.2	10.8	1.9	1.3	0.9	-1.5	0.6
Electricity and Water	10.0	12.5	5.7	2.7	7.7	4.0	2.5	1.5	-4.1	0.9
Trade, Restaurants and Hotels	32.5	12.4	11.2	9.4	16.0	4.0	2.3	2.0	1.0	2.3
Transport, Storage and Communications	17.9	3.4	5.5	9.4	8.9	2.0	1.2	1.4	2.0	1.6
Finance, Insurance, Real Estate and Business Services	23.4	9.1	1.4	-8.3	5.8	5.3	3.2	2.0	0.4	2.7
Ownership of Dwellings	12.0	6.6	9.0	11.5	9.8	3.5	2.0	1.6	1.4	2.1
Other Services	22.0	18.8	17.2	19.3	19.3	2.1	1.8	2.0	0.5	1.6
Less:Imputed bank service charges.	8.8	19.9	-10.5	-27.1	-3.9	3.8	3.2	2.3	1.2	2.6
TOTAL	19.2	9.8	7.5	5.1	10.3	2.5	1.8	1.4	-0.7	1.2
2.Private Households (Domestic Services)	8.6	8.7	8.7	8.7	8.7	5.8	5.7	4.6	2.4	4.6
3.Producers of Government Services						..	..	..	..	..
Public Administration	15.7	14.5	-17.3	7.7	4.2	..	..	..	..	..
Defence	6.5	1.1	23.1	23.5	13.1	..	..	..	..	..
Education	30.8	23.8	12.5	6.7	18.1	..	..	..	..	..
Health	18.9	5.0	15.0	0.6	9.6	..	..	..	..	..
Agricutural Services	11.2	-9.4	45.6	30.5	17.6	..	..	..	..	..
Other Services	14.0	15.0	9.1	-1.8	8.9					
TOTAL	23.7	18.0	7.0	6.9	13.7	1.1	0.8	0.7	0.7	0.8
TOTAL MONETARY ECONOMY	19.6	10.9	7.4	5.4	10.7	2.3	1.8	1.4	-0.4	1.3
TOTAL NON-MONETARY AND MONETARY ECONOMY	19.3	10.6	7.4	5.5	10.6	2.4	1.8	1.4	-0.3	1.3
GROSS DOMESTIC PRODUCT PER CAPITA	15.9	7.5	4.4	3.2	7.6	-0.6	-1.1	-1.5	-2.4	-1.4

* Revised

** Provisional

*** Average annual change

Table 2.3 Production Accounts, 1999 and 2000

KSh million

	1999*					2000**				
			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	18,836.00	3,635.20	15,200.80	121.20	15,079.60	20,573.99	4,313.79	16,260.20	130.42	16,129.78
B. MONETARY ECONOMY										
1.Enterprises and Non-Profit Institutions										
Agriculture	155,574.00	15,638.00	139,936.00	17,856.80	122,079.20	140,189.00	15,778.00	124,411.00	18,279.20	106,131.80
Forestry	6,428.00	788.60	5,639.40	3,450.00	2,189.40	6,683.25	761.25	5,922.00	4,504.73	1,417.27
Fishing	1,757.20	120.80	1,636.40	439.40	1,197.00	1,740.13	75.33	1,664.80	511.74	1,153.06
Mining and Quarrying	3,794.60	2,800.80	993.80	501.20	492.60	4,363.60	3,220.73	1,142.87	609.60	533.27
Manufacturing	742,492.00	663,957.26	78,534.74	32,348.00	46,186.74	661,200.00	573,226.38	87,973.62	37,700.00	50,273.62
Building and Construction	43,214.00	18,744.00	24,470.00	17,139.40	7,330.60	47,103.40	20,637.20	26,466.20	18,671.20	7,795.00
Electricity and Water	20,171.80	14,416.00	5,755.80	4,459.60	1,296.20	20,783.80	14,870.87	5,912.93	4,477.80	1,435.13
Trade, Restaurants and Hotels	271,859.80	134,543.40	137,316.40	51,647.80	85,668.60	297,471.60	147,218.60	150,253.00	62,267.40	87,985.60
Transport, Storage and Communications	84,222.00	38,605.20	45,616.80	14,253.00	31,363.80	96,203.00	46,311.00	49,892.00	16,269.60	33,622.40
Finance, Insurance, Real Estate and Business Services	97,057.00	20,979.00	76,078.00	30,131.00	45,947.00	92,772.00	23,022.00	69,750.00	33,328.00	36,422.00
Ownership of Dwellings	26,926.00	2,557.20	24,368.80	0.00	24,368.80	30,031.00	2,853.40	27,177.60	0.00	27,177.60
Other Services	60,430.60	32,640.20	27,790.40	20,344.60	7,445.80	71,912.41	38,760.81	33,151.60	23,961.14	9,190.46
Less: Imputed Bank Service Charges ..	0.00	42,178.00	-42,178.00	0.00	-42,178.00	0.00	30,758.00	-30,758.00	0.00	-30,758.00
TOTAL	1,513,927.00	987,968.46	525,958.54	192,570.80	333,387.74	1,470,453.19	917,493.57	552,959.62	220,580.41	332,379.21
2.Private Households (Domestic Services)..	7,293.60	0.00	7,293.60	7,293.60	0.00	7,928.60	0.00	7,928.60	7,928.60	0.00
3.Producers of Government Services	125,873.30	36,964.58	88,908.72	88,597.54	311.18	140,957.34	45,886.50	95,070.84	94,597.67	473.17
TOTAL MONETARY ECONOMY	1,647,093.90	1,024,933.04	622,160.86	288,461.94	333,698.92	1,619,339.13	963,380.07	655,959.06	323,106.68	332,852.38
TOTAL MONETARY AND NON-MONETARY ECONOMY	1,665,929.90	1,028,568.24	637,361.66	288,583.14	348,778.52	1,639,913.12	967,693.86	672,219.26	323,237.10	348,982.16

* Revised

** Provisional

*** Including consumption of fixed capital.

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

2.12. **Horticulture**: The volume of horticultural exports remained around the 1999 level of 99,000 tonnes. The stagnation was mainly as a result of a drop in output from small-scale producers due to drought as well as other effects of drought and poor infrastructure, especially the rural feeder roads and limited cargo capacity for cut flowers. The value of horticultural exports thus declined by 2.1 per cent.

Manufacturing

2.13. The drought severely affected the manufacturing sector which had to contend with reduced power supply, especially in the second half of 2000. In addition, the structural weaknesses did not augur well for the sector. The producers resorted to increased use of generators. This led to reduced plant capacity utilization, output, loss of jobs, increase in production costs which were passed on to consumers. As a result real output declined by 1.5 per cent.

2.14. Agro-based industries were worst-hit by the severe weather, experiencing heavy declines in grain milling, bakery products and sugar industry. However the output of plastic products and petroleum industries continued to expand as a result of increased domestic demand. Beverage and leather industries however recorded growth rates of 7.2 per cent and 12.3 per cent respectively.

Transport, Storage and Communications

2.15. This sector recorded growth in gross output of 14.2 per cent at current prices in 2000. The value of output in road transport sub-sector recorded a growth of 15.9 per cent in 2000. The expansion may be attributed to freight road transport, which was responsible for distribution of relief food. The number of newly registered motor vehicles declined for the second year running. This was due to economic decline and introduction of anti-dumping tax by the government in the 2000/2001 budget. Dealers in new motor vehicles also continued recording declining sales. This reflects continuing trend in reliance on used vehicles that are more affordable to the majority of the people.

2.16. Cargo landed at Mombasa harbour increased by 11.9 per cent. This is mainly attributable to food imports necessitated by drought. In addition, there was a 26 per cent increase in fuel imports, mostly as inputs for generating electrical power. Cargo loaded through the harbour, however, declined by 11.7 per cent. Kenya Railways recorded a 9.1 per cent increase in freight handled as a result of the rise of cargo destined to Uganda, Northern Tanzania and the Great Lakes Region.

2.17. The liberalization of the telecommunication sector encouraged tremendous expansion and growth in the industry. The entry of a second mobile phone operator resulted in the number of subscribers rising to 85,000 by the end of 2000. The year also witnessed tremendous reduction in tariffs. The value of output for the sub-sector expanded by KSh 4,138 million in 2000.

Trade, Restaurants and Hotels

2.18. The sector has increased its share of GDP from 12.2 per cent in 1996 to 12.7 per cent in 2000 as shown in Table 2.4. The economy has been experiencing a shift from high to low value-adding activities. This is further aggravated by high imports of finished products that are cheaper than domestically produced ones. In 2000, low aggregate demand, attributable to decline in wage employment constrained the sector. The sector benefits from tourism sector performance, which cuts across all

other sectors. In addition growth in tourism implies positive forward and backward linkages. In 2000 the foreign exchange receipts in tourism declined although the bed occupancy rate went up as a result of improvement in domestic tourism. In real terms, the Trade, Restaurants and Hotels sector grew by 1.0 per cent.

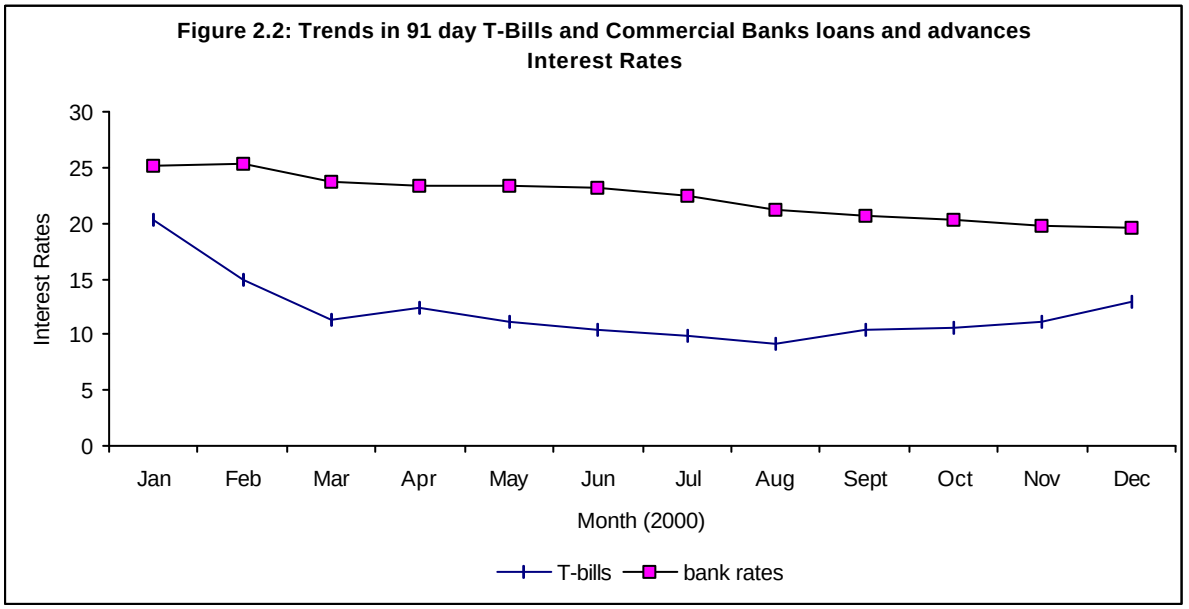
Producer of Government Services

2.19. The GDP growth generated by producers of Government services contracted from 23.7 per cent in 1996 to 6.9 per cent in 2000. This is in line with government's aim of reducing recurrent expenditure. The observed increase in expenditure in 2000 was attributed to the implementation of the Civil Service Reform Programme that enhanced house allowances for civil servants and took on board teachers' salary awards. Much of the public expenditure allocations continued to go to the Social Sector with education taking 63 per cent of the total expenditure.

Finance, Insurance, Real Estate and Business Services

2.20. The financial sector was relatively stable although one bank was placed under liquidation. The number of Non-Bank Financial Institutions fell from 11 to 7. The greatest challenge in the period for the banking institutions was non-performing loans that constituted 39 per cent of loan portfolio, amounting to approximately KSh 117,000 million in December 2000.

2.21. Domestic interest rates were on the decline for the better part of 2000. The 91 day T-Bill rate dropped from 20.3 per cent in January to 10.4 per cent in September although interest rates picked up in the fourth quarter to settle at 12.9 per cent at the close of the year. This upward trend was due to increased domestic borrowing by the government to meet its expenditure requirements as a consequence of revenue shortfall arising from among other factors, delays in realizing income from planned privatization activities and temporary suspension of IMF/WB disbursements to Kenya. Interest rates offered by commercial banks on saving deposits dropped from 6.2 per cent in 1999 to 4.5 per cent in 2000.



2.22. The shilling depreciated by 6.5 per cent to KSh 79 to the dollar by December 2000. The decline resulted from high demand to meet oil prices amid reduced export earnings. The average official forex reserves held by Central Bank of Kenya

marginally increased to 3.4 months imports cover in 2000 compared with 3.1 months cover in 1999.

2.23. The bond market was dominated by Government Bonds amounting to KSh 2,780 million. Corporate Bonds increased by two issues from the East African Development Bank and Shelter Afrique. Commercial paper worth KSh 600 million was also issued.

2.24. The insurance sub-sector had to contend with increased claims from clients in 2000. As a result, the industry revised its premiums upwards especially for the public service vehicles (matatus). The 2000/2001 Budget speech proposed amendments to the Insurance Act to raise paid up capital for brokers from KSh 500,000 to KSh 1,000,000 for general business insurance to KSh 100 million and KSh 50 million for the life business. This also added to the upward pressure on the premiums charged.

Building and Construction

2.25. This sector is mainly driven by infrastructure development. Except for the on going road repair and minor construction works, no major works were undertaken by the government. The sector was characterized by low level of investment in housing, roads and civil works. Loans to the sector contracted by about KSh 1,500 million in 2000, which worsened the sector performance. Private sector activities contracted, as these are dependent on government activities.

Table 2.4: Gross Domestic Product Sector Shares at Constant (1982) Prices, 1996 - 2000

Percentage

	1996	1997	1998*	1999*	2000**
A. NON-MONETARY ECONOMY					
Forestry	0.7	0.7	0.7	0.7	0.7
Fishing	0.0	0.0	0.0	0.0	0.0
Building and Construction	1.6	1.6	1.6	1.6	1.6
Water Collection	0.6	0.6	0.6	0.6	0.6
Ownership of Dwellings	2.5	2.6	2.6	2.6	2.7
TOTAL NON-MONETARY ECONOMY	5.5	5.5	5.6	5.6	5.6
B. MONETARY ECONOMY					
1. Enterprises and Non-Profit Institutions					
Agriculture	25.0	24.6	24.6	24.5	24.0
Forestry	1.3	1.3	1.4	1.4	1.3
Fishing	0.3	0.3	0.3	0.3	0.3
Mining and Quarrying	0.2	0.2	0.2	0.2	0.2
Manufacturing	13.4	13.3	13.3	13.2	13.1
Building and Construction	2.5	2.5	2.5	2.4	2.4
Electricity and Water	1.0	1.0	1.0	1.0	1.0
Trade, Restaurants and Hotels	12.2	12.3	12.4	12.5	12.7
Transport, Storage and Communications	6.0	6.0	6.0	6.0	6.1
Finance, Insurance, Real Estate and Business Services	10.0	10.3	10.5	10.5	10.6
Ownership of Dwellings	5.5	5.6	5.6	5.6	5.7
Other Services	3.4	3.4	3.4	3.4	3.5
Less: Imputed Bank Service Charges	-3.9	-4.0	-4.0	-4.0	-4.1
TOTAL	77.0	77.0	77.1	77.1	76.8
2. Private Households (Domestic Services)	2.5	2.6	2.7	2.8	2.9
3. Producers of Government Services	15.0	14.8	14.9	14.5	14.7
TOTAL MONETARY ECONOMY	94.5	94.5	94.4	94.4	94.4
TOTAL MONETARY & NON-MONETARY ECONOMY	100.0	100.0	100.0	100.0	100.0

* Revised.

** Provisional.

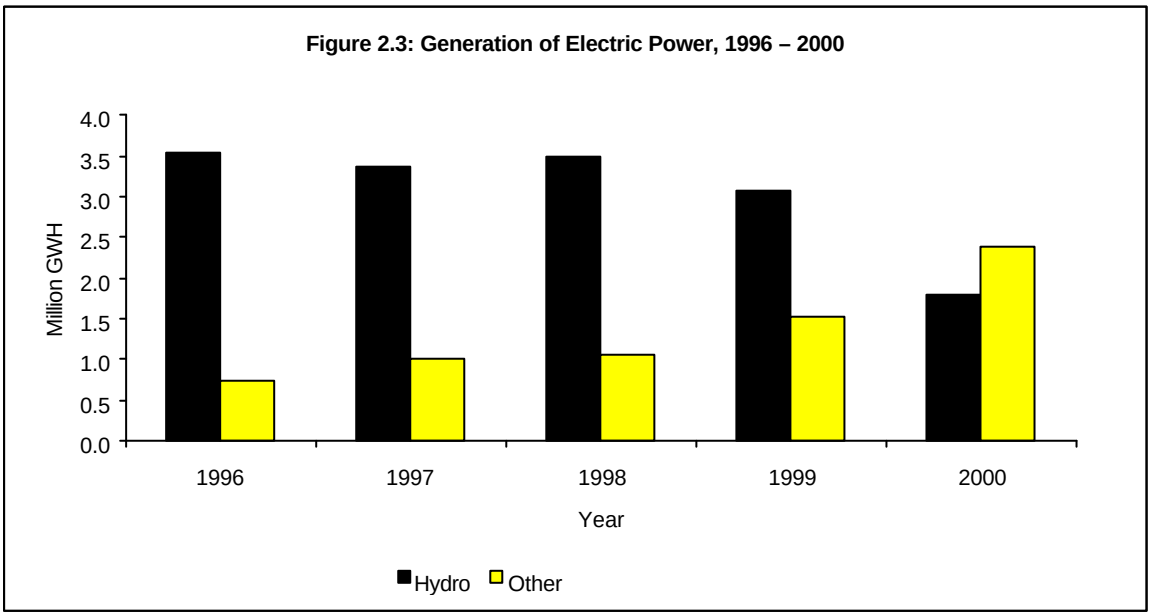
2.26. With limited building and construction activities, cement consumption was depressed resulting in production and consumption declines of 16.2 per cent each. The value of building plans approved fell further to KSh 9,975 million in 2000 from KSh 11,130 million in 1999. Completed building works by the private sector fell from KSh 1,465 million in 1996 to KSh 994 million in 2000. The real value added of the sector declined by 1.5 per cent.

Electricity and Water

2.27. The sector experienced an extremely difficult year. Hydro electricity power generation has declined since 1998. The drought that began in 1999 aggravated the situation and to a large extent the power generation stations operated below capacity.

2.28. In light of the problems facing the electricity generation, transmission and distribution, the government took several measures to meet national demand. These included installation of emergency generators acquired through World Bank funding. Independent power producers increased generation by nearly double from 420 GWH to 817 GWH in 2000. Other measures included the diversification of power generation and a review of electricity regulations. Work continued with on-going construction of electricity production plants, which include Kipevu II, Olkaria III and Sondu Miriu whose completion is expected to significantly boost the total power supply.

Figure 2.3: Generation of Electric Power, 1996 – 2000



2.29. Total generation fell by 8.8 per cent. This was mainly due to a drop in hydro-electric power of 41.4 per cent. This was the highest fall in the last 5 years. Other sources of power generation i.e. Independent Power Producers (IPP) and Emergency Generators stepped up generation to meet the deficit, albeit at a higher cost . See Figure 2.3 above .

2.30. Power outages, which were experienced in 1999, shifted to rationing especially in major towns. Consequently, the sector recorded a negative 4.1 per cent contraction in 2000.

Terms of Trade Impact on Per Capita Income

2.31. Real per capita incomes have continued to decline in the last 2 years as shown in Table 2.5. The aggregate measure is largely affected by the relative prices of imports and exports. In 2000, the adjusted terms of trade declined further by KSh 154.7 million. This was largely due to the higher growth in import prices especially petroleum prices and sharp fall in coffee prices. Adjusting GDP for the effects of terms of trade, the per capita income declined further by 2.5 per cent in 2000.

Table 2.5: Impact of Commodity Terms of Trade on Per Capita GDP, 1996 - 2000

		1996	1997	1998*	1999*	2000**
1	Unadjusted GDP at constant Factor Cost (KSh Million)	98,151.8	100,472.8	102,252.7	103,701.5	103,356.6
2	Adjustment for changes in terms of trade (KSh Million)	-2,432.8	480.9	45.5	-5,500.7	-5,655.4
3	Adjusted GDP (KSh Million)	95,719.0	100,953.7	102,298.2	98,200.8	97,701.2
4	Population (millions)	26.3	27.1	27.9	28.7	29.3
5	Unadjusted per capita GDP (KSh)	3,732.0	3,707.5	3,665.0	3,613.3	3,527.5
6	Adjusted per capita GDP (KSh)	3,639.5	3,725.2	3,666.6	3,421.6	3,334.5
7	Growth in unadjusted per capita GDP*** ..	0.5	-0.6	-1.1	-1.5	-2.4
8	Growth in adjusted per capita GDP***	-0.5	2.4	-1.6	-6.7	-2.5

* Revised.

** Provisional.

*** Revised on account of new population projection figures.

Use of Resources

2.32. Total resources available for domestic consumption and investment expanded by KSh 83,314 million, equivalent to 10.6 per cent growth in 2000 (see Table 2.6). Indirect tax collections recorded a total of KSh 116,897 million compared to KSh 103,088 million in 1999. The continuous efforts to enhance audit capacity, tightening policies and procedures for tax exemption by KRA has improved on tax collection, as has the expansion in the tax base. The GDP at market prices recorded a slow growth of 6.6 per cent in 2000. Similarly the total share of GDP at market prices to total resources available declined from 95.8 per cent in 1995 to 91.6 per cent in 2000.

2.33. The import surplus nearly doubled from KSh 43,539 million to KSh 78,267 million largely on account of drought related imports of food and electrical power generators. Other major imports included sugar and wheat, which went up by 101.4 per cent and 89 per cent respectively.

Table 2.6: Total use of Resources at Current Prices, 1996 - 2000

KSh million

	1996	1997	1998*	1999*	2000**
G.D.P. at Factor Cost	449,621.4	536,264.3	593,352.7	637,361.7	672,219.3
Of which:					
Non-Monetary	12,995.2	13,879.8	14,242.8	15,200.8	16,260.2
Monetary	436,626.2	522,384.5	579,109.9	622,160.9	655,959.1
Indirect Taxes ..	79,118.9	87,001.5	97,539.2	103,087.7	116,897.8
Subsidies ..	0.8	30.7	49.8	119.4	200.1
G.D.P. at Market Prices ..	528,739.5	623,235.1	690,842.1	740,330.0	788,917.0
+ Import of goods and non-factor services ..	195,154.6	220,768.6	224,771.9	232,232.6	287,066.7
- Export of goods and non-factor services ..	172,459.2	174,846.2	171,894.7	188,693.1	208,799.8
= Import Surplus ..	22,695.4	45,922.4	52,877.1	43,539.5	78,267.0
Total Resources available for Domestic Investment and Consumption ..	551,434.9	669,157.5	743,719.2	783,869.5	867,183.9
Gross Fixed Capital Formation ..	104,469.6	109,869.9	113,858.0	112,923.1	116,555.2
Change in Stocks	3,000.0	5,400.0	6,210.0	7,141.5	6,141.7
Gross Investment	107,469.6	115,269.9	120,068.0	120,064.6	122,696.9
Public Consumption	84,523.4	100,711.6	113,568.4	125,943.0	142,133.6
Private Consumption	359,441.9	453,176.0	510,082.8	537,861.9	602,353.4
Total Consumption	443,965.3	553,887.6	623,651.2	663,804.9	744,487.0

* Revised.

** Provisional.

2.34. Consumption trends portrayed a worrying picture. Per capita consumption has generally over the years been growing faster than per capita incomes, which implies rapid disinvestments, leading to lower growth in the long run. In the year 2000, per capita consumption grew by 9.1 per cent while unadjusted per capita GDP grew by 3.2 per cent. Public consumption expanded by KSh 16,190 million. This expansion was recorded in education and defence sub sectors. Private consumption increased by 12.0 per cent; a much faster growth than that recorded in 1999.

Financing of Capital Formation

2.35. Gross Fixed Capital Formation (GFCF) recorded a 2.2 per cent growth. Financing of fixed capital formation is supported by three components; grants from abroad, net borrowing and domestic savings. Domestic savings drastically fell from KSh 79,617 million to KSh 61,935 million in 2000 and the contribution of domestic savings to financing of capital formation declined from 66.3 per cent in 1999 to 50.5 per cent in 2000 as shown in Table 2.7. Grants from Multilateral and Bilateral partners accounted for 39.5 per cent of the financing. Grants expanded by KSh 15,457 million in 2000.

Table 2.7: Financing of Capital Formation, 1996 - 2000

KSh million

	1996	1997	1998*	1999*	2000**
GROSS CAPITAL FORMATION:					
Gross Fixed Capital Formation	104,469.6	109,869.9	113,858.0	112,923.1	116,555.2
Changes in Stocks	3,000.0	5,400.0	6,210.0	7,141.5	6,141.7
TOTAL	107,469.6	115,269.9	120,068.0	120,064.6	122,696.9
FINANCING:					
Grants from Abroad	1,104.9	23,202.2	23,913.3	33,023.4	48,480.5
Net borrowing from Abroad	209.9	26,829.2	28,688.0	7,424.0	12,281.0
Domestic Saving	106,154.7	65,238.5	67,466.7	79,617.2	61,935.4
TOTAL	107,469.6	115,269.9	120,068.0	120,064.6	122,696.9

* Revised.

** Provisional.

Factor Incomes and Gross National Product (GNP)

2.36. Remuneration of employees expanded by 12.0 per cent in 2000. Employees in the public service received a 6.8 per cent growth in factor incomes. The share of total remuneration to Gross National Product (GNP) has grown from 35.2 per cent in 1996 to 41.5 per cent in 2000 (see in Table 2.8). The share of other operating surplus (including depreciation) has declined from 45.8 per cent in 1996 to 39.3 per cent in 2000, implying reduced corporate profits in the same period. Factor incomes paid abroad rose marginally from KSh 13,426 million to KSh 13,566 million. This was 1.0 per cent growth compared to 3.6 per cent in 1999. Investment abroad impacted positively on factor incomes received which grew by 53.6 per cent.

2.37. The overall recession that has plagued the Kenyan economy since 1995 is also reflected in the trend of Gross National Product. In 2000, GNP recorded a slow growth of 6.8 per cent.

Table 2.8: Gross National Product at Current Prices 1996- 2000

KSh million

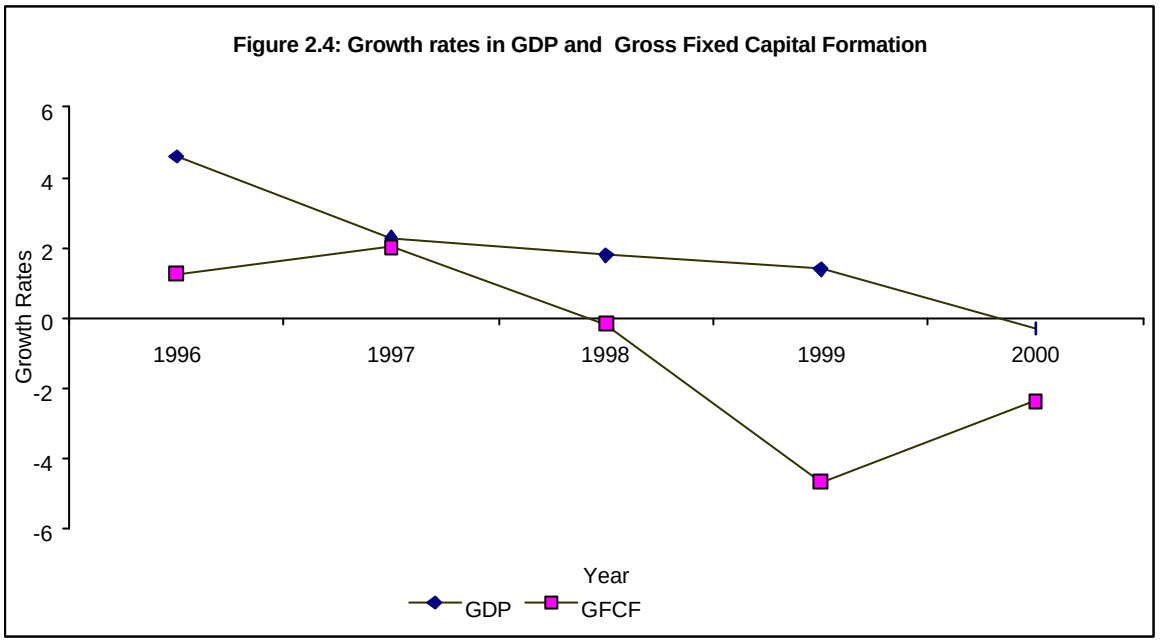
	1996	1997	1998*	1999*	2000**
FACTOR INCOMES:					
A. Non-Monetary Economy ..	12,995.2	13,879.8	14,242.8	15,200.8	16,260.2
B. 1. Remuneration of Employees :					
Enterprises	118,949.2	146,503.2	170,611.3	192,570.8	220,580.4
Private Households	5,683.4	6,174.8	6,710.2	7,293.6	7,928.6
Producers of Government Services	57,023.8	68,989.0	82,190.2	88,597.5	94,597.7
TOTAL	181,656.4	221,667.0	259,511.7	288,461.9	323,106.7
2. Rental Surplus (excluding depreciation)	18,722.0	20,968.6	22,352.6	24,368.8	27,177.6
3. Other Operating Surplus (including depreciation)	236,247.8	279,748.8	297,245.5	309,330.1	305,674.8
TOTAL MONETARY ECONOMY	436,626.2	522,384.5	579,109.9	622,160.9	655,959.1
TOTAL FACTOR INCOMES = GROSS DOMESTIC PRODUCT (AT FACTOR COST)	449,621.4	536,264.3	593,352.7	637,361.7	672,219.3
Add:Indirect Taxes	79,118.9	87,001.5	97,539.2	103,087.7	116,897.8
Deduct:Subsidies	0.8	30.7	49.8	119.4	200.1
GROSS DOMESTIC PRODUCT AT MARKET PRICES	528,739.5	623,235.1	690,842.1	740,330.0	788,917.0
Add: Factor Incomes Received From Abroad	1,224.8	1,350.0	2,490.4	2,230.0	3,426.0
Deduct: Factor Incomes Paid Abroad	13,834.4	14,973.2	12,958.4	13,425.8	13,565.7
GROSS NATIONAL PRODUCT	516,129.9	609,611.9	680,374.1	729,134.2	778,777.3

* Revised.

** Provisional.

Gross Fixed Capital Formation

2.38. Real capital formation declined for the third year in a row. Private sector fixed capital formation declined by 4.6 per cent as a result of dampened domestic economy and reduced government expenditure on development projects. There were significant imports of machinery and transport equipment. The transport and communication sector benefited greatly from investments of the mobile telephone industry sector that is estimated to have invested at least KSh 13,000 million (see Table 2.9 and 2.10).



2.39. Apart from "Plant Machinery and Equipment" and "Other Construction", investment in all other assets recorded declines. Importation of equipment for power generation was the main factor contributing to the growth in "Plant Machinery and Equipment". While on-going road rehabilitation contributed to growth in "Other Construction".

Table 2.9 Gross Fixed Capital Formation by Type of Asset, 1996 - 2000

KSh million

	Current Prices					Constant (1982) Prices				
	1996	1997	1998*	1999*	2000**	1996	1997	1998*	1999*	2000**
DWELLINGS:										
PRIVATE:										
Non-Monetary	2,987.20	3,083.60	3,146.88	3,178.26	3,159.20	583.00	581.80	572.16	564.52	533.56
Monetary	594.20	774.60	670.20	594.10	653.52	112.20	146.20	121.86	105.52	110.38
TOTAL	3,581.40	3,858.20	3,817.08	3,772.36	3,812.72	695.20	728.00	694.02	670.04	643.94
PUBLIC	1,870.00	1,670.00	1,403.00	1,496.06	1,547.18	352.80	315.20	255.10	265.74	261.30
TOTAL	5,451.40	5,528.20	5,220.08	5,268.42	5,359.90	1,048.00	1,043.20	949.12	935.78	905.24
NON-RESIDENTIAL BUILDINGS:										
PRIVATE	912.20	988.00	1,045.40	1,482.60	1,488.92	149.60	173.20	180.24	249.60	239.76
PUBLIC	8,777.60	9,389.86	8,675.55	8,055.16	7,455.16	1,439.40	1,647.34	1,495.80	1,356.08	1,200.50
TOTAL	9,689.80	10,377.86	9,720.95	9,537.76	8,944.08	1,589.00	1,820.54	1,676.04	1,605.68	1,440.26
OTHER CONSTRUCTION WORKS:										
PRIVATE	8,572.00	8,052.40	8,780.42	9,580.46	9,215.72	1,577.20	1,610.40	1,656.70	1,716.92	1,521.76
PUBLIC	17,157.60	17,246.02	17,080.92	18,114.60	20,877.86	3,157.00	3,449.20	3,222.82	3,246.34	3,447.46
TOTAL	25,729.60	25,298.42	25,861.34	27,695.06	30,093.58	4,734.20	5,059.60	4,879.52	4,963.26	4,969.22
LAND IMPROVEMENT AND PLANTATION DEVELOPMENT										
PRIVATE	367.20	452.60	538.34	467.14	485.82	66.40	80.54	92.02	76.08	73.38
PUBLIC	80.60	66.40	26.92	3.16	0.24	14.56	11.82	4.60	0.52	0.04
TOTAL	447.80	519.00	565.26	470.30	486.06	80.96	92.36	96.62	76.60	73.42
TRANSPORT EQUIPMENT:										
PRIVATE	11,331.60	11,798.68	14,222.42	13,965.58	13,982.38	2,012.59	1,966.45	2,293.93	2,185.55	2,086.61
PUBLIC	2,685.20	3,241.42	3,561.22	2,989.14	2,602.20	477.00	540.24	574.40	467.78	388.34
TOTAL	14,016.80	15,040.10	17,783.66	16,954.72	16,584.58	2,489.60	2,506.68	2,868.34	2,653.32	2,474.96
MACHINERY AND OTHER EQUIPMENT:										
PRIVATE	40,029.40	42,818.40	43,707.41	42,476.02	43,204.08	7,109.39	6,872.95	6,829.27	6,330.27	6,150.91
PUBLIC	9,064.80	10,247.94	10,959.32	10,480.86	11,842.90	1,610.00	1,644.94	1,712.40	1,561.98	1,686.06
TOTAL	49,094.20	53,066.34	54,666.73	52,956.88	55,046.98	8,719.40	8,517.88	8,541.68	7,892.24	7,836.98
BREEDING STOCK AND DAIRY CATTLE:										
PRIVATE	40.00	40.00	40.00	40.00	40.00	40.00	6.75	6.54	6.28	5.95
TOTAL:										
Non-Monetary Dwellings	2987.2	3083.6	3146.88	3178.26	3,159.20	583	581.8	572.16	564.52	533.56
Other	61,846.60	64,924.68	69,004.19	68,605.90	69,070.44	11,067.40	10889.72	11214.04	10703.92	10222.82
TOTAL PRIVATE	64,833.80	68,008.28	72,151.07	71,784.16	72,229.64	11,650.38	11438.29	11752.72	11234.74	10722.31
TOTAL PUBLIC***	39,635.80	41,861.64	41,706.93	41,138.98	44,325.54	7,050.76	7,608.74	7,265.12	6,898.44	6,983.70
TOTAL PRIVATE AND PUBLIC	104,469.60	109,869.92	113,858.00	112,923.14	116,555.18	18,701.14	19,047.03	19,017.84	18,133.18	17,706.01

* Revised

** Provisional.

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

Table 2.10 Gross Fixed Capital Formation by Industry, 1996 - 2000

KSh million

	Current Prices					Constant (1982) Prices				
	1996	1997	1998*	1999*	2000**	1996	1997	1998*	1999*	2000**
A. NON-MONETARY ECONOMY:										
Non-Monetary Dwellings	2,987.20	3,083.60	3,146.88	3,178.26	3,159.20	583.00	581.80	572.16	564.52	533.56
B. MONETARY ECONOMY:										
Enterprises and Non-Profit Institutions:										
Agriculture	6,795.00	6,863.88	8,004.80	7,693.80	8,278.74	1,240.10	1,134.07	1,278.86	1,176.56	1,209.03
Forestry	101.40	127.96	113.10	20.10	35.00	18.40	20.68	21.30	3.54	5.72
Fishing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mining and Quarrying	741.20	876.84	972.06	1,082.46	1,087.20	131.62	141.04	152.48	163.72	156.56
Manufacturing	23,457.80	24,202.80	25,118.06	23,868.98	23,977.64	4,194.04	4,039.74	4,041.92	3,687.44	3,475.52
Building and Construction	6,030.00	8,048.76	8,129.58	8,447.60	10,634.98	1,074.22	1,143.78	1,373.22	1,291.80	1,671.12
Electricitv and Water	7,837.20	6,982.60	8,526.60	8,358.14	9,243.30	1,416.86	1,469.70	1,395.58	1,367.74	1,380.02
Trade. Restaurants and Hotels	3,391.40	3,846.30	3,657.18	3,755.58	3,504.96	594.32	636.66	588.46	581.02	511.04
Transport,Storage and Communications	23,813.60	25,097.44	25,264.80	25,619.98	24,383.44	4,235.84	4,353.66	4,208.32	4,119.58	3,760.32
Finance.Insurance.Real Estate and Business Services	4,485.00	4,831.04	4,889.96	5,114.46	5,212.44	779.48	831.90	862.82	838.94	812.94
Ownership of Dwellings	2,616.80	2,812.28	2,395.30	2,374.12	2,394.70	492.06	520.26	427.50	414.38	390.44
Other Services	3,400.40	3,622.26	4,526.84	4,769.54	5,284.36	601.74	584.08	715.50	729.32	764.20
TOTAL	82,669.80	87,312.16	91,598.28	91,104.76	94,036.76	14,778.68	14,875.57	15,065.96	14,374.04	14,136.91
Producers of Government Services										
Public Administration	7,117.60	7,827.96	7,093.38	6,518.80	6,078.80	1,258.40	1,447.72	1,204.94	1,090.84	942.56
Defence	0.00	0.00	0.00	0.00	0.00	-	-	-	-	-
Education	2,794.00	2,461.42	2,066.52	1,956.60	2,054.78	490.66	422.48	346.26	311.58	303.66
Health	1,892.00	2,512.78	2,654.72	2,769.22	2,937.46	337.18	456.88	482.40	482.22	477.42
Agricultural Services	3,253.60	2,672.72	2,880.04	2,531.64	2,617.20	591.06	481.66	521.78	446.92	384.14
Other Services	3,755.40	3,999.28	4,418.18	4,863.86	5,670.98	662.16	780.92	824.34	863.06	927.76
TOTAL	18,812.60	19,474.16	19,112.84	18,640.12	19,359.22	3,339.46	3,589.66	3,379.72	3,194.62	3,035.54
NON-MONETARY ECONOMY	2,987.20	3,083.60	3,146.88	3,178.26	3,159.20	583.00	581.80	572.16	564.52	533.56
MONETARY ECONOMY	101,482.40	106,786.32	110,711.14	109,744.88	113,395.98	18,118.14	18,465.23	18,445.68	17,568.66	17,172.45
TOTAL	104,469.60	109,869.92	113,858.00	112,923.14	116,555.18	18,701.14	19,047.03	19,017.84	18,133.18	17,706.01
C. PERCENTAGE RATES OF GROWTH:										
Non-Monetary Economy	6.00	3.23	2.05	1.00	-0.60	5.50	-0.21	-1.66	-1.34	-5.48
Monetary Economy	4.97	5.23	3.68	-0.87	3.33	1.13	1.92	-0.11	-4.75	-2.26
TOTAL	5.00	5.17	3.63	-0.82	3.22	1.26	1.85	-0.15	-4.65	-2.36

* Revised

** Provisional.

CHAPTER 3

SOCIAL SCENE

Central Government expenditure on social services is expected to rise by 13.6 per cent from KSh 60,739.67 million in 1999/2000 to KSh 68,983.57 million during the 2000/2001 (See Table 3.1). Estimated recurrent expenditure increased by 8.7 per cent from KSh 58,983.52 million to KSh 64,137.69 million while estimated development expenditure more than doubled from KSh 1,756.15 million to a record of KSh 4,845.88 million over the same period. The education sector continued to dominate recurrent expenditure estimates accounting for 75.4 per cent of the total recurrent expenditure in 2000/2001 while the health sector accounted for 57.6 per cent of the development expenditure. Estimated recurrent expenditure formed 93.0 per cent of the total budget for social services in 2000/2001 fiscal year.

Table 3.1: Central Government Expenditure on Social Services, 1997/98 - 2000/2001

Ksh Million

	1997/98	1998/99*	1999/2000*	2000/2001**
RECURRENT EXPENDITURE-				
Ministry of Education, Science & Technology	42,434.80	42,353.58	45,631.93	48,378.15
Ministry of Health	8,841.20	8,899.21	9,188.87	10,710.69
Ministry of Labour and Human Resource Development	236.20	212.78	942.43	1,302.96
Ministry of Home Affairs, National Heritage and Sports	2,871.40	3,378.37	3,220.29	3,745.89
TOTAL	54,383.60	54,843.94	58,983.52	64,137.69
DEVELOPMENT EXPENDITURE-				
Ministry of Education Science & Technology	1,610.60	1,523.13	660.29	1,084.37
Ministry of Health	3,958.20	1,252.90	865.35	2,790.24
Ministry of Labour and Human Resource Development	1.20	1.24	146.97	376.27
Ministry of Home Affairs, National Heritage and Sports	458.00	184.37	83.54	595.00
	6,028.00	2,961.64	1,756.15	4,845.88
TOTAL EXPENDITURE	60,411.60	57,805.58	60,739.67	68,983.57

* Provisional.

** Estimates including supplementaries.

3.2 Table 3.2 presents the Local Government expenditure on social services from 1996/97 to 2000/2001 fiscal years. Estimated expenditure depicts an upward trend for the last four years with expenditure on social services increasing by 11.8 per cent from KSh 1,822.6 million in 1999/2000, to KSh 2,037.3 million in 2000/2001. The Health sector recorded a significant increase of 28.3 per cent to stand at KSh 1,140.3 million in 2000/2001. Other social services recorded a decline of 19.5 per cent. The health and education sectors continue to consume the largest share accounting for 56.0 per cent and 30.3 per cent of the total expenditure respectively.

Table 3.2: Local Government Expenditure On Social Services, 1996/97 - 2000/2001

KSh million

	1996/97	1997/98	1998/99	1999/2000*	2000/2001**
Education	413.2	420.6	582.4	587.0	617.9
Health	613.6	552.0	980.9	889.0	1,140.3
Other Social Services	251.8	300.2	141.0	346.6	279.1
TOTAL EXPENDITURE	1,278.6	1,272.8	1,704.3	1,822.6	2,037.3

* Provisional.

** Estimates.

Education

3.3. The expenditure of the Ministry of Education, Science and Technology for the period 1996/97 to 2000/2001 in Table 3.3. Total expenditure rose by 6.4 per cent from KSh 46,844.26 million in 1999/2000 to KSh 49,858.13 million in 2000/2001. Recurrent expenditure which grew by 5.6 per cent constituted 97.8 per cent of the Ministry's total expenditure. Expenditure on general administration and planning consumed 81.5 per cent of the total recurrent expenditure. The other major consumers of recurrent expenditure were higher education with 12.0 per cent, technical education, 1.8 per cent and primary education, 1.7 per cent. Secondary education recurrent expenditure increased by more than six times while that of Primary education increased by 77.5 per cent.

3.4. Development expenditure recorded an increase of 64.2 per cent from KSh 660.29 million in 1999/2000 to KSh 1,084.37 million in 2000/2001 with General administration and planning having the highest increase. Technical education had an estimated expenditure of KSh 13.33 million whereas Development expenditure on higher education stood at KSh 47.9 million. Polytechnics and Special Education institutions received no development funds.

Table 3.3: Expenditure of the Ministry of Education ,Science and Technology, 1996/97 - 2000/2001

KSh million

	1996/97	1997/98	1998/99*	1999/2000*	2000/2001**
RECURRENT EXPENDITURE-					
General Administration and Planning	23,744.20	35,656.60	36,976.80	38,870.37	39,760.75
Pre-Primary Education	8.80	6.80	3.80	5.59	5.94
Primary Education	506.20	279.40	367.40	459.89	816.16
Secondary Education	542.40	319.20	308.60	104.36	697.69
Technical Education+	292.00	446.60	613.60	648.90	881.29
Teacher Training	171.80	196.60	190.20	125.12	129.64
Special Education	54.60	60.20	73.00	81.24	103.19
Polytechnic Education	153.00	187.00	201.60	205.18	251.29
Higher Education***	4,474.40	5,149.40	4,322.20	5,434.74	5,862.89
Miscellaneous	122.80	133.00	184.40	248.58	264.92
TOTAL	30,070.20	42,434.80	43,241.60	46,183.97	48,773.76
DEVELOPMENT EXPENDITURE-					
General Administration and Planning	35.00	21.80	170.00	27.07	473.10
Pre-Primary Education	11.80	45.80	104.00	268.45	271.88
Primary Education	282.80	310.40	160.80	284.88	235.86
Secondary Education	22.60	10.60	14.00	2.40	9.30
Technical Education+.	2.60	2.80	0.60	-	13.33
Teacher Training	339.40	321.20	208.20	2.87	33.00
Special Education	127.00	58.20	0.20	-	-
Polytechnic Education	1.20	-	-	-	-
Higher Education***	489.80	839.80	1,509.00	74.62	47.90
Miscellaneous	-	-	-	-	-
TOTAL	1,312.20	1,610.60	2,166.80	660.29	1,084.37
GROSS TOTAL EXPENDITURE	31,382.40	44,045.40	45,408.40	46,844.26	49,858.13

* Provisional.

** Estimates including supplementaries.

*** Includes expenditure on Universities of Nairobi, Moi , Kenyatta, Jomo Kenyatta University of Agriculture & Technology and Egerton.

\+ Includes Expenditure on Harambee Institutes of Technology and Youth Polytechnics currently under the Ministry of

3.5. The number of educational institutions, (See Table 3.4) showed a 4.0 per cent increase from 46,281 in 1999 to 48,150 in 2000. The number of pre-primary schools increased by 3.4 per cent from 25,429 in 1999 to 26,294 in 2000. Primary schools increased to 18,617 institutions, an increase of 5.6 per cent. The number of Secondary schools rose marginally from 3,197 in 1999 to 3,207 in 2000. The

number of primary school teachers training colleges has been constant for the last two years while that of secondary school colleges remained constant over the years.

Table 3.4: Number of Educational Institutions, 1995 - 2000

Numbers

Category	1995	1996	1997	*1998*	1999	2000*
Schools:						
Pre-Primary	20,186	21,261	23,344	23,977	25,429	26,294
Primary	16,115	16,552	17,080	17,356	17,623	18,617
Secondary	2,878	3,004	3,028	3,057	3,197	3,207
Training Colleges:						
Primary	25	26	27	28	29	29
Secondary+	3	3	3	3	3	3
TOTAL	39,207	40,846	43,482	44,421	46,281	48,150

* Provisional.

\+ Includes Kenya Technical Teachers College

Source : Ministry of Education, Science and Technology

Pre Primary and Primary Education

3.6. Enrolment in Pre-primary schools increased by 3.1 per cent from 1,063,883 in 1999 to 1,096,629 in 2000. This is attributed to early childhood development programmes initiated by the Government coupled with population increase. Girls constituted 49.1 per cent of the total enrolment. The teaching force in the schools grew by 5.8 per cent to reach 42,609. Untrained teachers constituted 54.5 per cent of the teaching force in the Pre-primary schools. The pupil/teacher ratio remained constant at 26:1.

3.7. Enrolment in primary schools by sex is shown in Table 3.5. There was a marginal increase of 1.6 per cent in primary schools enrolment, which stood at 5,882,700 pupils, and remained below the level attained in 1998. Enrolment rates tend to reduce as one approaches senior classes. For instance, pupils in Standard One and Eight represented 16.7 per cent and 7.6 per cent of the total enrolment respectively. This indicates a fairly high dropout rate in between these levels. The proportion of girls in the total primary enrolment improved marginally from 49.0 in 1999 to 49.4 in 2000. However, the distribution according to class varies with boys being more than girls in classes 1,2,3 and 8 while the converse is true in classes 4, 5,6 and 7. A total of 4480,996 candidates, of whom 48.4 per cent were girls, were registered for KCPE, reflecting a 5.8 per cent increase compared to the 454,544 registered in 1999.

Table 3.5: Primary School Enrolment by Standard, 1996 - 2000

'000

	1996		1997		1998		1999		2000*	
Class	Boys	Girls	Boys	Girls	Boys	Girls	Boys	Girls	Boys	Girls
Standard 1	494.2	463.9	498.2	468.2	503.1	473.0	484.4	452.9	497.6	484.9
Standard 2	437.4	414.9	442.9	421.1	460.4	431.1	468.9	412.2	462.7	427.9
Standard 3	397.0	374.7	402.1	370.4	428.2	405.8	416.1	393.1	418.7	373.1
Standard 4	372.9	364.2	379.5	372.4	397.1	390.3	396.0	382.0	397.6	402.2
Standard 5	330.9	330.8	331.7	334.6	351.3	352.3	340.3	344.2	341.7	352.7
Standard 6	297.5	307.0	304.1	312.4	316.2	326.0	310.3	324.8	315.3	322.7
Standard 7	296.2	299.8	301.2	310.9	317.2	331.3	307.1	318.3	316.1	320.3
Standard 8	217.3	199.0	220.5	207.1	221.0	215.3	226.5	214.5	228.4	220.8
TOTAL ..	2,843.4	2,754.3	2,880.2	2,797.1	2,994.5	2,925.1	2,949.6	2,842.0	2,978.1	2,904.6
GRAND TOTAL	5,597.7		5,677.3		5,919.6		5,791.6		5,882.7	

* Provisional.

Source : Ministry of Education, Science and Technology

3.8. The number of teachers in primary schools by qualifications and sex is shown in Table 3.6. Total number of teachers reduced by 4.1 per cent from 186,612 in 1999 to 178,900 in 2000. This is explained by a combination of increased natural attrition and embargo placed on the recruitment of teachers during the last three years. From gender perspective, 75,469 representing 42.2 per cent of the overall teaching force were females. The total number of trained teachers stood at 173,006 representing 96.7 per cent of total teaching force at this level, with females constituting 42.5 per cent. The number of pupils per trained teacher increased from 33 in 1999 to 34 in 2000.

Table 3.6: Number of Primary Teachers by Qualification and Sex, 1996 - 2000

	1996			1997			1998			1999			2000*		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
TRAINED															
Graduate	21	37	58	17	14	31	-	-	-	97	67	164	130	63	193
Approved	994	610	1,604	1,364	795	2,159	924	727	1,651	1,674	920	2,594	1,733	902	2,635
S1/Diploma	7,873	4,939	12,812	9,993	5,392	15,385	12,363	7,381	19,744	11,550	7,392	18,942	11,335	6,635	17,970
P1	69,042	48,112	117,154	70,017	50,221	120,238	73,311	54,299	127,610	71,147	54,343	125,490	69,338	51,662	121,000
P2	18,128	13,132	31,260	17,809	13,108	30,917	16,544	12,541	29,085	15,502	12,171	27,673	14,683	11,579	26,262
P3	4,050	4,071	8,121	3,474	3,796	7,270	3,158	3,374	6,532	2,513	2,788	5,301	2,261	2,685	4,946
P4	21	25	46	11	23	34	708	406	1,114	-	-	-	-	-	-
TOTAL	100,129	70,926	171,055	102,685	73,349	176,034	107,008	78,728	185,736	102,483	77,681	180,164	99,480	73,526	173,006
UNTRAINED															
KACE	1,027	556	1,583	622	387	1,009	246	71	317	-	-	-	-	-	-
KCE/K CSE	6,006	3,734	9,740	4,940	2,935	7,875	3,501	1,848	5,349	3,511	1,785	5,296	3,350	1,719	5,069
KJSE	954	375	1,329	873	350	1,223	490	156	646	614	239	853	609	216	825
CPE	188	156	344	151	129	280	120	82	202	-	-	-	-	-	-
Other	197	145	342	74	95	169	42	14	56	184	115	299	-	-	-
TOTAL	8,372	4,966	13,338	6,660	3,896	10,556	4,399	2,171	6,570	4,309	2,139	6,448	3,959	1,935	5,894
GRAND TOTAL	108,501	75,892	184,393	109,345	77,245	186,590	111,407	80,899	192,306	106,792	79,820	186,612	103,439	75,461	178,900

* Provisional

* 2000 data does not include teachers on study leave, disciplinary cases and those performing non-teaching duties.

Source : Ministry of Education, Science and Technology

Secondary Education

3.9. Table 3.7 presents enrolment in secondary schools by grade and sex. Enrolment showed a marginal increase of 2.2 per cent from 638,509 students in 1999 to 652,283 students in 2000, but far below the 700,538 students enrolled in 1998. The girls proportion remained constant at 47.0 per cent. Completion rates of the secondary education cycle were slightly lower for girls (75.5 per cent) than boys (79.8 per cent). Out of 182,863 candidates registered for KCSE in 2000, 46.2 per cent were girls. This represented 5.1 per cent increase from 173,930 candidates enrolled in 1999.

Table 3.7: Enrolment in Secondary Schools by Form and Sex, 1995 - 2000

Numbers

	1996		1997		1998		1999		2000*	
Form	Boys	Girls	Boys	Girls	Boys	Girls	Boys	Girls	Boys	Girls
Form 1	97,394	85,917	98,487	88,614	102,449	92,813	86,318	80,434	92,246	84,167
Form 2	93,526	81,444	95,539	86,856	98,066	86,922	92,072	83,392	89,483	80,740
Form 3	83,902	71,924	89,365	79,496	90,293	77,871	83,032	72,811	85,092	75,031
Form 4	78,104	66,042	80,457	68,659	82,632	69,492	75,938	64,512	78,595	66,929
TOTAL	352,926	305,327	363,848	323,625	373,440	327,098	337,360	301,149	345,416	306,867
GRAND TOTAL	658,253		687,473		700,538		638,509		652,283	

* Provisional.

Source : Ministry of Education, Science and Technology

3.10. Table 3.8 shows the number of secondary school teachers by qualification and sex. The number of teachers in secondary schools dropped by 1.7 per cent from 40,782 in 1999 to 40,090 in 2000. This may also be attributed to restrictions on the recruitment of teachers for the last three years and exacerbated by high rate of natural attrition. Trained teachers numbered 38,997 (97.3 per cent) of the total teaching force at this level, with 35.4 per cent being females, and about two-thirds (61.9 per cent) were university graduates. The near universal training of teachers is consistent with the government policy to take all untrained teachers through in-service training courses. These developments caused the number of students per trained teacher to rise from 16 in 1999 to 17 in 2000.

Table 3.8: Number of Secondary Teachers by Qualification and Sex, 1996 - 2000

	1996			1997			1998			1999			2000*		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
TRAINED															
Graduate	12,825	7,770	20,595	14,706	8,559	23,265	18,326	11,062	29,388	15,271	9,148	24,419	15,211	8,942	24,153
Approved	1,976	902	2,878	2,237	866	3,103	-		-	3,585	1,637	5,222	3,545	1,616	5,161
S1/Diploma	7,108	3,610	10,718	7,123	3,908	11,031	6,644	3,490	10,134	5,690	2,977	8,667	5,612	2,967	8,579
TECHNICAL	387	163	560	699	171	870	575	203	778	810	305	1,115	805	299	1,104
P1	143	39	182	135	23	158	107	30	137	-	-	-	-	-	-
TOTAL	22,439	12,484	34,933	24,900	13,527	38,427	25,652	14,785	40,437	25,356	14,067	39,423	25,173	13,824	38,997
UNTRAINED															-
Graduate	1,896	533	2,429	2,068	545	2,613	2,032	497	2,529	925	225	1,050	734	136	870
Dip/Technical	494	178	677	482	164	646	439	152	591	206	103	309	166	57	223
KACE	2,040	578	2,618	1,516	474	1,990	58	18	76	-	-	-	-	-	-
KCE/K CSE	269	97	366	362	89	451	37	5	42	-	-	-	-	-	-
Other	196	71	267	173	78	251	13	6	19	-	-	-	-	-	-
TOTAL	4,895	1,457	6,357	4,601	1,350	5,951	2,579	678	3,257	1,131	328	1,359	900	193	1,093
GRAND TOTAL	27,334	13,941	41,290	29,501	14,877	44,378	28,231	15,463	43,694	26,487	14,395	40,782	26,073	14,017	40,090

* Provisional

* 2000 data does not include teachers on study leave, disciplinary cases and those performing non-teaching duties

Source : Ministry of Education, Science and Technology

3.11. Enrolment in Government Primary Teacher Training Colleges for the year 2000/2001 is shown in Table 3.9. The most notable feature is the resumption of training exhibited by the presence of both first and second year students after a two-year break. Consequently the total enrolment rose to 14,316 in 2000/2001 compared to 6,678 in 1999/2000. Females formed 51.2 per cent of the entire trainee population. The P2 course is being phased out as depicted by only 204 (1.4 per cent) of the total trainees who pursued the course in the year 2000.

Table 3.9: Student Enrolment in Government Primary Teachers Training Colleges, 2000/2001

	1st YEAR**		2nd YEAR		TOTAL		
CERTIFICATION	Male	Female	Male	Female	Male	Female	Total
P1	3,796	3,842	3,108	3,366	6,904	7,208	14,112
P2			86	118	86	118	204
TOTAL	3,796	3,842	3,194	3,484	6,990	7,326	14,316

* Provisional

Source : Ministry of Education, Science and Technology

Tertiary Education

3.12. Enrolment in the four national polytechnics dropped by 5.8 per cent from 9,603 in 1999/2000 to 9,042 in 2000/2001. Female trainees formed 29.2 per cent of the overall enrolment. Kenya Polytechnic continues to have the largest number of trainees (46.6 per cent). Mombasa Polytechnic had the second largest share of total enrolment of 2,744, followed by Kisumu and Eldoret polytechnics with 1,176 and 912 students respectively. Enrolment in 2000/2001 declined in Eldoret, Mombasa and Kenya Polytechnics by 16.3, 6.2 and 5.5 per cent respectively, while it increased by 3.6 percent in Kisumu polytechnic.

3.13. Other Technical Training Institutes enrolled a total of 8,240 students during the year, a drop of 15.4 per cent from the previous year. Females continued to comprise a relatively smaller proportion, 39.8 per cent in 2000. Institutes of Technology, however, registered a modest increase of 5.2 per cent in enrolment to record 7,275 trainees, of whom 43.0 per cent were females.

3.14. Public universities in Kenya expanded with the upgrading of Maseno University college to a fully-fledged and independent University. Enrolments in public universities rose by 1.6 per cent from 41,825 students during the 1999/2000 to 42,508 during the 2000/2001 academic years. Female students comprised 31.7 per cent of the entire student population. The universal rise in enrolment in Public Universities was partly attributed to the introduction of parallel and special degree programmes, which have now picked up in all the universities. The undergraduate students formed 86.7 per cent of total student population, while postgraduates constituted 6.8 per cent.

3.15. The University of Nairobi, the oldest and largest in terms of programmes and student population, had 11,817 students during the 2000/2001 academic year, representing 27.8 per cent of the total public university enrolment. Females continued to be under-represented providing only 29.8 percent of the student population. During this period there were 1,400 postgraduate students of whom 25.7 per cent were females of whom 40 per cent were part-time students.

3.16. Kenyatta University enrolment increased from 7,196 in 1999/2000 to 7,474 in 2000/2001. This constituted 17.6 per cent of total public university enrolment during the year. Female students constituted 42.4 per cent of the entire student population. Bachelor of Education programmes continued to be most popular,

absorbing 60 per cent of the undergraduate students with females constituting 44.3 per cent of total enrolment in this programme. At the postgraduate level, 550 students were registered for the Masters programme, 22 for Postgraduate Diploma in Public Relations 116 for Postgraduate Diploma in Education and 26 for Doctorate programme. Females accounted for 34.9 per cent of the total enrolments on postgraduate programmes.

3.17. Jomo Kenyatta University of Agriculture and Technology (JKUAT) registered a significant increase of 36.6 per cent over the previous year to record 4,284 students in 2000/2001, of whom 30 per cent were females. It formed 10.1 per cent of total public university students' population in the 2000/2001 academic year. Even though the university continued to diversify in terms of programmes, Technical/Science based programmes continues to dominate, comprising 99.4 per cent of the total course registration. Diploma enrolment programmes almost doubled from 888 in 1999/2000 to 1,606 in 2000/2001. This was attributed to increased enrolment in part time programmes.

3.18. Moi University enrolled a total of 6,713 students in the 2000/2001 academic year, an increase of 15.8 per cent over the previous year's enrolment of 5,795 students. The university constituted 15.8 per cent of the total public university enrolment in 2000/2001. Female students were 29.2 per cent of the entire student population. Education, Social, Cultural and Development studies were the largest faculties as they jointly absorbed 58.1 per cent of the undergraduate student population. Enrolment in the science-based courses of Technology, Sciences, Agriculture and Health Sciences was dominated by males, as females constituted only 17.9 per cent of the total enrolment of 2,302 students. A total of 246 postgraduate students were enrolled at the university, of whom 24.4 per cent were females.

3.19. Maseno University, recently elevated to fully-fledged university, enrolled 4,134 students, 37.2 per cent being females. This represented an increase of 27.0 per cent over the previous year's enrolment and constituted 9.4 per cent of the total public university enrolment in 2000/2001. The largest programme at the university remained Bachelor of Education, absorbing 50.7 per cent of the total undergraduate student population. Parallel/special programmes continued to gain momentum at the university, contributing 17 per cent of the total undergraduate enrolment. At the postgraduate level, there were a total of 246 students enrolled, with females constituting 24.4 per cent.

3.20. Egerton University enrolled 8,086 students in 2000/2001, 18.9 per cent more than the 9,973 students recorded in 1999/2000. The university accounted for the second largest share of total public university enrolments at 19.0 per cent. Female enrolment remained low at 24.7 per cent and deteriorated by 3.8 per cent compared to the previous year. Despite diversification of programmes, the university continues to concentrate on Agricultural/Science based courses, with 92.9 per cent of the students pursuing such related courses. Unlike other universities where Diploma courses are being phased out, Egerton continues to offer more opportunities at that level with 1,485 students enrolling during the 2000/2001 academic year compared to 450 Diploma students enrolled in 1999/2000 academic year.

3.21. Private university education is also expanding, the most recent development being the inauguration of Kabarak University. Total enrolment in private accredited universities in 2000/2001 academic year was 6,999 with female students

comprising 52.9 per cent. The major players included United States International University of Africa, which comprised 33 per cent of the private university student population, followed by Daystar, Catholic University of Eastern Africa and Baraton with 25.9, 21.1 and 18.7 per cent respectively.

Health

3.22. The vision for the health sector is to create an enabling environment for the provision of sustainable quality health care that is acceptable, affordable and accessible to all Kenyans. The government plans to decentralise the decision-making organs, resource allocation and management of health services to the district levels to allow greater participation of the communities in the management of health services. Policy emphasis is on the preventive rather than curative approach.

3.23. Table 3.10 shows the distribution of health institutions and hospital beds and cots by province. During the year 2000 there were 481 hospitals, 601 health centres and 3,273 dispensaries in the country. These facilities registered an increase of 7.1 per cent, 1.3 per cent and 2.5 per cent, respectively, compared to 1999. The increase in hospitals was attributed to high number of new private nursing homes. Hospital beds and cots also increased by 5.6 per cent from 54,378 to 57,416. These increases were attributed to expanded investment by private and Non-Governmental organisations.

Table 3.10 : Health Institutions and Hospital Beds and Cots by Province, 2000*

Province	HEALTH INSTITUTIONS				HOSPITAL	BEDS and COTS
	Hospitals	Health centres	Health sub-centres and dispensaries	Total	No .of beds & cots	No. per 100,000 population
Coast	61	37	321	419	7,287	32
Nairobi	52	51	372	475	4,579	17
Eastern	60	75	684	819	6,952	14
North eastern	6	9	59	74	1,537	14
Central	57	81	356	494	7,826	20
Rift valley	91	153	981	1,225	11,752	16
Nyanza	92	109	318	519	10,268	22
Western	62	86	182	330	6,215	18
Total 2000	481	601	3,273	4,355	57,416	19
Total 1999	449	593	3,193	4,235	54,378	18

Source: Health Information system, Ministry of Health (MOH)

*Provisional

3.24. Training of doctors, dentists and pharmacists continued in the two medical schools at both Nairobi and Moi universities. Other cadres of medical personnel are trained in various medical training centres, both public and private. The number of registered nurses and public health officers per 100,000 improved slightly from 30.2 and 2.7 in 1999 to 31.2 and 3.1 in 2000, respectively. Medical personnel undergoing training increased by 2.3 per cent, from 7644 in 1999/2000 to 7820 in 2000/2001, nearly half of these being enrolled nurses.

Table 3.11: Registered Medical Personnel, 1999 – 2000

TYPE OF PERSONEL	1999		2000*		IN TRAINING	
	NUMBER	NO. PER 100,000 POPULATION**	NUMBER	NO. PER 100,000 POPULATION**	1999 –2000 Number	2000-2001 Number
Doctors	4,411	15.4	4,506	15.4	817	821
Dentists	734	2.6	746	2.5	157	159
Pharmacists	1,650	5.7	1,682	5.7	212	210
Pharmaceutical Technologists	1,167	4.1	1,232	4.2	109	114
Registered Nurses	8,671	30.2	9,211	31.4	1,012	1,210
Enrolled Nurses	27,073	94.3	27,902	95.2	3,892	3,841
Clinical Officers	4,277	14.9	4,492	15.3	841	852
Public Health Officers	780	2.7	929	3.2	177	180
Public Health Technicians	4,849	16.9	5,032	17.2	427	433
Total	53,612	186.8	55,732	190.1	7,644	7,820

Source: Health Information System, Ministry of Health (MOH)

* Provisional

** Based on population projections

3.25. The HIV/AIDS pandemic presents a major challenge to the health sector. It has had profound negative effects on the health of the population, eroded the social and economic gains that Kenya had achieved over the years and tremendously increased the cost of health provision. The Government, private sector and Non-Governmental organisations/institutions have put in place various programmes to sensitise the public on the dangers of HIV/AIDS. The Government is also currently collaborating with research institutions, in testing a vaccine on volunteers in Nairobi. Table 3.12 presents the HIV prevalence rates estimates for urban and rural Kenya from 1996 to 2000. The national prevalence rate has increased from 11.9 per cent in 1996 to 13.5 per cent in 2000. The urban areas continued to have a higher prevalence rate of 17.5 per cent as compared to 13.0 per cent in the rural areas. The slight decrease in prevalence rates for the year 2000 is not necessarily due to low infection rates but rather due to higher mortality rates relative to the infection rates.

Table 3.12: Estimated HIV Prevalence, 1996 - 2000

%

Prevalence	1996	1997	1998	1999	2000
Urban	16.3	16.9	18.1	17.8	17.5
Rural	11.0	11.9	13.0	13.0	13.0
National	11.9	12.8	13.9	13.5	13.5

Source: National Aids Control Council (NACC)

3.26 **National Hospital Insurance Fund:** Members' contributions to National Hospital Insurance Fund (NHIF) and their benefits for the years 1995/96 to 1999/2000 are given in Table 3.13. The receipts from members decreased marginally by 0.7 per cent from KSh 2,130 million in 1998/1999 to KSh 2,116 million in 1999/2000. Benefits paid to members increased by 6.8 per cent from KSh 382.0 million during 1998/1999 to KSh 408.0 million during the same period. The contributions net of benefits decreased by 2.0 per cent from KSh 1,742.0 million in 1998/1999 to KSh 1,708.0 million in 1999/2000.

Table 3.13: National Hospital Insurance Fund, 1995/1996 – 1999/2000

KSh Million

Year	Receipts	Benefits	Contribution Net of benefits
1995/1996	1,438	342	1,096
1996/1997	1,648	544	1,304
1997/1998	2,004	444	1,560
1998/1999	2,130	382	1,742
1999/2000	2,116	408	1,708

Source: National Hospital Insurance Fund (NSSF)

Other Social Services

3.27. **National Youth Service:** Table 3.14 below shows details of National Youth Service (NYS) recruitment and income earned. There was no recruitment in 1998 and 1999 due to budgetary constraints. However, in 2000, a total of 2,719 service men and 782 service women were recruited. The income earned has declined consistently since 1997, and recorded a 32.3 per cent decline from KSh 18.6 million in 1999 to KSh 12.6 million in 2000. This is attributed to a reduction in manpower for the two years during which recruitment was suspended. During the period 1998/99 majority of the service personnel finished training and joined the labour market thus reducing the level of services offered and subsequent income earned.

Table 3.14: National Youth Services Recruitment and Income, 1996-2000

	Recruitment (Numbers)			Income Earned**
Year	Service Men	Service Women	Total	KSh Million
1996	2,208	597	2,805	34.0
1997	2,737	465	3,202	44.0
1998	-	-	-	20.0
1999	-	-	-	18.6
2000*	2,719	782	3,501	12.6

Source: National Youth Service

* Provisional

** Financial Year

3.28. **National Social Security Fund :** The National Social Security Fund (NSSF) has the traditional role to provide social security support to workers who subscribe to it. The NSSF has continued to institute public education programmes in order to maintain close contacts with its members and the public in general. Table 3.15 below shows registered employers, employees, annual contributions and annual benefits paid to members. The number of registered employers increased by 3.2 per cent from 49,600 in 1999 to 51,202 in 2000. Similarly, the number of registered employees went up from 2,637,100 in 1999 to 2,705,200 in 2000, an increase of 2.6 per cent. Annual benefits paid to members rose from KSh 1,974 million in 1999 to KSh 2,026 million in 2000 an increase of 2.6 per cent. Annual contributions went up marginally by 1.4 per cent from KSh 1,570 million in 1999 to KSh 1,592 million in 2000, attributable to subscribers' positive response to the public education programmes and better collection strategies that are currently in force.

Table 3.15:National Social Security Fund, 1996 – 2000

	1996	1997	1998	1999	2000
Registered Employers '000	46.4	48.0	48.0	49.6	51.2
Registered Employees '000	2,401.1	2,498.2	2,546.5	2,637.1	2,705.2
Annual contribution KSh Million	1,600.0	1,590.0	1,540.0	1,570.0	1,592.0
Annual benefits paid KSh Million	520.0	552.0	520.0	1,974.0	2,026.0

Source: NSSF

3.29. **Adult Education:** Table 3.16 below gives details of adult education enrolment by sex. A total of 25,802 males and 68,101 females were enrolled in the year 2000, a decline of 7.3 per cent, compared to an increase of 1.0 per cent in the previous year. Females still form the majority in adult education, constituting over 70 per cent of the total enrolment.

Table 3.16: Adult Education Enrolment by Sex, 1996 – 2000

Year	Male	Female	Total	% Female Enrolment
1996.. ..	26,612	89,029	115,641	77.0
1997.. ..	28,139	73,215	101,354	72.2
1998.. ..	26,180	74,081	100,261	73.9
1999.. ..	30,200	71,061	101,261	70.2
2000*.. ..	25,802	68,101	93,903	72.5

* Provisional

Source : Ministry of Home Affairs, Sports and Heritage

3.30. The number of adults who passed proficiency tests and those registered for KCPE are shown in Table 3.17. In the year 2000, 15,508 candidates passed proficiency tests, an increase of 2.3 per cent, whereas 5,544 candidates registered for KCPE, an increase of 3.1 per cent. Nairobi and North Eastern provinces recorded the lowest number of candidates who passed proficiency tests, while Nyanza, Eastern and Rift Valley recorded the highest. On the KCPE results, Rift Valley and Nairobi had the highest number who registered for the examination while Western and Eastern recorded the lowest.

Table 3.17: Number of Adults who passed proficiency and those registered for KCPE by Province, 1996-2000

Province	1996		1997		1998		1999		2000	
	PTP	KCPE	PTP	KCPE	PTP	KCPE	PTP	KCPE	PTP	KCPE
Nairobi	191	566	202	522	110	908	400	997	346	1,177
Central	1,091	95	1,174	110	877	139	1,543	111	1,812	160
Coast	493	194	283	204	495	212	1,305	480	1,205	365
Eastern	1,474	50	1,430	67	1,595	7	3,408	244	3,368	60
N/Eastern	2,054	28	1,823	42	2,096	52	532	231	634	636
Nyanza	306	43	580	57	667	146	3,046	227	3,987	101
Rift Valley	1,724	279	786	308	1,538	2,377	3,314	2,987	2,436	3,002
Western	1,072	38	833	61	861	42	1,611	101	1,720	43
Total	8,405	1,293	7,111	1,371	8,239	3,883	15,159	5,378	15,508	5,544

PTP: Number that passed Proficiency Test

KCPE: Number registered for Kenya Certificate of Primary Education

3.31. **Gender and Development:** Having signed the Beijing Declaration and Platform for Action (1995), the Kenya Government does recognise the importance and contribution of women to development. The numbers of groups and membership have continued to rise, from 107,080 and 4,287,702 in 1999 to 111,688 and 4,419,474 in 2000, respectively, as shown in Table 3.18.

3.32. Women's groups in Kenya provide a viable channel for outreach activities by the Government and other development agencies as well as providing a supportive

environment for women's awareness. Whether formal or informal, some women's groups have provided remarkable assistance to their members.

Table 3.18: Registered women's groups, their membership, contribution and GOK Grants, 1997 – 2000

YEAR	No. of Women's Groups	Membership	Group Contribution (KSh Million)	Grants by GoK (KSh Million)
1997	85,205	3,096,102	352.5	200
1998	97,319	3,900,548	381.8	0 .47
1999	107,080	4,287,701	408.2	0 .98
2000*	111,688	4,419,474	436.5	1.75

Source: Women's Bureau

* Provisional

3.33. Details of group contributions and grants from the Government are shown in Table 3.18. Contributions went up from KSh 408.2 million in 1999 to KSh 436.5 million in 2000, while Government grants to women groups also increased from KSh 0.98 million to KSh 1.75 million.

3.34. Table 3.19 presents details of reported cases of violence by province. Rift Valley exhibited the highest number with 215 cases followed by Central, Eastern and Nyanza with 181, 128 and 117 cases respectively. North Eastern Province recorded the lowest number with 13 cases followed by Western province with 63 cases and Coast province with 77 cases. There was an increase of 4.0 per cent in the number of reported cases in the year 2000, lower than the rise of 9.6 per cent recorded in 1999. It also shows the total number of reported rapes and attempted rapes and cases of assault and battering. Reported cases of rape went up by 4.0 per cent from 849 in 1999 to 883 in 2000 while cases of assault and battering increased by 5.7 per cent from 5,918 in 1999 to 6,255 in 2000. In total, cases of violence against women, increased by 5.5 per cent, from 6,767 in 1999 to 7,138 in 2000.

Table 3.19: Incidents of reported rape, attempted rape and allied offences against women by Province, 1996-2000

Province	1996	1997	1998	1999	2000*
Nairobi	89	87	86	83	89
Central	151	153	164	179	181
Coast	73	76	79	75	77
Eastern	108	107	105	123	128
North Eastern	13	15	14	12	13
Nyanza	72	93	102	114	117
Rift Valley	164	167	176	207	215
Western	42	45	49	56	63
Sub Total of Attempted rape	712	743	775	849	883
Assault and Battering	5,229	5,488	5,866	5,918	6,255
Grand Total	5,941	6,231	6,641	6,767	7,138

Source: Women Bureau

* Provisional

CHAPTER 4

EMPLOYMENT, EARNINGS AND CONSUMER PRICES

Overview

The poor performance of the domestic economy in 2000 adversely affected employment creation in all sectors of the economy. The economy generated 415.4 thousand additional jobs, with the modern sector creating only 3,300 jobs, representing 0.8 per cent of the additional jobs. As such most jobs were generated in the expanding informal sector. Inflation rate remained at single digit level, but rose from 3.5 per cent in 1999 to 6.2 per cent in 2000. Real average earnings rose by 5.5 per cent from KSh 23,032.6 per annum in 1999 to KSh 24,296.3 per annum in 2000.

Employment

4.2. The number of persons employed outside small-scale farming and pastoralist activities rose by 7.6 per cent from 5.5 million persons in 1999 to 5.9 million persons in 2000. Most of the additional jobs were created within the informal sector as employment in modern sector continued to stagnate. As shown in Table 4.1, employment in the modern sector stood at 1.7 million persons in 2000, while the informal sector rose by 11.0 per cent to 4.2 million persons, accounted for 70.4 per cent of total employment.

Table 4.1: Total Recorded Employment: June, 1997 - 2000

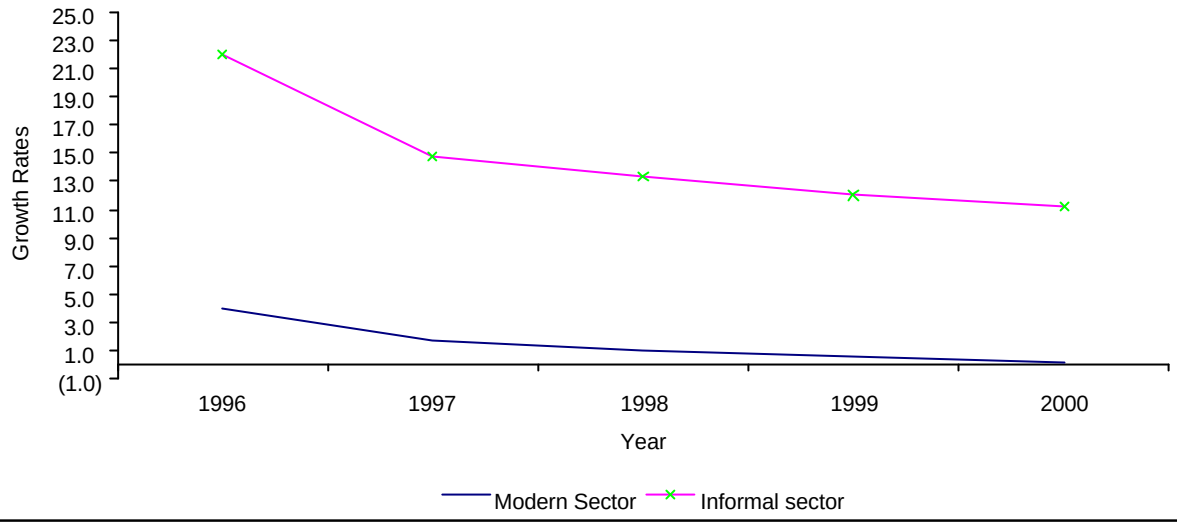
'000's

	1997	1998	1999	2000*
Modern Establishments - Urban and Rural Areas:				
Wage Employees	1,647.4	1,664.9	1,673.6	1,676.8
Self-employed and unpaid family workers	64.1	64.8	65.1	65.3
Informal Sector	2,986.9	3,353.5	3,738.8	4,150.9
TOTAL	4,698.4	5,083.2	5,477.5	5,893.0

* Provisional.

4.3. *Modern Sector* – Growth rate in wage employment within the modern sector decelerated from 1.1 per cent in 1998 to 0.5 per cent in 1999. The marginal growth was largely attributed to the current economic recession occasioned by adverse weather conditions and reduced economic activity notably in agricultural, manufacturing and services sectors. Further, the on-going reforms have reduced the size of the public sector through retrenchment and restrictive Government employment policy in the public institutions. Non-wage employment in the form of self employment and unpaid family workers stood at 65,300 persons, accounting for only 3.9 per cent of modern sector employment during the year.

Figure 4.1: Growth Rates in Employment in the Modern and Informal Sectors



4.4. Table 4.2 presents wage employment by industry and sector. Sectoral analysis shows that wage employment in the private sector grew by 1.3 per cent from 990,300 persons recorded in 1999 to 1,002,900 persons in 2000. The sector thus created 12,600 additional jobs in 2000, compared with 22,400 in 1999. The decline in job creation was largely due to the depressed levels of activities in some leading industries within the private sector. Significant changes in employment within the private sector were in transport and communication activities, which grew by 1.8 per cent in 2000 compared to a growth rate of 0.9 per cent recorded in 1999. The growth in the sector was largely attributed to increased activities related to relief food distribution and liberalisation of airwaves. This led to increased investment in electronic media industry and cellular phone services.

4.5. Employment in private sector manufacturing declined by 0.6 per cent from 184,000 persons in 1999 to 182,900 persons in 2000. The decline in employment was due to reduced performance in the sector, largely occasioned by weak demand for manufactured goods, stiff competition from imported consumer goods and high cost of investment caused by poor infrastructure. Wage employment in the agricultural and forestry industry, the leading sub sector within the private sector rose from 249,600 persons in 1999 to 251,300 persons in 2000, representing a growth of 0.7 per cent compared with 1.7 per cent recorded in 1999. The prolonged drought, in 1999 and 2000, coupled with low commodity prices, adversely affected job creation in this sub-sector. The other notable change was the deceleration in growth of employment in the financial sector, caused by increased investment in modern technology and on-going restructuring in the sector. This resulted in closure and merging of branches and retrenchment of bank workers.

Table 4.2: Wage Employment by Industry and Sector*, 1996 - 2000

'000's

	1996	1997	1998	1999	2000*	% change
PRIVATE SECTOR:						
Agriculture and Forestry	236.6	240.6	245.2	249.6	251.3	0.7
Mining and Quarrying	4.1	4.3	4.3	4.5	4.6	2.2
Manufacturing	172.3	177.1	180.8	184.0	182.9	-0.6
Electricity and Water	1.3	1.4	1.5	1.5	1.5	0.0
Building and Construction	49.6	51.6	51.9	52.2	52.3	0.2
Wholesale and Retail Trade, Restaurants and Hotels	136.2	141.7	144.3	147.3	149.1	1.2
Transport and Communications	41.4	43.1	43.1	43.7	44.5	1.8
Finance,Insurance, Real Estate and Business services	62.6	65.4	66.8	68.1	68.8	1.0
Community, Social and Personal Services	213.8	221.6	229.3	239.4	247.8	3.5
TOTAL PRIVATE SECTOR	917.9	946.8	967.2	990.3	1,002.9	1.3
PUBLIC SECTOR:						
Agriculture and Forestry	66.4	65.0	63.6	61.7	59.6	-3.4
Mining and Quarrying	0.7	0.7	0.7	0.7	0.7	0.0
Manufacturing	38.2	37.4	36.1	35.6	35.0	-1.7
Electricity and Water	22.0	22.0	21.7	21.2	20.8	-1.9
Building and Construction	29.2	28.3	27.4	26.5	25.7	-3.0
Wholesale and Retail Trade, Restaurants and Hotels	7.0	6.5	6.4	6.3	6.2	-1.6
Transport and Communications	44.8	42.7	41.9	40.1	38.9	-3.0
Finance, Insurance, Real Estate and Business services	18.4	17.8	17.2	16.4	15.8	-3.7
Community, Social and Personal Services	474.2	480.2	482.7	474.8	471.1	-0.8
TOTAL PUBLIC SECTOR	700.9	700.6	697.7	683.3	673.9	-1.4

* Provisional.

4.6. As a result of Government efforts to restructure the public sector in order to improve efficiency and productivity, employment in the sector declined further by 1.4 per cent to stand at 673,900 persons in 2000. Consequently, the share of public sector employment in the modern sector declined further from 41.9 per cent in 1998 to 40.8 per cent in 1999 and finally to 40.2 per cent in 2000. The decline in public sector employment was slightly below the 1.9 per cent recorded in 1999 and affected all economic activities, with the financial sector recording the highest decline of 3.7 per cent, while community, social and personal services recorded the lowest decline of 0.8 per cent.

4.7. Table 4.3 presents data on employment in the public sector by type of employer. Only Local Authorities registered positive growth in wage employment during 2000 with an increase of 1.8 per cent to 80,200 persons. This was attributable to creation of additional districts. After recording a 2.6 per cent in 1999, employment level in the Central Government declined further by 2.0 per cent to record 204,200 persons in 2000. The number of civil servants comprised 199,900 regular employees and 4,339 casuals and work-paid staff at the end of June 2000. The employment of casuals in Central Government rose by 89.3 per cent from 2,292 persons in 1999 to 4,339 persons in 2000. A total of 6,300 persons left the service through natural attrition. Most casual employment was mainly engaged in the on-going roads rehabilitation programme and data processing of the 1999-Population and Housing Census. Wage employment is expected to decline drastically once the figure of 25,700 employees of Central Government, who were retrenched in the last quarter of 2000, is taken into account.

Table 4.3: Wage Employment in the Public Sector, 1996 - 2000*

'000's

	1996	1997	1998	1999	2000**	Annual Percentage Change 2000/1999
Central Government***	228.0	219.1	214.1	208.5	204.2	-2.0
Teachers Service Commission ..	232.9	241.3	247.7	242.3	236.8	-2.3
Parastatal Bodies+	114.3	112.8	108.9	105.2	104.3	-0.9
Majority Control by the Public Sector++ ..	53.9	52.5	49.9	48.5	48.4	-0.2
Local Government	71.8	74.9	77.1	78.8	80.2	1.8
TOTAL	700.9	700.6	697.7	683.3	673.9	-1.4

* Figures refer to employment stock as at 30th June.

** Provisional.

*** Covers all civil servants on Government payroll plus casual workers in various ministries

\+ Refers to Government wholly-owned corporations.

++ Refers to institutions where the Government has over 50 per cent of shares but does not wholly own them.

4.8. The number of persons employed by the Teachers Service Commission (TSC) declined further from 247,700 in 1998 to 242,300 in 1999, and to 236,800 persons in 2000. Employment by the TSC as at 30th June 2000 was composed of 185,200 primary school teachers, 42,500 post primary teachers, 4,300 employees in special institutions, 2,900 persons in technical institutions, and 1,900 employees in the TSC secretariat. The decline was largely occasioned by freeze in teacher recruitment which was effected in 1997. Due to on going parastatal reform and restructuring programmes, employment in the parastatals declined by 0.9 per cent to 104,300 persons. Employment in other institutions with a majority control by the Government recorded a further decline of 0.2 per cent in 2000.

4.9. Table 4.4 gives details of wage employment by province. Nairobi Province continued to account for the largest proportion of wage employment with a share of 25.1 per cent followed by Rift Valley province with 22.4 per cent. Wage employment in Nairobi however declined by 0.1 per cent during the year due to reduced employment in manufacturing and the downsizing of the public sector. Wage employment in all other provinces increased marginally. The slight growth in employment in Rift Valley province was attributed to increased investment in the region while Coast province was aided by modest recovery of tourism industry.

Table 4.4: Wage Employment by Province, 1997 - 2000

'000's

Province	1997	1998	1999	2000*	Percentage Change 2000/1999
Nairobi	414.9	418.2	420.8	420.5	-0.1
Coast	203.6	205.4	206.6	207.2	0.3
North Eastern	15.1	15.4	15.4	15.4	0.0
Eastern	137.9	139.1	139.6	139.8	0.1
Central	235.2	238.5	239.5	240.1	0.3
Rift Valley	367.0	371.8	374.3	375.7	0.4
Nyanza	164.4	166.4	167.0	167.4	0.2
Western	109.3	110.1	110.4	110.6	0.2
TOTAL	1,647.4	1,664.9	1,673.6	1,676.8	0.2

* Provisional

4.10. Table 4.5 presents wage employment in major towns by six dominant industries for the years 1995 and 2000. The urban workforce engaged in the six

urban-based industries (excluding agriculture, mining and quarrying, electricity and water) rose by 13.1 per cent from 804,900 persons in 1995 to 910,000 persons in 2000. Although Nairobi City had the highest wage employment, its share in urban wage employment has been declining from 47.6 per cent in 1995 to 44.3 per cent in 2000. High employment growth rates of 16.5 per cent, 14.0 per cent and 13.5 per cent were recorded for Nakuru, Kisumu and Thika towns respectively. Nairobi City recorded a low growth in wage employment of 5.1 per cent in the six urban-based industries over the same period. Among the main urban based industries, wage employment in the community, social and personal services was 335,900 persons, which at 36.9 per cent accounted for the largest share of urban wage employment.

Table 4.5: Wage Employment by Urban Centres* and Selected Industries, 1995 and 2000

'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	1995	2000**	1995	2000**	1995	2000**	1995	2000**	1995	2000**	1995	2000**	1995	2000**
Nairobi	73.7	76.2	38.6	39.1	52.3	59.1	29.9	29.3	40.7	42.5	148.2	156.6	383.4	402.8
Mombasa	29.5	31.5	5.9	6.4	18.9	21.9	28.8	30.8	12.2	13.4	45.0	49.1	140.3	153.0
Kisumu	6.5	7.1	2.1	2.2	3.9	4.3	1.7	1.8	2.4	2.5	18.1	21.6	34.7	39.5
Nakuru	7.9	8.7	2.4	2.6	5.1	5.7	1.5	1.6	2.3	2.6	10.4	13.3	29.6	34.5
Thika	14.2	16.4	0.6	0.6	2.8	3.2	0.4	0.4	1.4	1.8	5.5	5.9	24.9	28.3
Eldoret	15.1	16.5	1.8	1.9	3.7	4.1	0.9	1.0	2.7	2.9	4.1	5.0	28.3	31.4
Malindi	0.4	0.4	0.3	0.3	2.5	3.0	0.3	0.3	0.3	0.4	2.9	3.0	6.7	7.4
Kericho	3.6	4.0	1.0	1.0	1.2	1.4	0.2	0.2	0.4	0.5	5.8	5.5	12.2	12.5
Others	23.8	44.5	16.9	4.8	17.8	46.7	7.2	6.4	4.4	22.2	74.7	75.9	144.8	200.6
TOTAL	174.7	205.5	69.6	58.9	108.2	149.3	70.9	71.7	66.8	88.7	314.7	335.9	804.9	910.0

* Urban Centres refer to those towns which had a population of 2000 or more persons in 1989

** Provisional.

Manufacturing industries with 205,500 persons in 2000 recorded the second largest share of 22.6 per cent.

4.11. Wage employment by industry and sex is set out in Table 4.6. There were 1,379,100 regular employees in the modern sector of which 398,200 were females. The number of females in wage employment rose by 0.7 per cent to 494,200 in 2000, with their share increasing marginally from 29.3 per cent in 1999 to 29.5 per cent in 2000. Educational services engaged 132,300 females and absorbed 26.8 per cent of all females in wage employment, while agricultural sector engaged 77.5 thousand females, representing 15.7 per cent of females in wage employment. The proportion of females employed in mining and quarrying, electricity and water industries remained low at 0.2 per cent and 0.8 per cent, respectively.

Table 4.6: Wage Employment by Industry and Sex, 1999 and 2000

'000's

INDUSTRY	MALES		FEMALES		TOTAL	
	1999	2000*	1999	2000*	1999	2000*
Agriculture and Forestry ..	234.0	234.0	77.3	77.5	311.3	311.0
Mining and Quarrying ..	4.1	4.1	1.1	1.1	5.2	5.2
Manufacturing	182.1	180.5	37.5	37.4	219.6	217.9
Electricity and Water ..	18.8	18.5	3.9	3.8	22.7	22.3
Building and Construction	73.7	73.0	5.0	5.0	78.7	78.0
Trade, Restaurants and Hotels	111.7	113.1	41.9	42.3	153.6	155.4
Transport and Communications	66.9	66.2	16.9	17.1	83.8	83.4
Finance, Insurance, Real Estate and Business Services ..	62.7	62.9	21.8	21.7	84.5	84.7
Community, Social and Personal Services-						
Public Administration ..	102.0	99.5	58.2	56.8	160.2	156.4
Education Services	175.6	176.9	129.5	132.3	305.1	309.3
Domestic Services	59.9	60.3	39.6	39.8	99.5	100.2
Other Services	91.6	93.7	57.8	59.3	149.4	153.0
TOTAL	1,183.1	1,182.6	490.5	494.2	1,673.6	1,676.8
Of which: Regular	980.7	980.2	397.5	398.2	1,378.2	1,379.1
Casual	202.4	202.4	93.0	96.1	295.4	298.7

* Provisional

Wage Earnings in the Modern Sector

4.12. Table 4.7 presents analysis of total wage earnings by industry and sector for the period 1997 to 2000. Despite the significant slow down in employment creation, the overall nominal wage bill increased by 11.9 per cent to KSh 274,642.8 million in 2000, compared to higher increase of 14.2 per cent recorded in 1999. The expansion in overall wage bill was due to wage adjustments intended to compensate for rise in cost of living and was mainly confined to private sector. Total wage payments in the private sector rose by 16.7 per cent to KSh 168,788.4 million in 2000, compared to 5.1 per cent rise in wage payments for public sector. The growth was lower than 19.7 per cent recorded in 1999, partly due to deceleration of growth in wage employment. Within the private sector, wage earnings in the community, social and personal services industry registered the highest share of 23.8 per cent of the private sector wage bill and also the highest growth of 23.7 per cent during the period under review.

4.13. Public sector wage payments represented 38.5 per cent of the total wage bill in the modern sector, which was significantly lower than 41.0 per cent in 1999. Total wage payments in the public sector went up by 5.1 per cent to KSh 105,854.4 million in 2000, having grown by 7.1 per cent in 1999. A steady decline in public sector employment over the past years has resulted in its wage bill being lower than the private sector. Community, social and personal services industry continued to account for the largest share of the public sector wage bill with a share of 66.9 per cent.

Table 4.7: Estimated Total Wage Payments by Industry and Sector, 1997 - 2000

KSh Million per Annum

	1997	1998	1999	2000*
PRIVATE SECTOR:				
Agriculture and Forestry	10,261.6	12,489.5	14,799.3	16,593.5
Mining and Quarrying	268.5	306.1	361.4	410.3
Manufacturing	20,181.6	24,550.8	29,046.6	31,909.5
Electricity and Water	177.4	242.1	297.7	325.4
Building and Construction	4,997.3	6,043.0	7,111.4	7,925.0
Wholesale and Retail Trade, Restaurants	21,733.4	26,546.3	31,719.6	37,469.9
and Hotels	6,524.7	8,490.6	9,938.6	11,963.9
Transport and Communications ..				
Finance, Insurance ,Real Estate and				
Business Services	13,459.7	16,130.7	18,915.6	22,050.2
Community, Social and Personal Services	20,586.6	26,036.1	32,444.4	40,140.7
TOTAL PRIVATE SECTOR	**98,190.8**	**120,835.2**	**144,634.6**	**168,788.4**
PUBLIC SECTOR:				
Agriculture and Forestry	2,770.4	4,503.5	5,200.6	5,757.5
Mining and Quarrying	51.7	82.9	96.2	108.1
Manufacturing	3,010.9	4,301.2	4,635.7	4,962.0
Electricity and Water	2,235.4	3,577.2	3,921.0	4,217.9
Building and Construction	1,752.0	2,675.1	2,949.1	3,155.9
Wholesale and Retail Trade, Restaurants				
and Hotels	579.1	914.4	1,039.5	1,166.2
Transport and Communications ..	3,903.5	7,406.9	8,794.0	9,754.6
Finance, Insurance ,Real Estate and				
Business Services	3,563.7	5,831.9	5,895.4	5,957.1
Community, Social and Personal Services	55,685.5	64,692.9	68,164.5	70,775.1
TOTAL PUBLIC SECTOR	**73,552.2**	**93,986.0**	**100,696.0**	**105,854.4**
TOTAL PUBLIC AND PRIVATE ..	**171,743.0**	**214,821.2**	**245,330.6**	**274,642.8**

* Provisional.

4.14. A look at public sector wage payments indicate that Teachers Service Commission (TSC) continued to absorb the largest share of total wage bill. Revised estimates shown in Table 4.8 further indicate that TSC wage bill rose by only 0.9 per cent to KSh 36,920.9 million in 2000, and absorbed 34.9 per cent of total wage payments in the public sector. The revised Central Government wage bill went up by 1.2 per cent to KSh 26,981.5 million and accounted for 25.5 per cent, the second largest share of public sector wage bill. Wage payments for parastatals, and other institutions with majority control by Government rose by 9.1 per cent to KSh 17,215.1 and 11.5 per cent to KSh 10,597.4 million in 2000, respectively. Local Government wage bill went up by 16.3 per cent

Table 4.8: Total Wage Payments in the Public Sector*, 1997 - 2000

KSh Million per Annum

	1997	1998	1999	2000**
Central Government***	24,171.5	25,962.0	26,664.2	26,981.5
Teachers Service Commission*** ..	23,999.5	36,184.0	36,588.8	36,920.9
Parastatal Bodies+	11,418.3	13,933.3	15,783.2	17,215.1
Majority Control by the Public Sector++.. ..	6,739.6	8,232.4	9,506.1	10,597.4
Local Government	7,223.4	9,674.4	12,153.8	14,139.5
TOTAL	73,552.4	93,986.1	100,696.0	105,854.4

* Revised based on improved coverage.

** Provisional

*** Refers to position as at 30th June, but the June figures are annualised by multiplying by 12 for earnings.

\+ Refers to Government wholly-owned corporations.

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

4.15. Total average earnings per person went up by 12.1 per cent, rising from KSh 146,151.9 per annum in 1999 to KSh 163,789.8 per annum in 2000. As shown in Table 4.9, average earnings in the private sector increased by 15.2 per cent from

KSh 146,051.3 to KSh 168,300.5 per annum in 2000. Workers in the financial industry continued to have the highest average earnings, whereas those in community, social and personal services had average earnings lower than the national average, as was the case with agriculture, mining and building activities.

Table 4.9: Average Wage Earnings per Employee*, 1997 - 2000

KSh per annum

	1997	1998	1999	2000**
PRIVATE SECTOR:				
Agriculture and Forestry	42,650.0	50,936.0	59,292.1	66,030.6
Mining and Quarrying	62,441.9	71,186.0	80,311.1	89,195.7
Manufacturing	113,956.0	135,789.8	157,862.0	174,464.2
Electricity and Water	126,714.3	161,400.0	198,466.7	216,933.3
Building and Construction	96,846.9	116,435.5	136,233.7	151,529.6
Trade, Restaurants and Hotels	153,376.1	183,966.0	215,340.1	251,307.2
Transport and Communications	151,385.2	196,997.7	227,427.9	268,851.7
Finance, Insurance ,Real Estate and Business Services	205,805.8	241,477.5	277,762.1	320,497.1
Community, Social & Personal Services	92,899.8	113,546.0	135,523.8	161,988.3
TOTAL PRIVATE SECTOR	103,708.1	124,933.0	146,051.3	168,300.5
PUBLIC SECTOR:				
Agriculture and Forestry	42,604.1	70,516.8	84,288.5	96,602.3
Mining and Quarrying	73,798.9	117,900.3	137,428.6	154,428.6
Manufacturing	80,471.1	118,654.8	130,216.3	141,771.4
Electricity and Water	101,567.3	164,167.1	184,952.8	202,783.7
Building and Construction	61,881.0	97,227.9	111,286.8	122,797.7
Trade, Restaurants and Hotels	89,055.5	142,278.1	165,000.0	188,096.8
Transport and Communications	91,378.2	176,045.0	219,301.7	250,760.9
Finance, Insurance ,Real Estate and Business Services	200,124.2	337,661.3	359,475.6	377,031.6
Community, Social & Personal Services	115,913.6	133,468.1	143,564.7	150,233.7
TOTAL PUBLIC SECTOR	104,939.9	134,150.8	147,367.2	157,077.3
TOTAL PRIVATE AND PUBLIC SECTOR	104,251.1	130,400.2	146,151.9	163,789.8
MEMORANDUM ITEMS IN PUBLIC SECTOR:				
Central Government***	110,321.6	121,261.0	127,886.1	132,132.7
Teachers Service Commission***	99,459.4	146,080.0	151,006.0	155,916.0
Parastatal Bodies+	101,226.0	127,946.0	150,030.0	165,053.7
Majority Control by the Public Sector ++	128,374.0	164,978.0	196,002.0	223,488.0
Local Government	96,441.2	125,478.0	154,235.6	177,360.0
TOTAL PUBLIC SECTOR	**104,939.9**	**134,150.8**	**147,367.2**	**157,077.3**

* Revised based on improved coverage.

** Provisional

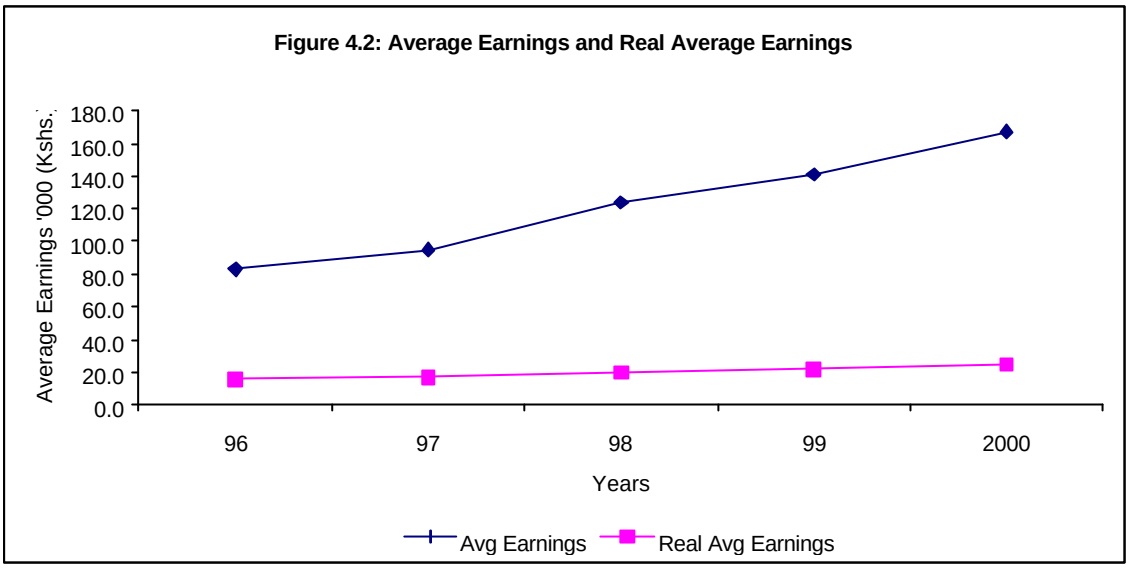
*** Refers to position as at 30th June, but the June figures are annualised by multiplying by 12 for earnings.

\+ 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. Average earnings in the public sector went up by 6.6 per cent from KSh 147,367.2 in 1999 to KSh 157,077.3 per annum in 2000. Average earnings for workers in the financial industry within the public sector remained the highest while that of workers in the primary activities of agriculture, mining and construction remained relatively low. The workers in institutions under majority control by the public sector had higher average earnings compared to workers in the other categories of the public sector. Average earnings for employees in parastatals stood at KSh 165,053.7 per annum; and recorded a decelerating growth rate of 10.0 per cent. In overall, there was a deceleration in growth of average earnings for workers in the public sector.

Figure 4.2: Average Earnings and Real Average Earnings



4.17. Changes in wage employment and average earnings for the period 1995 to 2000 are presented in Table 4.10. During the five-year period, total employment rose by 7.7 per cent, with wage employment in the private sector rising by 15.7 per cent while public sector employment declined by 2.3 per cent. Within the same period, employment in the Central Government, parastatal bodies, and institutions with majority control by public sector went down by 15.4, 6.6 and 4.6 per cent respectively. This decline was attributed to the restructuring within the Civil Service and public enterprises. On the other hand, Local Government recorded an increase of 19.0 per cent in wage employment, which was lower than 36.1 per cent rise recorded in the previous period. Total average earnings rose by 115.9 per cent with those of private sector employees rising by 114.5 per cent and public sector earnings expanding by 116.3 per cent within the same period.

Table 4.10: Percentage changes in wage employment and average earnings*, 2000/1995 and 2000/1999

	Employment		Average Earnings	
	2000/1995	2000/1999**	2000/1995	2000/1999**
PRIVATE SECTOR:				
Agriculture and Forestry	10.8	0.7	158.1	11.4
Mining and Quarrying	15.0	2.2	71.8	11.1
Manufacturing	10.5	-0.6	103.7	10.3
Electricity and Water	15.4	0.0	142.0	9.3
Building and Construction .. .	11.0	0.2	108.2	11.2
Trade, Restaurants and Hotels	16.6	1.2	118.3	16.7
Transport and Communications .. .	16.8	1.8	110.1	18.2
Finance, Insurance ,Real Estate and Business Services	15.2	1.0	99.8	15.4
Community, Social & Personal Services ..	26.0	3.5	134.3	19.5
TOTAL PRIVATE SECTOR	15.7	1.3	114.5	15.2
PUBLIC SECTOR:				
Agriculture and Forestry	-11.3	-3.4	133.4	14.6
Mining and Quarrying	0.0	0.0	82.0	12.4
Manufacturing	-10.9	-1.7	94.0	8.9
Electricity and Water	-3.7	-1.9	82.1	9.6
Building and Construction ..	-12.3	-3.0	90.1	10.3
Trade, Restaurants and Hotels	-11.4	-1.6	94.3	14.0
Transport and Communications	-5.1	-3.0	141.9	14.3
Finance, Insurance ,Real Estate and Business Services	-13.7	-3.7	95.7	4.9
Community, Social and Personal Services	1.2	-0.8	121.0	4.6
TOTAL PUBLIC SECTOR ..	-2.3	-1.4	116.3	6.6
TOTAL PUBLIC AND PRIVATE	7.7	0.2	115.9	12.1
MEMORANDUM ITEMS IN PUBLIC SECTOR:				
Central Government***	-15.4	-2.0	63.7	3.3
Teacher's Service Commission***	8.1	-2.3	154.1	3.3
Parastatal Bodies+	-6.4	-0.9	125.7	10.0
Majority Control by the Public Sector ++ ..	-3.8	-0.2	163.6	14.0
Local government	19.0	1.8	196.6	15.0
TOTAL PUBLIC SECTOR	-2.3	-1.4	116.3	6.6

* Revised based on improved coverage.

** Provisional

*** Refers to position as at 30th June, but the June figures are annualised by multiplying by 12 for earnings.

\+ Refers to Government wholly-owned corporations.

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

4.18. Table 4.11 presents real average earnings per employee by sector and industry, while changes in real average earnings are shown in Table 4.12. The relatively low inflation level coupled with upward wage adjustments led to an increase in overall real average earnings in the year 2000. Overall real average earnings rose by 5.5 per cent from KSh 23,032.6 per annum in 1999 to KSh 24,296.3 per annum in the year under review. Growth in real average earnings in the private sector decelerated from 13.0 per cent in 1999 to 8.5 per cent in 2000 to stand at KSh 24,965.4 per annum. Within the public sector, real average earnings for the workers in Central Government and TSC declined by 2.7 and 2.8 per cent respectively.

Table 4.11: Estimated Real Average Wage Earnings per Employee*, 1997 - 2000

KSh per annum

	1997	1998	1999	2000**
PRIVATE SECTOR:				
Agriculture and Forestry	7,414.8	8,303.9	9,344.0	9,794.9
Mining and Quarrying	10,855.7	11,605.2	12,656.5	13,231.1
Manufacturing	19,811.5	22,137.2	24,878.0	25,879.7
Electricity and Water	22,029.6	26,312.4	31,277.0	32,179.5
Building and Construction	16,837.1	18,982.0	21,469.5	22,477.7
Trade, Restaurants and Hotels	26,664.8	29,991.2	33,936.2	37,278.5
Transport and Communications	26,318.7	32,115.7	35,841.1	39,881.0
Finance, Insurance ,Real Estate and Business Services	35,779.9	39,367.1	43,773.4	47,542.0
Community, Social & Personal Services	16,150.9	18,510.9	21,357.6	24,029.1
TOTAL PRIVATE SECTOR	18,029.9	20,367.3	23,016.7	24,965.4
PUBLIC SECTOR:				
Agriculture and Forestry	7,407.0	11,496.1	13,283.3	14,329.8
Mining and Quarrying	12,830.3	19,220.8	21,657.8	22,907.7
Manufacturing	13,990.3	19,343.8	20,521.2	21,030.1
Electricity and Water	17,658.0	26,763.5	29,147.3	30,080.6
Building and Construction	10,758.4	15,850.7	17,538.0	18,215.6
Trade, Restaurants and Hotels	15,482.8	23,195.1	26,002.9	27,902.0
Transport and Communications	15,886.6	28,699.9	34,560.5	37,197.5
Finance, Insurance ,Real Estate and Business Services	34,792.7	55,047.6	56,650.9	55,928.3
Community, Social & Personal Services	20,152.2	21,758.8	22,624.8	22,285.4
TOTAL PUBLIC SECTOR	18,244.4	21,870.1	23,224.1	23,300.6
TOTAL PRIVATE AND PUBLIC SECTOR	16,505.1	20,171.9	23,032.6	24,296.3
MEMORANDUM ITEMS IN PUBLIC SECTOR:				
Central Government***	19,180.0	19,768.7	20,154.0	19,600.4
Teachers Service Commission***	17,291.3	23,814.9	23,797.5	23,128.3
Parastatal Bodies+	17,598.4	20,858.6	23,643.7	24,483.8
Majority Control by the Public Sector ++	22,318.2	26,895.7	30,888.6	32,479.4
Local Government	16,766.6	20,456.1	24,306.5	26,152.5
TOTAL PUBLIC SECTOR	18,244.4	21,870.1	23,224.1	23,300.6

* Revised based on improved coverage.

** Provisional

*** Refers to position as at 30th June, but the June figures are annualised by multiplying by 12 for earnings.

\+ 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.

Table 4.12: Changes in Wage Employment, Prices and Real Earnings, 1997 - 2000

Percentage

	1997	1998	1999	2000*
Wage employment	1.8	1.1	0.5	0.2
Average earnings at current prices	20.6	25.1	13.0	12.1
Consumer prices (Inflation rates)**	11.2	6.6	3.5	6.2
Real average earnings	8.5	22.2	14.2	5.5

* Provisional.

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

Employment in the Informal Sector

4.19. during the last decade the formal sector employment growth slackened, while informal sector employment recorded a dramatic and sustained expansion. The expansion of the informal employment has seen its share of employment, excluding employment in small-scale farming activities, rise from 63.6 per cent in 1997 to 70.4 per cent in 2000. Employment in the sector has grown by 39.0 per cent during the past four years, from an estimated 2,986,900 persons in 1997 to 4,150,900 persons in 2000. The large number of persons engaged in the informal sector underscores its important role in absorbing a large proportion of the unemployed labour force.

4.20. Employment in the sector, as shown in Table 4.13, rose by 11.0 per cent from estimated employment of 3.7 million persons in 1999 to 4.2 million persons in 2000. Nairobi province had the highest informal sector employment of 998,900 persons, and accounted for 24.06 per cent of total employment in the informal sector. Rift Valley and Central province occupied second and third position in providing employment in the sector, with 785,200 persons and 656,400 persons respectively. Urban areas continued to absorb most of the informal employment, representing 64.4 per cent of informal sector employment.

Table 4.13: Informal Sector, Number of Persons Engaged by Province, 1997 - 2000

000s

Province	1997	1998	1999	2000*
Nairobi	716.4	801.4	896.0	998.9
Central	470.4	530.8	592.4	656.4
Nyanza	359.4	402.7	447.0	494.4
Western	210.5	239.3	267.8	297.8
Rift Valley	563.0	635.9	708.0	785.2
Eastern	284.0	316.3	350.8	386.8
Coast	368.3	410.6	458.6	511.4
North Eastern	14.9	16.5	18.2	19.9
TOTAL	2,986.9	3,353.5	3,738.8	4,150.9
Of which				
Urban	1,939.7	2,173.7	2,397.7	2,673.2
Rural	1,047.2	1,179.8	1,341.1	1,477.7

* Provisional

4.21. Distribution of informal sector employment by industry is presented in Table 4.14. Hotels, restaurants and distributive trade industries accounted for the majority of the informal sector employees, contributing 63.9 per cent of the total. The large number of persons engaged in the distributive trade is mainly in Kiosk businesses, hawking, peddling of small articles and selling of second-hand clothing. Manufacturing industry absorbed the second largest share of 25.9 per cent in informal sector employment in 2000. Informal sector employment in community and personal services rose by 12.3 per cent to 294,700 persons. The construction industry had the smallest share of persons engaged in the sector, which declined from 1.6 per cent in 1999 to 1.5 per cent in 2000.

Table 4.14: Informal sector, number of persons engaged by activity, 1997 - 2000

000s

Activity	1997	1998	1999	2000*
Manufacturing	803.1	897.6	992.1	1,075.1
Construction	40.7	51.2	58.9	62.3
Wholesale and Retail Trade, Hotels and Restaurants	1,893.0	2,121.1	2,366.5	2,652.4
Transport and Communications**	46.8	52.8	58.8	66.4
Community, Social and Personal Services	203.3	230.8	262.5	294.7
TOTAL	2,987.0	3,353.6	3,738.8	4,150.9

* Provisional

** Includes mainly support services to transport activity

Wage Awards and Registered Collective Agreements

4.22. In 2000, the Government raised workers' general minimum monthly wages by 6.0 per cent. This was based on the need to cushion workers' purchasing power against rising inflation as well as to create a balance between wage increases and the ability of most employers to pay.

4.23. Table 4.15 presents the gazetted monthly basic minimum wages for workers in the agricultural industry. On average, the basic minimum wage was raised from KSh 1,676 to KSh 1,777 per person, a 6.0 per cent rise. The minimum wage to the highest paid category increased from KSh 2,428 to KSh 2,574 per month, while wages for the lowest paid category went up to KSh 1,019 from KSh 961.

Table 4.15: Gazetted Monthly Basic Minimum Wages for Agricultural Industry, 1997 - 2000

Ksh

Type of Employee	1997	1998	1999	2000*
UNSKILLED EMPLOYEES				
18 years & above	1,095	1,259	1,347	1,428
Under 18 years	781	898	961	1,019
STOCKMAN, HERDSMAN AND WATCHMAN				
Under 18 years	906	1,042	1,115	1,182
18 year & above	1,263	1,453	1,555	1,648
SKILLED AND SEMI-SKILLED EMPLOYEES				
House servant or cook	1,249	1,436	1,537	1,629
Farm foreman	1,973	2,269	2,428	2,574
Farm clerk	1,973	2,269	2,428	2,574
Section foreman	1,278	1,470	1,573	1,667
Farm artisan	1,309	1,505	1,610	1,707
Tractor driver	1,387	1,595	1,707	1,809
Combined harvester driver	1,528	1,757	1,880	1,993
Lorry driver or car driver	1,604	1,845	1,974	2,092
AVERAGE	1,362	1,567	1,676	1,777

Source: Ministry of Labour and Human Resource Development

* Provisional

4.24. On average, the overall gazetted monthly basic minimum wages in Nairobi area and Mombasa rose by 6.0 per cent to KSh 4,809 while other municipalities increased their wages from KSh 4,209 to KSh 4,462. The minimum wages for workers in all other urban areas rose from KSh 3,582 to KSh 3,797.

Table 4.16: Gazetted Monthly Basic Mininum Wages in Urban Areas (Excluding Housing Allowance), 1998 - 2000

Ksh

Occupation	Nairobi Area & Mombasa			Other Municipalities plus Mavoko & Ruiru Town Councils			All other towns		
	1998	1999	2000*	1998	1999	2000*	1998	1999	2000*
General Labourer	2,697	2,886	3,059	2,488	2,662	2,822	1,439	1,540	1,632
Miner, stone cutter, turnboy, waiter, cook	2,912	3,116	3,303	2,583	2,764	2,930	1,663	1,779	1,886
Night watchman	3,008	3,219	3,412	2,790	2,985	3,164	1,717	1,837	1,947
Machine attendant	3,056	3,270	3,446	2,844	3,043	3,226	2,306	2,467	2,615
Machinist	3,488	3,732	3,956	3,264	3,492	3,702	2,669	2,856	3,027
Plywood machine operator	3,639	3,894	4,128	3,359	3,594	3,810	2,778	2,972	3,150
Pattern designer	4,154	4,445	4,712	3,797	4,063	4,307	3,238	3,465	3,673
Tailor, Driver (medium vehicle)	4,578	4,898	5,192	4,208	4,503	4,773	3,751	4,014	4,255
Dyer, Crawler, Tractor driver, Salesman	5,054	5,408	5,732	4,715	5,045	5,348	4,256	4,554	4,827
Saw doctor, Caretaker (building)	5,593	5,985	6,344	5,222	5,588	5,923	4,865	5,206	5,518
Cashier, Driver (heavy commercial)	6,086	6,512	6,903	5,726	6,127	6,495	5,369	5,745	6,090
Artisan (Upgraded)	3,639	3,894	4,128	3,359	3,594	3,810	2,778	2,972	3,150
Artisan Grade III	4,578	4,898	5,192	4,208	4,503	4,773	3,758	4,021	4,262
Artisan Grade II	5,054	5,408	5,732	4,715	5,045	5,348	4,256	4,554	4,827
Artisan Grade I	6,086	6,512	6,903	5,726	6,127	6,495	5,369	5,745	6,090
AVERAGE	4,241	4,538	4,809	3,934	4,209	4,462	3,347	3,582	3,797

Source: Ministry of Labour and Human Resources Development

* Provisional

4.25. Table 4.17 shows the number of collective agreements registered by the industrial court in 1999 and 2000. There was a decline in the number of agreements registered to 316 from 328 in the previous year. The number of unionisable employees covered by these agreements also declined from 113,758 in 1999 to 71,586 in the year. Overall, the average monthly basic wage offered by the agreements increased from KSh 6,016 to KSh 7,303 while the house allowance went up from KSh 1,414.7 to KSh 1,526.7 per month.

Table 4.17: Collective Agreements Registered by the Industrial Court, 1999 and 2000

Industry	No. of Agreements		No. of Unionisable Employees Covered by the Agreements		Monthly Basic Wage Offered by the Agreements (KSh)		Monthly Basic Housing Allowance Offered (KSh)	
	1999	2000*	1999	2000*	1999	2000*	1999	2000*
Agriculture Hunting Forestry & Fishing	25	15	38,208	5,475	3,868	5,266	1,166.2	1,371.5
Mining & Quarrying	4	2	414	210	5,728	5,498	764.3	674.7
Food, Beverage & Tobacco	43	40	43,671	4,888	5,879	6,426	1,168.4	1,099.7
Textile, Wearing Apparels & Leather Industry	21	27	3,041	5,646	4,888	4,888	1,331.4	1,322.0
Wood & Wood Industry	4	1	87	29	8,686	-	999.0	910.0
Paper & Paper Products, Printing & Publishing	13	19	924	1,336	6,238	9,018	1,307.7	1,335.0
Chemical Petroleum Rubber & Plastic Product	28	24	1,686	1,761	7,522	10,055	1,265.0	1,576.6
Glass, Ceramic & Cement	3	6	108	710	3,509	6,021	1,103.3	1,325.0
Motor Mechanic & Engineering Products	-	-	-	-	-	-	-	-
Electronics & Electrical Products	42	46	2,665	1,901	5,580	5,335	1,139.7	1,173.0
Other Manufacturing Products	2	-	125	-	5,719	-	1,250.0	-
Electricity and Water	2	-	6,248	-	6,575	-	3,150.0	-
Building & Construction	7	2	3,719	604	4,962	8,989	958.3	3,215.0
Wholesale & Retail Trade, Restaurant & Hotels	44	28	4,022	1,075	5,661	6,357	1,480.2	1,326.0
Transport and Communication	24	35	4,283	38,098	7,732	11,005	2,159.1	2,245.8
Finance, Insurance, Real Estate & Business Se	28	25	1,538	2,726	7,806	9,043	1,981.1	2,206.1
Community & Social Services	38	46	3,019	7,127	5,895	7,043	1,410.8	1,563.9
Total/Average**	328	316	113,758	71,586	6,016	7,303	1,414.7	1,526.7

Source: Ministry of Labour and Human Resources Development

* Provisional

Consumer Prices

4.26. The overall inflation rate, estimated by the Nairobi Consumer Price Indices, increased from 3.5 per cent in 1999 to 6.2 per cent in 2000 as shown in Table 4.18. Although the rate of inflation was highest for the upper income group, the rise in inflationary pressures was more pronounced in the lower income group, which recorded an increase from 2.6 per cent in 1999 to 5.9 per cent during the year. Price indices for middle and upper income groups edged up from 6.1 per cent and 6.0 per cent in 1999 to 7.1 per cent and 7.7 per cent in 2000 respectively.

Table 4.18: Percentage changes in Nairobi Consumer Prices, 1996/95 - 2000/99

Income Group *	1996/95	1997/96	1998/97	1999/98	2000/99
Nairobi Lower Income Group.....	8.8	12.0	5.8	2.6	5.9
Nairobi Middle Income Group.....	9.8	8.4	9.3	6.1	7.1
Nairobi Upper Income Group.....	8.9	10.9	9.1	6.0	7.7
Weighted Average Increases for 12 Months (Inflation rates)**	9.0	11.2	6.6	3.5	6.2

* The Income Groups are defined as :

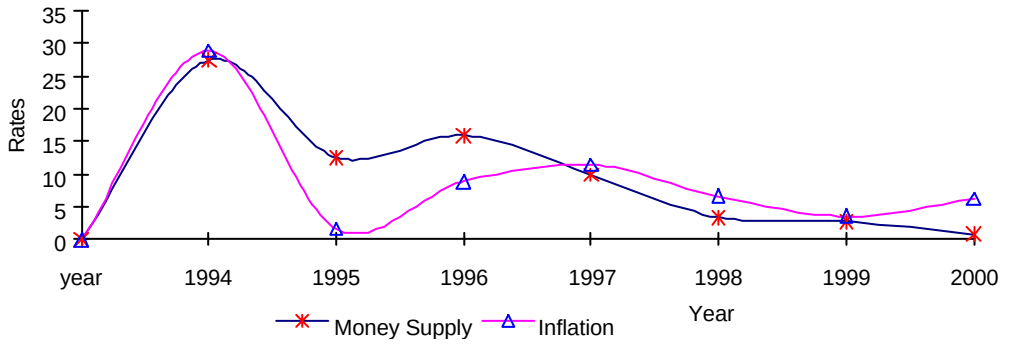
1. The lower income group comprises households with monthly earnings below KSh 2,000.
2. The middle income group comprises households with monthly earnings between KSh 2,000 - KSh 7,999.
3. The upper income group comprises households with monthly earnings of KSh 8,000 and above.

** 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.

4.27. The rise in inflation during the year under review was explained by the increases in prices of basic foodstuffs. Other factors included increase of V.A.T rate from 15 to 18 per cent, depreciation of the Kenya Shilling against US Dollar and rise in prices of petroleum products due to the increase in crude oil prices.

The first quarter of 2001 has witnessed decreases in the prices of fruits and vegetables due to the unexpected rains in January 2001. Inflation rate in the year 2001 is expected to be maintained at single digit level.

Figure 4.3: Growth in Money Supply and Inflation Rates



4.28. Tables 4.19, 4.20 and 4.21 show a six-year series of the Nairobi Consumer Price Indices for the lower, middle and upper income groups, respectively. The overall, month on month inflation was highest in January 2000 where it reached 8.7 per cent. In January, month on month inflation was 8.6 per cent, 9.3 per cent and 6.9 per cent for the lower, middle and upper income groups, respectively. The

annual average index for the lower income group rose from 618.38 in 1999 to 654.63 in 2000 representing an increase of 36.25 points, the lowest among the three income groups. The middle income group index rose by 49.11 points from 687.43 to 736.54 while the upper income group index rose by 54.21 points from 704.21 to 758.42. High price increases were recorded from August to September in all income groups as a result of power price adjustment. The most affected group was upper income where the index moved upwards from 736.73 in August to 800.24 in September, an increase of 8.6 per cent.

Table 4.19: Nairobi Lower Income Group Consumer Price Index, 1995-2000

Base: Feb/March 1986=100

Months	1995	1996	1997	1998	1999	2000
January	456.52	481.96	537.10	597.60	581.77	631.54
February	462.05	484.57	545.91	615.23	603.10	633.87
March	465.28	491.37	579.88	621.06	621.72	637.09
April	462.42	492.55	583.40	617.63	619.95	641.70
May	467.16	496.01	595.87	611.92	619.71	648.31
June	465.85	510.73	584.74	620.26	626.95	661.50
July	465.85	519.35	570.20	634.99	622.44	663.60
August	468.29	521.29	561.38	583.63	624.72	659.44
September	473.88	524.02	569.04	587.22	626.03	668.39
October	472.03	524.24	569.33	583.24	627.84	668.55
November	470.08	525.32	565.72	577.22	623.02	671.48
December	476.25	528.52	570.28	579.85	623.27	670.08
Annual average	467.14	508.33	569.40	602.49	618.38	654.63

Table 4.20: Nairobi Middle Income Group Consumer Price Index, 1995-2000

Base: Feb/March 1986=100

Months	1995	1996	1997	1998	1999	2000
January	483.04	522.37	568.21	633.05	655.32	716.03
February	485.79	523.75	572.54	637.00	661.42	711.64
March	487.92	534.75	579.20	646.86	675.55	718.31
April	490.05	538.43	586.87	648.40	677.95	719.25
May	491.83	542.22	586.78	651.41	680.30	728.04
June	499.59	549.90	590.02	659.54	684.63	736.68
July	500.13	551.97	583.60	658.48	683.92	731.88
August	502.68	553.44	594.96	648.67	689.72	740.14
September	505.63	555.85	607.34	645.90	706.80	760.65
October	507.93	559.96	609.58	645.37	709.54	754.09
November	508.50	561.01	613.50	648.96	710.40	760.30
December	513.16	566.06	620.31	650.67	713.66	761.40
Annual average	498.02	546.64	592.74	647.86	687.43	736.53

Table 4.21: Nairobi Upper Income Group Consumer Price Index, 1995-2000

Base: Feb/March 1986=100

Months	1995	1996	1997	1998	1999	2000
January	502.95	522.51	582.63	642.20	679.61	726.25
February	505.5	522.78	586.37	644.61	681.30	724.33
March	496.93	540.29	595.25	659.54	693.67	732.01
April	495.62	544.51	596.07	659.52	697.64	733.34
May	493.44	544.34	599.24	667.77	700.21	736.78
June	496.97	550.73	602.52	671.12	702.87	745.21
July	498.5	552.98	600.20	669.84	702.26	742.06
August	503.25	554.13	614.76	668.70	709.11	736.73
September	509.79	556.44	628.62	674.48	718.89	800.24
October	516.38	563.17	630.83	671.36	721.12	799.89
November	515.54	564.57	633.62	671.07	720.58	808.17
December	519.24	576.61	638.55	673.68	723.22	816.03
Annual average	504.51	549.42	609.06	664.49	704.21	758.42

4.29. Table 4.22 shows the Nairobi Consumer Price Indices for food and the other items combined for the three income groups. Food is a very important commodity for lower income households and constitutes about 44.2 per cent of the total expenditure. The food price index for the lower income group rose in the first half of the year due to the prevailing drought before dropping in the second half. During the first half the items whose prices increased were sugar, milk, fruits and vegetables. The prices of the same items went down in November/December after the short rains. Food indices for the middle and upper income groups increased modestly in the three-quarters of the year. The food index for middle income rose from 665.24 points in March to 705.51 points in September, an increase of 6.1 per cent, before falling in December to 696.73 points.

Table 4.22: Nairobi Consumer Price Indices

Base: Feb/March 1986=100

Year	Income group		Food	Others	All Groups
	LOWER INCOME	Weights	0.442	0.558	1.000
1999		March	606.86	633.49	621.72
		June	609.87	640.48	626.95
		September	604.32	643.23	626.03
		December	592.18	647.90	623.27
2000		March	597.72	668.28	637.09
		June	629.92	686.51	661.50
		September	621.09	705.85	668.39
		December	618.89	710.63	670.08
	MIDDLE INCOME	Weights	0.212	0.788	1.000
1999		March	641.95	684.59	675.55
		June	645.40	695.18	684.63
		September	666.11	717.75	706.80
		December	663.14	727.25	713.66
2000		March	665.24	732.59	718.31
		June	701.78	746.07	736.68
		September	705.51	775.49	760.65
		December	696.73	778.79	761.40
	UPPER INCOME	Weights	0.139	0.861	1.000
1999		March	652.72	700.28	693.67
		June	674.02	707.53	702.87
		September	678.31	725.44	718.89
		December	676.58	730.75	723.22
2000		March	698.32	737.45	732.01
		June	714.61	750.15	745.21
		September	695.00	817.23	800.24
		December	712.55	832.74	816.03

4.30. The Consumer Price Indices for other items rose steadily from the first quarter to the fourth quarter in all the three income groups. Inflation for 'others' is mostly influenced by fiscal and monetary policies. From December 1999 to December 2000 the inflation in the lower income group was 9.7 per cent and 7.1 per cent and 14.0 per cent for middle and upper income groups, respectively. Most of this increase was caused by the rise in price of petroleum products and electricity. The index for education also rose substantially due to increases in tuition fees both in commercial colleges and secondary schools. Drinks and tobacco also recorded high price increases.

4.31. The inflation rates prevailing in Nairobi during the year were lower than those experienced in the other three major urban centres as indicated in Table 4.23. Inflation rates of 9.7 per cent, 9.3 per cent and 8.4 per cent were recorded for Mombasa, Kisumu and Nakuru, respectively. In 1999, the comparable inflation rates were 6.3 per cent, 8.2 per cent and 4.9 per cent, respectively.

Table 4.23: Consumer Price Indices* for Mombasa,Kisumu and Nakuru, 1995-2000

Base: 1976 = 100

YEAR		Mombasa	Kisumu	Nakuru
1995	Annual Average	1,190.72	1,137.14	1,235.56
1996	Annual Average	1,286.15	1,251.49	1,360.39
1997	Annual Average	1,430.61	1,394.87	1,483.91
1998	Annual Average	1,510.84	1,465.29	1,562.92
1999	Annual Average	1,606.37	1,584.81	1,639.62
2000	March	1,668.12	1,647.99	1,700.46
	June.....	1,755.92	1,727.00	1,775.13
	September.....	1,791.20	1,766.57	1,801.14
	December.....	1,831.43	1,784.51	1,833.33
	Annual Average.....	1,761.67	1,731.52	1,777.51

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

CHAPTER 5

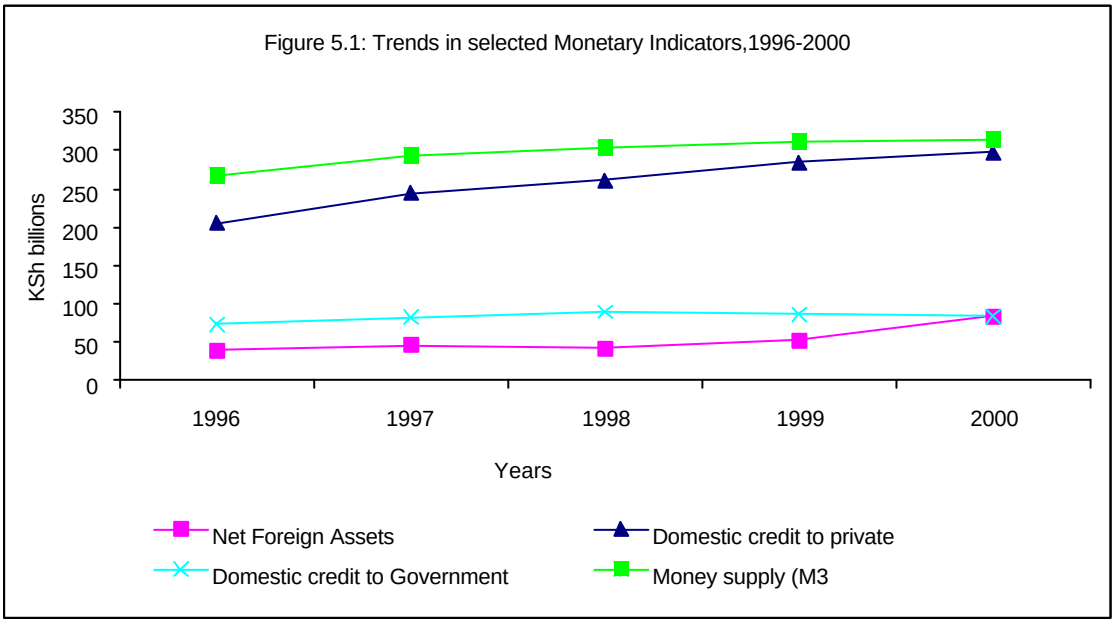
MONEY, BANKING AND FINANCE

Overall Trends

The tight monetary policy pursued by the Government over the last four years was continued in 2000 with the aim of keeping money supply within the targeted growth rate of not more than 8.0 per cent in order to maintain price stability. The growth in money supply was kept in tandem with the performance of the real sector taking into account the inflation target of less than 5.0 per cent. In implementing monetary policy, the Central Bank relied on the cash ratio, Open Market Operations (OMO) in Treasury bills and, discount and overnight lending by the Bank as the lender of last re sort. In 2000, the banking sector met the minimum liquidity and cash ratio requirements of 20.0 per cent and 10.0 per cent, respectively. The statutory cash ratio was reduced from 12.0 per cent to 10.0 per cent effective October 2000 to encourage banks to lower interest rates especially on loans.

5.2. The money supply, M3, expanded by 0.8 per cent from KSh 312,116 million in 1999 to KSh 314,686 million in 2000 (Table 5.1 and Fig 5.1). The deceleration in money supply growth was in line with the economic slowdown during the year. The Banking institutions maintained liquidity ratios above the minimum statutory requirement and averaged 44.0 per cent for the commercial banks and 46.8 per cent for the Non-Bank Financial Institutions (NBFIs). Interest rates were generally lower in 2000, which attributed to declines in Treasury bill rates. The decline in interest rates could also be attributed to the excess liquidity in the money market, as demand for credit remained subdued due to the slow economic growth and the reduction of the cash ratio requirement for banks.

Figure 5.1: Trends in selected Monetary Indicators,1996-2000



Monetary Indicators

5.3. Table 5.1 shows the key monetary indicators for the period 1996-2000. M3 increased slightly from KSh 312,116 million in 1999 to KSh 314, 686 million in 2000. The deceleration in money supply growth was mainly attributed to slacken

demand for bank credit by the private sector, which was in turn attributed to the slowdown in economic activities.

Table 5.1: Monetary Indicators, 1996 - 2000

As at end of		Net Foreign Assets KSh.mn.	Domestic Credit KSh miilion			Money** Supply(M3) KSh.mn.	Commer-cial Bank Liquidity Ratio per cent	Advances/ Deposits Ratio per cent
			Private*	Government	Total			
1996	December	39,591	205,474	73,761	279,235	267,828	42	76
1997	December	46,497	244,747	82,665	327,412	294,052	37	83
1998	December	42,501	260,562	90,067	350,629	303,750	38	83
1999	December	53,155	284,710	86,656	371,366	312,116	40	89
2000	March	59,844	285,702	92,954	378,656	309,403	44	89
	June	65,781	289,774	92,411	382,185	310,355	45	89
	September	77,040	293,139	90,002	383,142	308,604	44	90
	December	83,478	297,536	83,789	381,325	314,686	43	90

Source :Central Bank of Kenya.

* Includes other public sectors e.g parastatals, Quasi-Government institutions etc

** See Table 5.2 for Coverage.

5.4. Net Foreign Assets (NFA) accelerated from KSh 53,155 million in 1999 to KSh 83,478 million in 2000, a 57.1 per cent increase. This reflected a shift to asset portfolio in favour of deposits denominated in foreign currency holdings as a hedge against the depreciation of the shilling in 2000 and donor injections for the Poverty Reduction and Growth Facility (PRGF) in support of poverty reduction programmes. Total domestic credit expanded from KSh 371,366 million in 1999 to KSh 381,325 million in 2000, which reflects a 2.7 per cent, compared to an increase of 5.9 per cent in 1999. Credit to Central Government declined from KSh 86,656 million in 1999 to KSh 83,789 million in 2000, representing a 3.6 per cent decline following a drop of 3.8 per cent in 1999. The decline in credit was due to the commitment of the Central Government to reduce borrowing from the domestic market to finance the budget deficit. Credit to the private sector including other public sector, increased by 4.5 per cent in 2000, down from 9.3 per cent in the previous year. The deceleration in growth of credit extended by the banking system could be attributed to the depressed state of the economy. Credit to the private sector alone registered an increase of 4.4 per cent to stand at KSh 289,478 million in 2000.

5.5. The banking institutions far exceeded the minimum statutory liquidity ratio requirements of 20.0 per cent. The liquidity ratio increased from 40.0 per cent in December 1999 to a maximum of 45.0 per cent in June 2000, but decreased by two percentage points to 43.0 per cent by December 2000. Advances and deposits ratios remained steady in the first half of the year at 89.0 per cent before increasing by one percentage point in the second half of the year to close at 90.0 per cent in December 2000.

5.6. As shown in Table 5.2, money supply, M1, expanded by KSh 9,312 million in 2000, an increase of 8.5 per cent compared to 16.2 per cent increase observed in 1999. Quasi-money contracted by 3.8 per cent from KSh 185,433 million in 1999 to KSh 178,479 million in 2000 compared to a 2.3 per cent decline in the previous year. The decline in quasi-money was largely in the deposits held by the commercial banks. This decline partially counteracted the impact of the expansion of M1 in M2, resulting in marginal increase in M2 from KSh 295,513 million in 1999 to KSh 297,872 in 2000. Quasi-money with NBFIs increased by 1.3 per cent in 2000, compared to a fall of 13.7 per cent in 1999.

Table 5.2: Money and Quasi-Money Supply, 1996 - 2000

KSh Million

		Money and Quasi-Money (MS)				Broad Money Supply***		
	As at end of	Money* (M1)	Quasi-Money**	Total (M2)	Quasi-money (NBFIs)	M3	M3X	M3XT
1996	December	79,241	159,125	238,366	29,462	267,828	283,550	322,547
1997	December	91,061	186,749	277,811	16,242	294,052	317,314	370,613
1998	December	94,718	189,792	284,510	19,240	303,750	328,321	381,356
1999	December	110,081	185,433	295,513	16,603	312,116	345,037	409,938
2000	January	112,446	181,202	293,648	16,982	310,630	344,646	408,907
	February	108,621	180,898	289,519	18,514	308,033	342,918	402,510
	March	110,015	180,455	290,471	18,932	309,403	344,070	408,498
	April	114,866	181,555	296,421	19,371	315,792	352,724	410,496
	May	112,447	179,072	291,519	17,978	309,497	346,717	412,556
	June	113,361	178,646	292,008	18,347	310,355	347,728	413,937
	July	115,179	180,015	295,194	18,368	313,562	354,470	418,628
	August	116,060	178,120	294,180	18,244	312,424	352,024	417,373
	September	112,170	179,008	291,178	17,426	308,604	351,254	414,443
	October	113,992	174,982	288,974	16,743	305,717	350,443	417,422
	November	115,750	176,017	291,767	16,841	308,608	355,862	421,495
	December	119,393	178,479	297,872	16,814	314,686	359,647	424,427

Source: Central Bank of Kenya.

* Currency outside banks plus all demand deposits except those of Central Government, Local Government, Commercial Banks,Non Residents and foreign currency denominated deposits

** All other deposits except those of Central Government,Local Government, Commercial Banks, Non Residents and foreign currency denominated deposits.

*** See Table 5.3 for details

Consolidated Accounts of the Banking Systems

5.7. Table 5.3 summarizes the Consolidated Accounts of the Banking System during the period 1996-2000. Assets and Liabilities of the banking sector grew by 9.5 per cent to KSh 464,803 million in 2000 up from KSh 424,521 million in 1999. Broad money supply, M3X, which comprises M3 and foreign currency deposits holdings by residents with the commercial banks and NBFIs, recorded a growth of 4.2 per cent over 1999. Broad money, M3XT, which comprises M3X and government securities holdings of non-bank public, recorded a growth of 3.5 per cent, compared to 7.5 per cent increase in 1999. The slowdown in the growth of M3XT reflected the gradual stagnation and eventual decline in economic growth in 2000.

5.8. Foreign currency deposits grew from KSh 32,921 million in 1999 to KSh 44,961 million in 2000, an increase of 36.6 per cent compared to 34.0 per cent recorded in 1999. The Treasury bill holdings, which increased by 23.6 per cent in 1999, decreased by less than one per cent to close at KSh 64,780 million in 2000. This was a reflection of the Government's efforts to operate within its budget, thus restricting its borrowing from the domestic market.

Table 5.3: Consolidated Accounts of the Banking System, 1996 - 2000

KSh Million

	AS AT THE END OF							
					2000			
	1996	1997	1998	1999	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
LIABILITIES-								
1 Money (M1):								
1.1 Demand Deposits	48,851	54,883	56,005	67,117	71,658	74,902	73,953	75,927
1.2 Currency outside banks	30,390	36,178	38,713	42,963	38,358	38,459	38,217	43,466
Sub-Total	79,241	91,061	94,718	110,081	110,015	113,361	112,170	119,393
2. Quasi-Money(MS):								
2.1Call + 7 days Notice Deposits..	15,519	18,455	18,453	19,581	16,179	17,892	16,329	18,456
2.2 Savings Deposits	51,892	57,815	65,866	69,344	68,002	68,947	69,943	68,314
2.3 Time Deposits	91,713	110,479	105,474	96,508	96,274	91,807	92,736	91,710
Sub-Total	159,125	186,749	189,792	185,433	180,455	178,646	179,008	178,479
Money Supply(M2)	238,366	277,811	284,510	295,513	290,471	292,008	291,178	297,872
3 Quasi-Money (NBFIs)	35,223	20,084	22,002	19,428	20,843	20,140	19,097	18,562
Adjustments for Cross Bal.	-5,760	-3,843	-2,763	-2,825	-1,911	-1,793	-1,672	-1,748
Broad Money Supply(M3)	267,828	294,052	303,750	312,116	309,403	310,355	308,604	314,686
4 Foreign Currency Deposits	15,721	23,262	24,571	32,921	34,667	37,373	42,650	44,961
Broad Money Supply(M3X)	283,550	317,314	328,321	345,037	344,070	347,728	351,254	359,647
5 Treasury Bill Holdings	38,998	53,299	53,035	64,901	64,428	66,209	63,188	64,780
Broad Money Supply(M3XT)	322,547	370,613	381,356	409,938	408,498	413,937	414,443	424,427
6 Other Items (Net)	35,276	56,595	64,816	79,484	94,430	100,238	108,927	105,156
TOTAL	318,826	373,909	393,137	424,521	438,500	447,966	460,182	464,803
ASSETS-								
7 Net Foreign Assets	39,591	46,497	42,508	53,155	59,844	65,781	77,040	83,478
8 Domestic Credit:								
8.1 Central Govt. (Net).. ..	73,761	82,665	90,067	86,656	92,954	92,411	90,002	83,789
8.2 Other Public Bodies ..	5,355	7,872	6,261	7,304	6,396	7,041	8,397	8,058
8.3 Private Sector	200,118	236,875	254,302	277,407	279,307	282,732	284,742	289,478
	279,234	327,413	350,629	371,366	378,656	382,185	383,142	381,325
TOTAL	318,826	373,909	393,137	424,521	438,500	447,966	460,182	464,803

Source:Central Bank of Kenya.

Notes:

(a) Broad Money (M3) is money supplied by the Central Bank, Commercial Banks and NBFIs.
The items include currency outside banking institutions, deposits held by non-banking institutions with Central Bank, all deposits as well as certificates of deposits held by the private and other public sectors with banking institutions.
Excluded are Central Government, Local Government and Non-residents deposits with banking institutions.

(b) Broad Money (M3X) comprises M3 and foreign currency holdings by residents.

(c) Broad Money (M3XT) comprises M3X and Treasury Bill holdings by the non-bank public.

(d) Other Items Net Includes SDR allocated by IMF.

(e) Net Foreign Assets includes Government reserve position in the IMF and deposits with crown agents.

(f) Treasury Bill holdings by the non-bank public is not included in total liabilities of the banking sytem.

5.9. Currency outside banks declined and remained relatively stable during the first three quarters of 2000. The trend reversed in the last quarter of the year to increase by KSh 503 million. The increase represents a 1.2 per cent growth in 2000, compared to an increase of 11.0 per cent in 1999. M3 increased by 2.8 and 0.8 per cent in 1999 and 2000 respectively. The increase in M3 was largely in the M1 component, as the quasi-money deposits held with the commercial banks and NBFIs fell. This is reflected in the marginal growth of domestic credit, which grew by 2.7 per cent compared to 5.9 per cent in 1999. Net Foreign Assets (NFA) grew to KSh 83,478 million, representing an increase of 57.1 per cent in 2000 compared to 25.1 per cent increase recorded in 1999. Net Domestic Credit to Central Government rose to KSh 92,954 million in the first quarter and decreased gradually thereafter to KSh 83,789 million in December 2000. Credit to private sector and other public

bodies grew by 4.4 and 10.3 per cent respectively. The share of the public sector in credit extended to the economy by the banking system was 24.1 per cent in 2000 compared with 25.3 per cent in 1999.

Sources of Changes in Money Supply and Financial Aggregates Real Values

5.10. Table 5.4 gives details of changes in money supply and their sources for the last five years. Currency plus demand deposits increased by KSh 9,312 million or 8.5 per cent in 2000. This was as a result of an increase of 1.2 per cent in currency in circulation and 13.1 per cent in demand deposits. Quasi-money (MS) contracted for the second year running by KSh 6,954 million while quasi-money (NBFIs) expanded by KSh 212 million over the same period. Money Supply (M3X) increased by KSh 14,610 million, which was mainly in the foreign currency denominated deposits that rose by KSh 12,039 million. These expansions in money supply were as a result of increases in net foreign assets and domestic credit to private sector including other public sectors.

Table 5.4: Changes in Money Supply and Sources of Changes, 1996 - 2000

KSh Million

	1996	1997	1998	1999	2000
MONEY SUPPLY---					
1. Currency plus demand deposits	6,065	11,820	3,657	15,363	9,312
2. Quasi-money(MS)	39,717	27,625	3,043	-4,360	-6,954
3. Quasi-money(NBFIs)	-9,040	-13,221	2,998	-2,597	212
4. Foreign Currency Deposits	2,053	7,540	1,309	8,350	12,039
5 Money supply (M3X)	38,795	33,764	11,007	16,756	14,610
SOURCES OF CHANGES---					
6. Net foreign assets	16,589	6,905	3,989	10,647	30,309
7 Domestic credit ---					
(a) to Central Government(net)	-3,661	8,904	7,402	-3,411	-2,867
(b) to other public sector	326	2,518	-1,612	1,043	754
(c) to private sector	33,838	36,757	17,427	23,105	12,075
(d) all domestic credit	30,503	48,178	23,217	20,737	9,962
8 Other Items (Net)	-8,296	-21,319	-8,221	-14,628	-25,661
9 Total sources of changes	38,795	33,764	11,007	46,012	14,610

* Comparing year-end values

5.11. Financial aggregates expressed in real terms 1986 constant prices are presented in Table 5.5. M3 and M3XT decreased in real terms by 5.1 per cent and 2.6 per cent in 2000 respectively. Total commercial banks' credit, which recorded an increase of 4.7 per cent in 1999, decreased by 2.4 per cent in 2000. The total liabilities of the banking system recorded an increase of 3.0 per cent in 2000 compared to an increase of 4.1 per cent in 1999. The total liabilities of the NBFIs' increased by 3.7 per cent in 2000 compared with 17.5 per cent decline in 1999. In real terms, the ratio of commercial banks deposits to the total liabilities of the banking system decreased by 7.0 percentage points in 2000 while that of NBFIs' liabilities remained constant.

Table 5.5: Trends in the Real Value of certain Financial Aggregates*,1996 - 2000 at constant (1986) prices

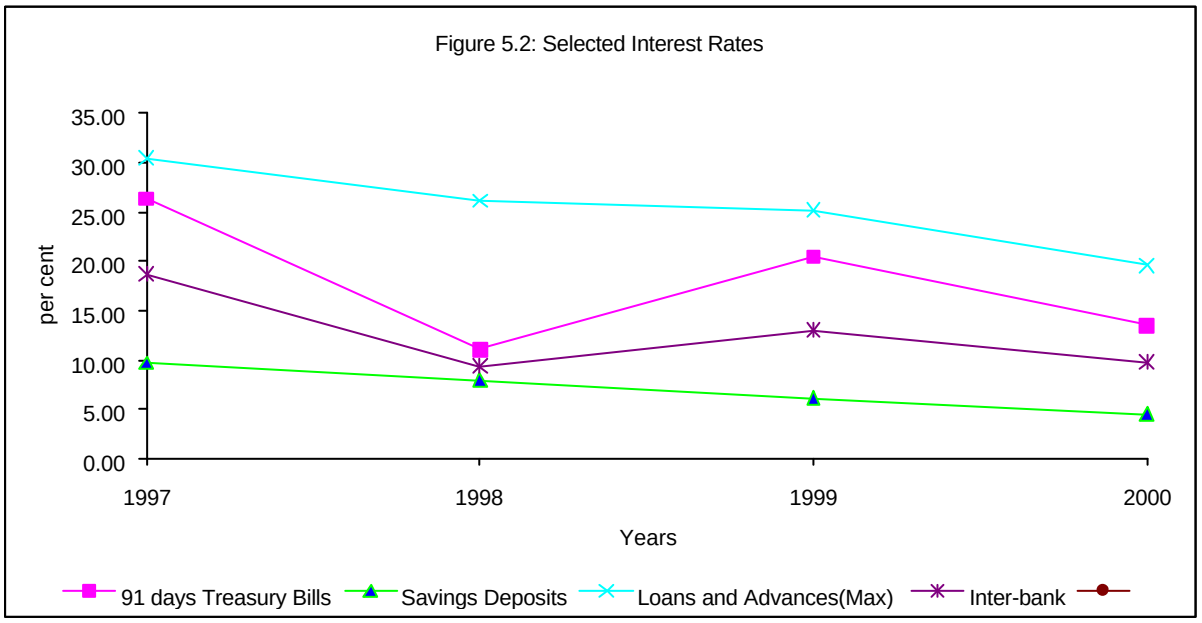
KSh Million

		1996	1997	1998	1999	2000
1	Money Supply(M3)....	51,776	51,122	49,520	49,169	46,677
2	Money Supply(M3XT)....	63,210	62,646	62,023	64,654	62,958
3	Commercial bank credit to private sector	30,042	32,494	36,418	33,912	33,353
4	Total commercial bank credit	31,404	35,338	39,074	40,922	39,946
5	Commercial Banks' Deposit Liabilities	40,146	43,944	42,054	46,554	43,748
6	Total liabilities of banking system .. .	61,636	65,006	63,939	66,958	68,947
7	NBFIs credit to private sector	7,170	4,824	4,700	3,756	3,716
8	Total NBFIs Credit	7,814	5,463	5,057	4,237	3,964
9	Total liabilities of non-bank financial institutions(NBFIs)	11,152	6,749	6,918	5,704	5,914
Memorandum Items:						
10	Line 5 as per cent of line 6 ..	65	68	66	70	63
11	Line 9 as per cent of line 6 ..	18	10	11	9	9

* Deflated by average Consumer Price Indices.

Interest Rates

5.12. In general, the principal interest rates declined in 2000 as compared to 1999 as shown in Table 5.6 and Fig 5.2. The average interest rate for the 91-day Treasury bill eased to 9.52 per cent in July 2000. The interest rates subsequently edged upwards to settle at 13.47 per cent in December 2000. Similarly, interest rates on advances against the Treasury bills and, discounts and advances against Bills and Notes under Crop Finance Scheme decreased from 26.47 per cent in 1999 to 16.01 per cent in June 2000, but then rose gradually to stand at 19.47 per cent in December 2000.



5.13. Interest rates paid by Commercial Banks on deposit declined for the second consecutive year in 2000. The interest earned on savings deposits with commercial banks dropped from 6.15 per cent in 1999 to 4.89 per cent in June 2000 before dropping further to 4.51 per cent in December 2000. Interest rates by Kenya Post Office Savings Bank (POSB) on deposits and Agricultural Finance Corporation (AFC) on loans maintained the 1999 levels. Hire purchase companies and merchant banks' rates on time deposits dropped to between 5.45 and 8.73 per cent in June 2000 but

increased to close at a range of between 6.01 and 10.36 per cent in December 2000 whereas the Interest rates charged on loans dropped from 25.51 per cent in 1999 to 22.42 per cent in 2000. The interest received from Building Societies on deposits widened from the range of 5.94 - 10.00 per cent in 1999 to a range of 5.63 - 11.50 per cent in 2000. The interest charged on loans by the Building Societies decreased from 21.47 per cent in 1999 to 19.90 per cent in 2000.

Table 5.6: Principal Interest Rates, 1997 - 2000

Percentage

				2000	
	1997	1998	1999	June	December
CENTRAL BANK OF KENYA					
Average Interest Rate for 91 day Treasury Bills	26.36	11.07	20.47	10.01	13.47
Advances against Treasury Bills	31.36	17.07	26.47	16.01	19.47
Bills and Notes under Crop Finance Scheme:					
Discounts	31.36	17.07	26.47	16.01	19.47
Advances	31.36	17.07	26.47	16.01	19.47
Other Bills and Notes:					
Discounts	31.36	17.07	26.47	16.01	19.47
Advances	31.36	17.07	26.47	16.01	19.47
Treasury Bonds (Coupon Rates):					
One Year	15.00	15.00	..	..	..
Two Years	15.50	15.50	..	..	..
Five Years	16.00	16.00	..	..	..
COMMERCIAL BANKS					
Time Deposits:*					
0-3 Months	20.23	14.83	12.26	7.82	7.51
3-6 Months	18.49	14.90	10.27	7.53	6.29
6-9 Months	16.75	13.39	8.63	7.54	6.65
9-12 Months	15.93	13.95	9.25	6.88	5.91
over 12 Months	15.14	14.05	10.92	8.11	6.89
Savings Deposits	9.73	7.96	6.15	4.89	4.51
Loans and Advances(Maximum)**	30.43	26.16	25.19	23.11	19.60
Inter-bank Rate	18.70	9.38	13.04	6.73	9.79
Overdraft	30.40	26.66	25.58	22.86	19.73
OTHER FINANCIAL INSTITUTIONS					
Kenya Post Office Savings Bank deposits	6.00	6.00	5.00	5.00	5.00
Agricultural Finance Corporations, Loans:					
(a) Land Purchase	20.00	20.00	20.00	20.00	20.00
(b) Seasonal Crop Loan	20.00	20.00	20.00	20.00	20.00
(c) Other	20.00	20.00	20.00	20.00	20.00
HIRE-PURCHASE COMPANIES AND MERCHANT BANKS					
Deposits(time)	9.00-24.00	7.76-12.43	6.0-15.25	5.45-8.73	6.01-10.36
Loans	33.70	28.55	25.51	25.69	22.42
Building Societies:					
Deposits	6.2-19.14	5.94-19.84	5.94-12.00	5.94-10.00	5.63-11.50
Loans	25.00	24.90	21.47	22.47	19.90

Source: Central Bank of Kenya.

* For all commercial banks consolidated

** Loans and advances for less than 3 years.

5.14. As shown in Table 5.7, real interest rates were consistently low in 2000 compared to 1999. The negative rates were attributed to the increase in the inflation rate that stood at 6.2 per cent in 2000 compared to 3.5 per cent recorded in 1999. In real terms, average interest rate charged on the 91-day Treasury bills dropped by 9.7 percentage points to close at 7.3 per cent in 2000, while advances against the Treasury bills decreased by 9.7 percentage points to 13.3 per cent in 2000.

Table 5.7: Trends in selected Real Interest Rates, 1997 - 2000

Percentage

		Year	Nominal Interest	Inflation Rate*	Real Interest**
1	Average Interest Rate for 91-day/Treasury Bills	1997	26.4	11.2	15.2
		1998	11.1	6.6	4.5
		1999	20.5	3.5	17.0
		2000	13.5	6.2	7.3
2	Advances against Treasury Bills				
		1997	31.4	11.2	20.2
		1998	17.1	6.6	10.5
		1999	26.5	3.5	23.0
		2000	19.5	6.2	13.3
3	Commercial bank savings deposits (ave) .. .				
		1997	9.7	11.2	-1.5
		1998	8.0	6.6	1.4
		1999	6.2	3.5	2.7
		2000	4.5	6.2	-1.7
4	Commercial bank loans and advances (max)				
		1997	30.4	11.2	19.2
		1998	27.1	6.6	20.5
		1999	25.2	3.5	21.7
		2000	19.6	6.2	13.4
5	Inter-Bank Rate				
		1997	18.7	11.2	7.5
		1998	9.4	6.6	2.8
		1999	13.0	3.5	9.5
		2000	9.8	6.2	3.6
6	POSB deposits***				
		1997	6.0	11.2	-5.2
		1998	6.0	6.6	-0.6
		1999	5.0	3.5	1.5
		2000	5.0	6.2	-1.2
7	Building society loans (max)				
		1997	25.0	11.2	13.8
		1998	24.9	6.6	18.3
		1999	21.5	3.5	18.0
		2000	19.9	6.2	13.7

* Taken from Table 4.18.

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

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

5.15. The real average interest rates offered by the commercial banks on savings deposit was negative 1.7 per cent while the real average interest rates charged by the same institutions on loans and advances dropped to 13.4 per cent in 2000 from 21.7 per cent in the previous year. The negative real interest rates on deposits are a disincentive to savings by the general public and which partly explains the low deposits experienced during the period. The real interest rates earned on deposits held with POSB declined from 1.5 per cent in 1999 to negative 1.2 per cent in 2000. Real interest rates charged by the building societies on loans dropped by 4.3 percentage points to stand at 13.7 per cent at the end of the year.

Central Bank Assets and Liabilities

5.16. Table 5.8 summarises Central Bank's assets and liabilities for the period 1996-2000. The assets and liabilities increased in the first and second quarter but dropped in the third quarter before increasing again in the last quarter to peak at KSh 141,055 million in December 2000. This represented a growth rate of 11.8 per cent compared to a marginal increase of 1.0 per cent recorded in 1999. Total foreign exchange increased steadily over the period to peak at KSh 69,934 million in December 2000 representing an increase of 23.7 per cent. Advances and discounts to banks more than quadrupled to close at KSh 4,884 million in 2000. Direct

advances and overdraft to Kenya Government increased in the first two quarters but declined to close at KSh 8,595 million. On the liabilities side, capital and general resources fund remained constant for the first half of the year at KSh 4,877 million but increased in the third quarter to KSh 5,341 million and it maintained the position in the fourth quarter of 2000. The total currency in circulation remained below the 1999 level up to the third quarter but recorded a sharp increase in the fourth quarter. Total deposits increased by 8.8 per cent compared to 0.6 per cent drop in the previous period. The acceleration in deposits may be attributed to a 40.0 per cent increase in the deposits of Kenya Government. The increase in Foreign Assets was attributed to donor inflows for the Poverty Reduction and Growth Facility (PRGF).

Table 5.8: Central Bank of Kenya Assets and Liabilities 1996 - 2000

KSh million

ASSETS	1996	1997	1998	1999	2000			
					1st Qr	2nd Qr	3rd Qr	4th Qr
1. Foreign Exchange:-								
1.1 Balances with External Banks	45,024	41,650	45,702	55,971	59,179	61,421	66,593	69,162
1.2 Treasury Bills ..	62	35	-	64	42	96	-	-
1.3 Other Investments ..	1,141	1,708	251	338	508	708	769	750
1.4 Special Drawing Rights	42	44	36	177	42	65	22	22
TOTAL	46,269	43,437	45,989	56,550	59,771	62,290	67,384	69,934
2. Advances & Disc. to Banks ..	9,056	9,124	1,140	904	904	3,272	3,583	4,884
3. Direct Advances & Overdraft to Kenya Government	29,993	5,367	6,609	6,664	7,116	12,547	6,102	8,595
4. Other Assets including Kenya Treasury Bills & Bonds	31,290	72,222	71,240	62,110	58,647	54,489	47,242	57,642
TOTAL ASSETS	116,608	130,150	124,978	126,228	126,438	132,598	124,311	141,055
LIABILITIES :								
1. Capital and General Resources Fund	1,672	2,264	3,837	4,877	4,877	4,877	5,341	5,341
2. Currency in Circulation-								
2.1 Notes	35,522	42,171	43,358	48,347	40,976	40,918	40,938	49,692
2.2 Coins	816	1,001	1,128	1,810	1,872	1,932	1,926	2,222
TOTAL CURRENCY	36,338	43,172	44,486	50,157	42,848	42,850	42,864	51,914
3 DEPOSITS								
3.1 Kenya Government	-	11,698	17,172	18,922	26,655	30,032	26,309	26,526
3.2 Kenya Banks *	36,732	31,220	29,349	27,790	28,203	31,863	25,846	25,075
3.3 External Banks	20,287	15,597	12,882	11,292	11,083	10,317	11,210	12,151
3.4 Other	9,851	10,238	10,440	11,400	10,739	10,900	9,935	11,773
TOTAL	66,870	68,753	69,843	69,404	76,680	83,112	73,300	75,525
4. Other Liabilities	11,728	15,961	6,812	1,790	2,033	1,759	2,806	8,275
TOTAL LIABILITIES	116,608	130,150	124,978	126,228	126,438	132,598	124,311	141,055

Source: Central Bank of Kenya

*- deposits from commercial banks excluding non-bank financial institutions (NBFIs)

Commercial Banks - Credit and Liquidity

5.17. Table 5.9 shows bills, loans and advances disbursed to the economy by the commercial banks during the period 1996-2000. Credit to private and other sectors expanded by KSh 9,531 million or 4.3 per cent compared to the growth of 11.3 per cent recorded in 1999. The deceleration in demand for bank credit was partially attributable to the slowdown in the economy. Credit to the public sector increased by KSh 285 million or 2.8 per cent as compared to a 0.3 per cent drop in 1999. Credit to private enterprises increased by 5.0 per cent from KSh 214,211 million in

1999 to KSh 224,846 million in 2000. During the year under review the share of the total credit to the public sector stood at 3.9 per cent in 2000 compared to 3.9 per cent and 4.4 per cent in 1999 and 1998 respectively. The share of credit to the private sector stood at 83.5 per cent (Fig.5.3). Manufacturing, Trade and Agriculture received larger shares of total credit compared to other private enterprises. However, Agriculture, Manufacturing and Trade sectors' share in total credit declined to stand at 9.1 per cent, 22.1 per cent and 15.4 per cent respectively in the year under review compared to 10.9 per cent, 25.6 per cent and 18.4 per cent respectively in 1999 (Fig.5.4).

Table 5.9: Commercial Banks - Bills, Loans and Advances*, 1996 - 2000

KSh Million

	1996 Dec.	1997 Dec.	1998 Dec.	1999 Dec.	2000 Dec.
PUBLIC SECTOR:					
Central Government	1,454	2,177	2,779	2,900	2,432
Local Government	357	572	595	895	1,143
Enterprises, Parastatal bodies and other Public entities	5,237	7,572	6,907	6,455	6,959
TOTAL PUBLIC SECTOR	7,048	10,322	10,281	10,249	10,534
PRIVATE ENTERPRISES:					
Agriculture	14,730	17,919	21,933	23,426	24,399
Mining and Quarrying	1,584	2,419	2,617	2,975	2,838
Manufacturing	38,380	42,935	49,635	54,936	59,426
Building and Construction	8,469	11,508	14,962	18,363	16,850
Transport, Storage and Communication ..	7,320	10,972	10,309	9,723	9,608
Trade	25,918	32,865	36,752	39,413	41,471
Financial Institutions	3,157	5,165	6,472	6,876	5,324
Other Business	47,675	63,108	63,959	58,498	64,930
TOTAL PRIVATE ENTERPRISES	147,233	186,891	206,638	214,211	224,846
COMMUNITY AND PERSONAL SERVICES (including non-profit making institutions) .	5,212	6,038	6,178	7,088	8,103
OTHER ACTIVITIES (nes)	..	..	10,281	28,214	25,810
TOTAL BILLS, LOANS AND ADVANCES	159,493	203,250	233,377	259,762	269,293

Source: Central Bank of Kenya.

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

Figure 5.3: Share of Credit Disbursed to each Sector of the Economy in 2000

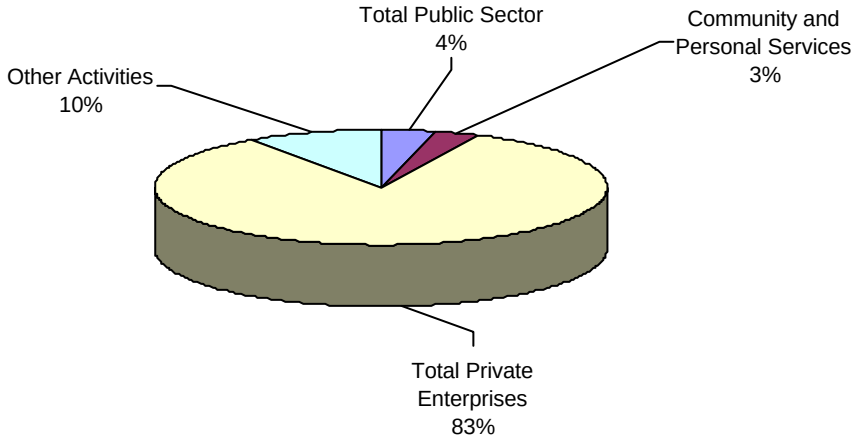
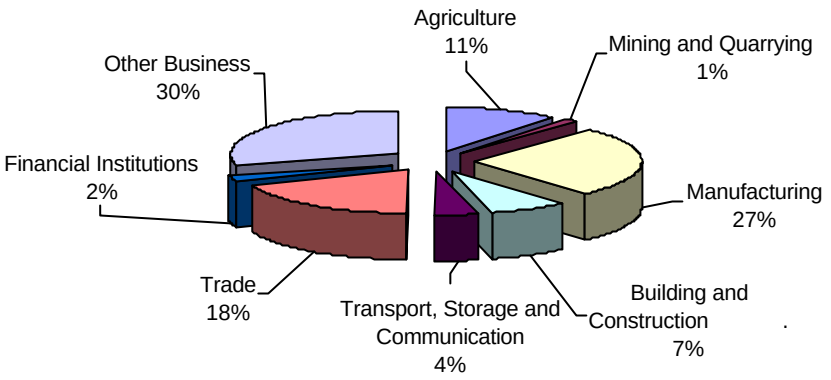


Figure 5.4: Share of Credit extended to the Private Sector by Commercial Banks in 2000.



5.18. Table 5.10 shows deposit liabilities and liquid assets of the commercial banks. Deposit liabilities increased from KSh 279,450 million in 1999 to KSh 294,924 million in 2000, an increase of 5.5 per cent, while liquid assets grew by 13.0 per cent. The liquidity ratio (ratio of deposit liabilities to liquid assets) remained relatively stable and averaged 44.0 per cent, which was above the statutory minimum requirement of 20.0 per cent.

Table 5.10: Commercial Banks - Deposit Liabilities and Liquid Assets*, 1996 - 2000

		Deposit Liabilities KShs.million	Liquid Assets** KShs.million	Current Liquidity Ratio*** per cent
1996	December	207,669	86,213	42
1997	December	252,759	94,161	37
1998	December	257,954	99,113	38
1999	December	279,450	111,245	40
2000 -				
	January	281,396	117,904	42
	February	279,472	120,730	43
	March	279,792	122,473	44
	April	285,601	128,978	45
	May	283,586	126,741	45
	June	285,779	128,509	45
	July	285,518	129,794	45
	August	283,074	127,744	45
	September	288,999	128,535	44
	October	290,994	127,840	44
	November	291,421	125,396	43
	December	294,924	125,721	43

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.

Non-Bank Financial Institutions (NBFIs)

5.19. As shown in Table 5.11, assets and liabilities of the NBFIs remained stable in year 2000 and registered a growth of 3.5 per cent compared to a decline of 15.0 per cent recorded in 1999. Deposits from the Central and Local Government decreased from KSh 801 million in 1999 to KSh 785 million in 2000 while deposits from other public sectors decreased by 20.2 per cent in 2000 compared to 17.6 per cent decline in the previous year. Deposits from other depositors increased marginally while other liabilities increased by 12.9 per cent. In the case of assets, cash held in banks declined by 9.5 per cent from KSh 4,920 million in 1999 to KSh 4,453 million in 2000. Total Investment, Bills, Loans and Advances increased by 6.3 per cent while loans and advances to public and private sectors increased by 27.0 and 6.1 per cent respectively.

Table 5.11: Assets and Liabilities of Non-Bank Financial Institutions, 1996 - 2000

KSh Million

	AS AT THE END OF							
					2000			
	1996	1997	1998	1999	1st Qr	2nd Qr	3rd Qr	4th Qr
LIABILITIES:								
Deposits-								
Central & Local Government..	562	767	710	801	771	896	861	785
Other Public Sector ..	5,135	4,475	4,635	3,821	3,434	3,251	3,288	3,049
Other Depositors ..	32,611	16,426	18,025	15,906	17,715	17,396	16,147	15,995
Other Liabilities	19,379	18,257	19,170	15,635	16,015	16,470	16,911	17,648
TOTAL LIABILITIES	57,687	39,925	42,539	36,162	37,935	38,012	37,207	37,478
ASSETS:								
Cash and Banks	11,938	5,149	6,899	4,920	6,454	5,153	4,144	4,453
Other Financial Institutions ..	1,127	52	157	286	251	370	220	50
Associated Companies ..	236	192	1,904	1,426	1,938	1,598	1,663	1,597
Investments, Bills,								
Loans & Advances:-								
Public Sector	3,332	4,568	2,270	2,387	1,768	2,739	3,338	3,032
Private Sector	37,091	27,753	28,826	24,478	24,956	25,657	25,400	25,965
Other Assets	3,964	2,211	2,483	2,665	2,568	2,495	2442	2,381
TOTAL ASSETS ..	57,687	39,925	42,539	36,162	37,935	38,012	37,207	37,478

Source: Central Bank of Kenya

Developments in the Banking Sector

5.20. The banking sector remained relatively stable in 2000 despite the apprehension that gripped the banking fraternity at the turn of the century due to the anticipated millennium bug problems. During the period, two previously closed banks reopened and one commercial bank and a non-bank financial institution, which were under statutory management, were placed under liquidation. At the close of the year, there were 50 commercial banks down from 51 in 1999. The number of Non-Bank Financial Institutions (NBFIs) fell from 11 in 1999 to 7 in 2000 while mortgage finance companies and building societies remained at 2 and 4 respectively. The number of foreign exchange bureaux reduced from 48 in 1999 to 47 in 2000.

5.21. The banking sector continued to grapple with the problem of non-performing loans, which at end of December 2000 constituted 39.27 per cent of the total loan portfolio. In order to handle the situation, the banks made significant provisions for bad and doubtful debts, an action that had negative effects on their profits and the declared end of year results. The commercial banking market was dominated by the eight major banks, which had a market share of 70.8 per cent at the end of December 2000. On capital and reserves, the capital to risk-weighted

assets ratio stood at 18.1 per cent in December 2000, well above the minimum legal requirement of 8.0 per cent.

5.22. The Central Bank of Kenya (CBK) in July 2000 issued a guideline on enforcement of banking laws and prudential regulations. It outlined actions to be taken for violations noted during on-site inspections and off-site surveillance. The foreign exchange regulation was strengthened by setting it at 20.0 per cent of core capital of institutions as well as redefining forex exposure to take into account 'off-balance sheet items' denominated in foreign currency.

Capital Market Developments

5.23. The Capital Markets Authority (CMA) played a key role in spearheading reforms in the Capital Markets in the East Africa region aimed at boosting the investor confidence. Guided by its theme for the year "Building an efficient capital market for all by consolidating our critical pillars", the CMA embarked on a fundamental reorganization of Kenya's Stock Market into independent market segments. Through its reform strategy paper in May 2000, the CMA segmented the Capital Market into four independent segments namely:

- Main Investments Market Segment (MIMS).
- Alternative Investments Market Segment (AIMS).
- Fixed Incomes Securities Market Segment (FISMS).
- Futures and Options Market Segments (FOMS)

The first three market segments are already operational while the last one will be implemented at a later stage.

5.24. The Nairobi Stock Exchange (NSE) was the only securities exchange in operation in the country during the period. Other participants in the capital market included 18 stock brokerage firms, 1 dealer, 22 investment advisors/fund managers, and 5 authorised depositories. Activity at the Nairobi Stock Exchange was depressed during the year in terms of share prices and foreign capital inflows. This was due to low corporate earnings as a result of the economic down turn experienced in the last couple of years. The cumulative volume of shares traded decreased from KSh 157.5 million in 1999 to KSh 141.6 million in 2000, a 10.0 per cent decline. The NSE 20 share index stood at 1913 points in 2000 down from 2303 in 1999, representing a decline of 390 points or 17.0 per cent.

5.25. The bond market that has been dominated by Government (Treasury) bonds witnessed an introduction of 20 new bonds valued at KSh 3,790 million and raised KSh 2,780 million. Corporate bonds in the capital market increased by two issues from East African Development Bank and Shelter Afrique. Use of Commercial Papers (CP), which have been gaining popularity as an alternative source of working capital financing, registered further recognition when CPs worth KSh 600 million were issued and existing CPs worth KSh 7,600 million were renewed.

Insurance sector Developments

5.26. During the year 2000 the number of licensed insurers stood at 38, with 2 re-insurers. One insurer was placed under the statutory management while one new entrant was registered. The number of insurance brokers dropped from 167 to 150, loss assessors increased from 179 to 197 and the number of agents increased to

1,061 from 779 in 1999. Other insurance service providers included 7 risk managers, 1 claims settling agent, 28 surveyors and 19 loss adjusters.

5.27. During the Budget Speech for the financial year 2000/2001, the Minister for Finance proposed amendments to the Insurance Act to raise the paid up share capital for brokers from KSh 500,000 to KSh 1,000,000, that for general business insurance to KSh 100 million and for life business to KSh 50 million. Existing companies were given three years to comply with the changes. To save costs of providing guarantees by brokers, it was proposed that the Commissioner of Insurance should accept long-term government securities as an alternative to bank guarantees. To prevent unnecessary risks to insuring public, the insurance agents will be required to pay the policy premiums to the insurers before commencement of the cover. In order to enhance proficiency in the insurance industry, investigators, like agents will be required to pass an examination in insurance law and practice. The finance bill 2000 proposed slight amendments to section 96, section 101, section 106 and section 112 of the Insurance Act.

5.28. The year 2000 was eventful for the insurance industry as insurance premiums were doubled for the *matatu* (public service vehicles) industry, which led to a conflict between Public Service Vehicle owners and the insurance companies. The increase in insurance premiums was attributed to huge losses due to increased claims from this class of business and holding of premium incomes, which caused cash flow problems for the companies.

5.29. The insurance industry has come to terms with the need for education and training. This is clear in the change noticed as more companies employ university graduates who have attained professional qualifications in insurance. The training requirement for Certificate of Proficiency (COP) for registration agents has gone a long way in enhancing professionalism in the industry. By end of 2000, the number of agents trained for COP at the Insurance College was over 1500.

CHAPTER 6

PUBLIC FINANCE

Overview

The budget for the 2000/2001 financial year was the first to be prepared under the Medium Term Expenditure Framework (MTEF), The MTEF is a new approach to planning and budgeting. It defines a three-year rolling macroeconomic framework that outlines the overall resource envelop and forms the basis of setting national priorities and expenditure prioritisation. The Government is also committed to the reduction of the share of government expenditure to the GDP ratio while at the same time ensuring expenditure is targeted to national development and reduction of domestic debt.

6.2. To improve the efficiency in tax collection, the Kenya Revenue Authority (KRA) launched a medium term corporate strategy. Through this strategy KRA mounted sensitisation and education campaigns aimed improving tax payers compliance. The Government also dedicated funds to the core poverty programmes, with social sectors, that is, education, health, water and sanitation being the main beneficiaries. In the year 2000, the country faced a serious drought, with major impacts on agricultural sector output, water and hydro-electricity power supply. To combat the adverse effects of the drought, more funds were allocated to cover drought preparedness, intervention and recovery operations.

Budget –out turn

6.4. The overall budget out-turn for the last five financial years are shown in Table 6.1. Current revenue is expected to increase by 37.0 per cent between 1996/97 and 2000/2001 from KSh 145,503.6 million to KSh 199,287.0 million. Current expenditure is expected to grow by 57.5 per cent from KSh 138,534.8 million to KSh 218,181.4 million over the same period. The internal public debt redemption, which has been on a declining trend since 1997/98, is expected to double in 2000/2001. The external debt is expected to maintain an upward trend observed in the previous years with a growth of 20.9 per cent between 1999/2000 and 2000/2001. Both current expenditure and capital expenditure recorded significant growths of 42.1 per cent and 52.8 per cent, respectively. The rise in expenditure was partly due to allocation of more funds famine relief, and roads rehabilitation programmes.

Table 6.1: Central Government out-turn of revenue and expenditure*, 1996/97 - 2000/01

Ksh Million

	1996/97	1997/98	1998/99**	1999/2000**	2000/2001+	Percentage Increases 1996/97 to 2000/2001
Current Revenue	145,503.6	166,104.0	179,717.0	177,785.6	199,287.0	37.0
Current Expenditure***	138,534.8	166,691.8	164,996.0	153,593.5	218,181.4	57.5
Current Surplus	6,968.8	-587.8	14,721.0	24,192.0	-18,894.4	-371.1
Capital Revenue	1,580.2	1,041.8	489.2	2,755.6	1,050.7	-33.5
Capital Expenditure***	15,647.8	13,558.9	12,307.4	18,100.5	27,653.5	76.7
Net Lending***	3,087.8	1,146.8	3,027.8	1,599.2	1,953.2	-36.7
External Grants	5,783.0	5,272.0	4,920.0	4,247.0	21,133.6	265.4
OVERALL DEFICIT/SURPLUS	-4,403.6	-8,979.6	4,795.0	11,495.0	-26,316.8	497.6
FINANCING OF DEFICIT:						
External Loans (Net)	-6,634.0	-7,135.0	-16,523.4	-8,858.0	-28,761.8	-333.6
Total Domestic Borrowing	19,102.0	11,222.0	11,194.0	24,657.0	-2,448.0	-112.8
Long-term(net)	-4,121.0	1,145.0	27,500.0	-9,135.0	-6,814.0	-65.3
Short-term(net)	23,223.0	10,077.0	-16,306.0	33,792.0	4,366.0	-81.2
CHANGES IN CASH BALANCES:						
Increase = (-)	-8,064.4	4,892.6	534.4	-27,294.0	57,526.6	-813.3
MEMORANDUM ITEMS:						
Public Debt Redemption	25,315.8	133,640.2	62,080.6	49,931.9	78,845.0	211.4
(a) External	18,359.2	21,374.6	23,028.2	26,471.5	31,998.2	74.3
(b) Internal	6,956.6	112,265.6	39,052.4	23,460.3	46,846.7	573.4

Source: CBS and MoF&P

* 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

6.5. Table 6.2 presents some key fiscal indicators for the last five fiscal years. The current revenue is projected to decline from a surplus position of 13.6 per cent to a deficit of 9.5 per cent in 1999/2000 and 2000/2001. The ratio of capital expenditure to current expenditure is expected to increase marginally over the same period. The overall deficit as a percentage of current revenue is expected to reach 13.2 per cent in 1999/2000, compared to a surplus of 6.5 in 2000/2001. This is due to a higher rate of growth in expenditure relative to growth in revenue. The financing of capital expenditure from short-term borrowing is projected to decrease significantly during the period under review.

Table 6.2: Analysis of key fiscal trends, 1996/97 - 2000/01

	1996/97	1997/98	1998/99*	1999/2000*	2000/01**
1. Current Surplus/Deficit as % of Current Revenue	4.8	0.4	8.2	13.6	-9.5
2. Current Surplus/Deficit as % of Capital Expenditure plus Net Lending	37.2	-4.0	96.0	122.8	-63.8
3. Ratio of Capital Expenditure to Current Expenditure	11.3	8.1	7.5	11.8	12.7
4. Overall Deficit/surplus as % of Current Revenue ..	-3.0	-5.4	2.7	6.5	-13.2
5. Overall Deficit/Surplus as % of Total Expenditure ..	-2.4	-2.9	2.0	5.2	-8.1
6. External Grants and Loans as % of Capital Expenditure plus Net Lending	-4.5	-12.7	-75.7	-23.4	-25.8
7. Net Short-Term Borrowing as % of Capital Expenditure plus Net Lending	124.0	68.5	-106.3	171.5	14.7
8. Current Revenue as % of GDP at Current Market Prices	27.5	26.7	26.0	24.0	25.3
9. Total Government Expenditure as % of GDP at Current Market Prices	34.5	50.6	35.1	30.2	41.4
10. Overall Deficit/Surplus as % of GDP at Current Market Prices	-0.8	-1.4	0.7	1.6	-3.3

* Provisional

** Estimates

6.6. Comparisons between the budget forecasts and the actual out-turns are presented in Table 6.3. The analysis reflects the narrowing of the gap between forecasts and actual budget items for the years 1997/98 through 2000/2001. Forecasting of recurrent revenue continued to be more accurate, with a surplus of 0.8 per cent in 2000/2001, as compared to a shortfall of 4.4 per cent in 1999/2000. Actual recurrent expenditure, however, exceeded the budget estimate by KSh 2,399.5 million in 2000/2001, compared to a huge shortfall of KSh 38,345.9 million in 1999/2000. The actual balance for domestic financing is expected to be KSh 21,738.2 million higher than the budgeted estimate which was KSh 53,717.2 million lower than the budgeted estimate in 1999/2000.

Table 6.3: Comparison of Central Government budget estimates with actual out-turns, 1997/98 - 2000/01

KSh million

	1997/98			1998/99*		
	Budget	Actual	Difference	Budget	Actual	Difference
Recurrent Revenue+	167,354.20	167,145.81	-208.39	186,160.00	179,951.80	-6,208.20
Recurrent Expenditure++	221,401.00	291,064.52	69,663.52	203,376.00	222,650.00	19,274.00
Recurrent Balance	-54,046.80	-123,918.71	-69,871.91	-17,216.00	-42,698.20	-25,482.20
Development Expenditure + Net Lend	46,672.40	25,219.27	-21,453.13	37,033.20	23,127.80	-13,905.40
External Financing (Net)**	755.00	-1,863.00	-2,618.00	-2,420.00	-13,904.60	-11,484.60
Balance for Domestic Financing (Net)	-99,964.20	-151,000.98	-51,036.78	-56,669.20	-79,730.60	-23,061.40
	1999/2000*			2000/01***		
	Budget	Actual	Difference	Budget	Actual	Difference
Recurrent Revenue+..	188,846.40	180,541.20	-8,305.20	198,772.47	200,337.71	1,565.24
Recurrent Expenditure++	244,141.80	205,795.91	-38,345.89	267,639.04	270,038.55	2,399.51
Recurrent Balance	-55,295.40	-25,254.71	30,040.69	-68,866.58	-69,700.84	-834.27
Development Expenditure + Net Lend	53,329.20	19,446.73	-33,882.47	38,420.82	59,324.77	20,903.95
External Financing (Net)**	-9,131.00	-19,337.00	-10,206.00	-29,845.00	-29,845.00	0.00
Balance for Domestic Financing (Net)	-117,755.60	-64,038.44	53,717.16	-137,132.39	-158,870.61	-21,738.22

* Provisional.

** Includes external grants.

*** Estimates

+Recurrent revenue equals Current Revenue + Capital Revenue

++ Recurrent Expenditure consists of Current Expenditure, Capital Expenditure and Consolidated Fund Services from R-Estimates

6.7. Table 6.4 outlines the Central Government gross receipts on recurrent account from 1996/97 to 2000/2001. The total gross receipts are expected to rise

by 11.0 per cent to KSh 200,338.7 million in 2000/2001 from KSh 180,541.2 million in the previous year. The receipts from income tax are expected to increase from KSh 53,317.0 million in 1999/2000 to KSh 54,796.1 million in 2000/2001, a rise of 2.8 per cent. Yields from indirect taxes are expected to grow substantially by 17.4 per cent from KSh 101,163.0 million in 1999/2000 to KSh 118,783.0 million in 2000/2001 due to improved receipts from VAT on imports and domestic manufactures, import duties and excise duties. Revenue from other miscellaneous sources is expected to increase marginally by 2.6 per cent.

Table 6.4: Central Government gross receipts on recurrent account*, 1996/97 - 2000/01

KSh million

	1996/97	1997/98	1998/99**	1999/2000**	2000/2001+
DIRECT TAXATION:					
Income Tax	48,375.0	55,577.9	55,234.8	53,317.0	54,796.1
TOTAL	48,375.0	55,577.9	55,234.8	53,317.0	54,796.1
INDIRECT TAXATION:					
VAT on Domestic Manufactures…..	14,541.8	17,748.0	21,114.8	22,416.6	28,299.5
VAT on imports	15,308.2	16,720.1	18,090.0	18,527.6	23,290.8
Import Duties ….	22,594.0	27,167.1	28,444.0	28,605.2	33,797.7
Excise Duties	23,687.2	28,381.6	28,733.2	28,493.1	29,575.1
Trading Licences	212.0	140.5	120.0	82.8	161.6
Licences and Fees Under Traffic Act	718.6	832.8	834.6	1,562.6	1,630.0
Other Taxes, Licences and Duties	1,592.4	1,324.7	2,957.2	1,475.2	2,028.5
TOTAL	78,654.2	92,314.8	100,293.8	101,163.0	118,783.0
OTHER REVENUE AND INCOME:					
Compulsory Fees, Fines and Penalties	1,762.8	1,895.5	1,861.0	2,093.1	3,270.1
Income From Property	4,863.4	4,443.8	6,407.2	5,988.4	6,452.8
Current Transfers	204.2	221.7	212.2	270.4	1,193.8
Sales of Goods and Services	10,507.4	10,875.5	9,938.8	8,716.6	10,518.6
Other	2,716.8	1,816.5	6,004.0	8,992.8	5,324.2
TOTAL	20,054.6	19,253.1	24,423.2	26,061.2	26,759.5
TOTAL	147,083.8	167,145.8	179,951.8	180,541.2	200,338.7
MEMORANDUM ITEM:					
Loan Repayments to Government	1,155.4	101.4	327.8	418.3	777.1

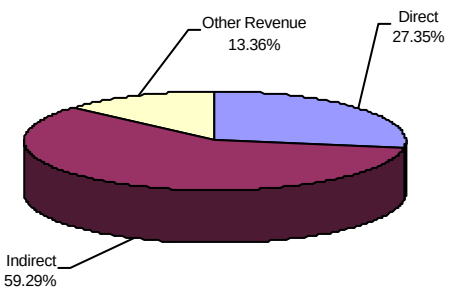
* This account refers to current receipts as well as A in A which is distributed under various heads including sales of goods and services.

** Provisional.

\+ Estimates

6.8. The increase in total revenue was partly attributed to increased rate of VAT, continued efforts by KRA on education and sensitisation on tax compliance, expanded tax base, enhanced audit capacity, tightening of policies and procedures for tax exemptions as part of its medium term corporate strategy. These steps will not only bring in more revenue, but will also shift more of tax burden onto those who have been evading tax in the past and thereby enhance equity. As shown on Fig 6.1, indirect taxes which contributes slightly over a half of the total revenue contributed 56.1 per cent and 59.3 per cent of total revenue in 1999/2000 and 2000/2001 respectively. Direct taxes contributed 29.5 per cent and 27.4 per cent over the same period.

Figure 6.1: Gross Receipts on Recurrent Accounts 2000/2001 Fiscal year



6.9. Details on main sources of import duty from 1996 to 2000 are shown in Table 6.5. The total import duty, which has maintained an upward trend since 1997, is expected to increase marginally by 1.7 per cent in 2000. This is a very low growth rate compared to rates of 6.6 per cent and 22.6 per cent realised in 1999 and 1998 respectively. The slowdown in growth is partly attributed to reduced import duty collected from textiles, semi manufactures, chemicals and metallic goods. Import duty on foods and drinks recorded an increase of 24.7 per cent over the same period. This increase was due to increased importation of foodstuffs. Import duty on fuel and basic materials increased marginally over the same period.

Table 6.5: Central Government Import Duty Collections, 1996 - 2000

KSh million

END-USE CATEGORY	1996	1997	1998	1999	2000*
Food, drinks and tobacco	2,080.4	2,234.0	4,308.8	4,393.6	5,479.6
Basic materials	1,173.6	1,158.0	1,554.4	1,577.6	1,599.5
Fuels	4,423.8	4,220.8	5,897.6	6,307.8	6,326.6
Chemicals	1,871.0	1,713.0	1,676.4	1,741.0	1,527.1
Textiles	365.2	316.6	495.2	621.2	536.9
Semi-manufactures	1,567.4	1,631.0	1,577.2	1,853.4	1,560.9
Metals	1,465.2	1,285.2	1,331.2	1,440.0	1,215.6
Transport Equipment	3,469.2	3,618.6	3,644.2	3,514.8	3,806.7
Machinery	2,955.2	2,970.8	3,035.0	3,237.6	3,103.6
Miscellaneous commodities	1,045.2	1,084.2	1,283.0	1,742.2	1,724.9
TOTAL	20,416.2	20,232.2	24,803.0	26,429.2	26,881.4

Source: Customs and Excise-KRA

* Provisional.

6.10. Excise revenue from 1996 to 2000 is detailed in Table 6.6. Total collections increased marginally to KSh 13,605.4 million in 2000 from KSh 13,278.9 million in 1999. Beers and spirits maintained their position as a main source of excise revenue contributing 55.7 per cent of the total excise revenue in 2000. Whereas a 2.2 per cent drop was recorded in excise revenue from cigarettes in 2000, revenue from beers and spirits registered a 5.9 per cent growth over the same period.

Table 6.6: Central Government excise revenue by commodities*, 1996 - 2000

KSh 000

	1996	1997	1998	1999	2000**
Beer and spirits	7,298,020.0	7,568,820.0	8,034,380.0	7,161,140.0	7,580,834.4
Sugar	240.0	-	3,580.0	-	1,000.0
Cigarettes	4,466,580.0	4,693,940.0	4,806,260.0	4,804,000.0	4,697,591.1
Other commodities***	1,066,500.0	1,058,900.0	987,740.0	1,313,780.0	1,326,002.2
TOTAL	12,831,340.0	13,321,660.0	13,831,960.0	13,278,920.0	13,605,427.6

* Data presented in this Table refers to calender years.

** Provisional.

*** Includes transfer adjustments not allocated by commodity.

Source: Kenya Revenue Authority.

6.11. The data on financing of capital expenditure and net lending from 1996/97 to 2000/2001 is given in Table 6.7. The capital expenditure is estimated to grow by 52.8 per cent from KSh 18,100.5 million in 1999/2000 to KSh 27,653.5 million in 2000/2001. Drought response, emergency power supply and roads rehabilitation under the EL-Nino Emergency Project were some of the projects undertaken during this period. Funding from Treasury Bills declined from KSh 28,316.0 million in 1999/2000 to KSh 7,897.0 million in 2000/2001. Over the same period, grants registered a five-fold increase. The sharp rise in grants was due to resumption of aid by donors in the 2000/2001 financial year.

Table 6.7: Central Government financing of capital expenditure and net lending, 1996/97 - 2000/01

KSh million

	1996/97	1997/98	1998/99*	1999/2000*	2000/01+
EXPENDITURE:					
Capital Expenditure	15,647.8	13,558.9	12,307.4	18,100.5	27,653.5
Net Lending	3,087.8	1,146.8	3,027.8	1,599.2	1,953.2
TOTAL	18,735.6	14,705.6	15,335.2	19,699.7	29,606.7
FINANCING:					
Surplus on Current Account ..	6,968.8	-587.8	14,721.0	24,192.1	-18,894.4
Capital Revenue	1,580.2	1,041.8	489.2	2,755.6	1,050.7
External Loans (Net)	-6,634.0	-7,135.0	-16,523.4	-8,858.0	-28,761.8
External Grants	5,783.0	5,272.0	4,920.0	4,247.0	21,133.6
Long-Term Domestic Borrowing (Net)	-4,121.0	1,145.0	27,500.0	-9,135.0	-6,814.0
SHORT TERM BORROWING:					
Cereals and Sugar Finance Corporation (Net)	..	..	..	..	..
Treasury Bills (Net)	8,584.0	2,102.0	-13,116.0	28,316.0	7,897.0
Other Short-Term Borrowing (Net) ..	14,639.0	7,975.0	-3,190.0	5,476.0	-3,531.0
Change in Cash Balances(decrease =+)	-8,064.4	4,892.6	534.4	-27,294.0	57,526.6
TOTAL	18,735.6	14,705.6	15,335.2	19,699.7	29,606.7

* Provisional.

** Estimates

Analysis of Government Expenditure

6.12. The purpose classification of Government's expenditure on its main services is shown in Table 6.8. All sectors registered significant growths in expenditure with the Recurrent Expenditure and Development Expenditures recording rises of KSh 62,242.4 million and KSh 39,524.1 million, respectively. As a result, the total expenditure on main services grew by 46.4 per cent from KSh 223,643.4 million in 1999/2000 to KSh 327,409.9 million in 2000/2001. Expenditure on economic services gained substantially by 75.5 per cent from KSh 27,707.9 million to KSh 48,639.3 million during the period under review. Substantial increase in the allocation on economic services was partly due to the Emergency power supply project. The expenditure on social services also registered a growth of 11.2 per cent. Expenditure policies were targeted towards sectors that will contribute to economic growth and thereby lead to poverty reduction. The areas targeted for increase in allocation included security and governance, human resource development specifically primary health care and basic education, upgrading and rehabilitation of physical infrastructures including roads and sanitation facilities.

Table 6.8: Central Government expenditure on main services, 1997/98 - 2000/01

KSh million

	1997/98			1998/99*			1999/2000*			2000/01+		
	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	17,758.5	6,150.2	23,908.7	21,942.2	5,079.0	27,021.2	18,810.6	6,952.3	25,762.9	34,210.4	26,685.8	60,896.2
External Affairs	2,767.4	27.2	2,794.5	2,761.6	58.0	2,819.6	3,075.2	24.2	3,099.3	3,323.2	59.8	3,383.0
Public Order and Safety	11,391.7	373.2	11,764.9	11,340.6	324.8	11,665.4	12,423.1	141.3	12,564.4	16,930.6	401.8	17,332.4
TOTAL	31,917.5	6,550.6	38,468.1	36,044.4	5,461.8	41,506.2	34,308.9	7,117.7	41,426.6	54,464.2	27,147.4	81,611.6
Defence	10,060.3	122.0	10,182.2	10,536.4	43.2	10,579.6	10,346.9	80.4	10,427.2	14,266.1	0.0	14,266.1
SOCIAL SERVICES												
Education	44,424.2	1,802.1	46,226.3	45,424.4	1,800.8	47,225.2	46,790.0	703.2	47,493.2	49,637.7	1,100.9	50,738.6
Health	9,075.3	3,808.6	12,883.9	9,196.6	1,253.2	10,449.8	9,188.9	865.4	10,054.2	10,710.7	2,790.2	13,500.9
Housing and Community Welfare	1,946.2	1,342.9	3,289.1	1,657.6	1,180.0	2,837.6	2,024.4	690.5	2,714.8	2,284.5	450.6	2,735.1
Social Welfare	318.8	302.1	620.9	312.3	30.4	342.7	23.8	0.0	23.8	80.0	0.0	80.0
TOTAL	55,764.5	7,255.7	63,020.2	56,590.9	4,264.4	60,855.3	58,027.0	2,259.0	60,286.1	62,713.0	4,341.7	67,054.7
ECONOMIC SERVICES:												
General Administration	2,012.2	1,074.0	3,086.2	2,004.4	1,348.6	3,353.0	2,330.1	2,717.8	5,047.9	2,864.1	14,329.6	17,193.7
Agriculture, Forestry and Fishing	4,267.5	3,507.3	7,774.8	4,868.2	4,598.2	9,466.4	5,591.9	2,103.8	7,695.7	6,599.5	4,497.9	11,097.4
Mining,Manufacturing & Construction	1,797.6	440.3	2,237.9	1,563.2	757.8	2,321.0	1,714.8	598.9	2,313.7	2,196.0	901.1	3,097.1
Electricity, Gas, Steam and Water	1,254.2	1,755.9	3,010.1	1,243.0	777.8	2,020.8	1,065.6	317.3	1,382.9	1,101.2	1,936.9	3,038.1
Roads	4,825.4	2,881.3	7,706.6	5,333.0	2,793.2	8,126.2	6,207.3	2,641.2	8,848.5	7,035.7	3,738.5	10,774.1
Other Transport & Communications	366.4	447.6	814.0	800.0	41.0	841.0	994.6	9.7	1,004.2	1,239.1	0.4	1,239.5
Other Economic Services	1,021.1	38.0	1,059.1	1,150.0	14.0	1,164.0	1,413.3	1.7	1,415.0	1,721.3	478.2	2,199.5
TOTAL ECONOMIC SERVICES	15,544.5	10,144.3	25,688.7	16,961.8	10,330.6	27,292.4	19,317.5	8,390.3	27,707.9	22,756.9	25,882.4	48,639.3
OTHER SERVICES; INCLUDING PUBLIC DEBT	177,777.7	0.0	177,777.7	102,507.6	0.0	102,507.6	83,795.6	0.0	83,795.6	115,838.3	0.0	115,838.3
TOTAL**	291,064.4	24,072.5	315,136.9	222,641.1	20,100.0	242,741.1	205,795.9	17,847.5	223,643.4	270,038.4	57,371.6	327,409.9

* Provisional.

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

\+ Revised Estimates

6.13. Table 6.9 shows the economic analysis of expenditure for the last five fiscal years. The total current expenditure, after maintaining a downward trend since 1997/98, grew significantly from KSh 153,593.5 million in 1999/2000 to KSh 218,181.4 million in 2000/2001. This rise in total current expenditure is largely attributed to famine relief activities, the implementation of the Civil Service Reform Programme, enhanced house allowances for civil servants and teachers. The expenditure on labour costs grew by 35.5 per cent to reach KSh 47,950.6 million in 2000/2001, accounting for 14.7 per cent of the total budget in 2000/2001. This was slightly below the 15.9 per cent growth recorded in 1999/2000. Expenditure on other goods and services increased from KSh 29,676.3 million to KSh 61,693.4 million in 2000/2001. The capital expenditure recorded a 52.8 per cent growth from KSh 18,100.5 million to KSh 27,653.5 million. The rise in capital expenditure was due to allocation of funds to rehabilitation of roads network and emergency power supply activities.

Table 6.9: Central Government economic analysis of expenditure, 1996/97 - 2000/01

KSh million

	1996/97	1997/98	1998/99*	1999/2000*	2000/01**
CURRENT EXPENDITURE:					
CONSUMPTION EXPENDITURE ON GOODS AND SERVICES:					
Labour Costs	25,956.2	33,744.1	31,030.8	35,389.0	47,950.6
Other Goods and Services	36,611.6	37,919.1	41,768.8	29,676.3	61,693.4
TOTAL	62,567.8	71,663.2	72,799.6	65,065.3	109,644.0
SUBSIDIES	0.4	61.0	38.6	200.1	200.0
INTEREST:					
Foreign	8,101.2	7,775.7	8,186.4	7,508.4	31,128.5
Domestic	25,544.2	32,037.1	27,903.2	21,409.4	
TRANSFERS TO:					
Households and Unincorp. Enterprises including Private Non-profit Institutions	11,366.6	5,622.4	5,521.4	6,527.8	
Financial and Non-Financial Enterprises General Government	30,012.4	47,328.0	48,924.6	49,692.6	77,208.9
Rest of the World	630.6	619.6	313.2	672.7	
Funds	311.6	1,584.7	1,305.0	2,517.1	
TOTAL TRANSFERS	42,321.2	55,154.7	56,064.2	59,410.2	77,208.9
OTHERS					
1. TOTAL CURRENT EXPENDITURE	138,534.8	166,691.8	164,992.0	153,593.5	218,181.4
2. CAPITAL EXPENDITURE:					
Gross Fixed Capital Formation	14,206.4	13,271.9	12,043.2	15,745.0	24,025.3
Capital Transfers	1,441.4	287.0	264.2	2,355.5	3,628.2
TOTAL	15,647.8	13,558.9	12,307.4	18,100.5	27,653.5
3. NET LENDING:					
Purchase of Equity in Enterprises	2,726.6	97.5		0.6	0.0
Loans to Households, Enterprises and General Government Agencies	1,516.6	1,150.7	3,355.8	2,017.0	2,730.3
Less Loan Repayments to Government ***	-1,155.4	-101.4	-327.8	-418.3	-777.1
TOTAL	3,087.8	1,146.8	3,028.0	1,599.2	1,953.2
4. PUBLIC DEBT REDEMPTION	25,315.8	133,640.2	62,080.8	49,931.9	78,845.0
5. Total Expenditure (1+2+3+4)	182,586.2	315,037.6	242,408.2	223,225.0	326,633.0

* Provisional.

** Revised Estimates

*** including interest

Public Debt

6.14. The summary for the Government public debt from 1996 to 2000 is shown in Table 6.10. The total public debt decreased from KSh 328,893.20 million in 1999 to KSh 306,694.9 million in 2000, a drop of 6.7 per cent. This decline was reflected both in internal funded and external unfunded debt. While internal unfunded debt grew substantially by 61.5 per cent from KSh 15,235.8 million in 1999 to KSh

24,609 million in 2000, external unfunded debt dropped by 6.7 per cent over the same period. The volume of funded debt has been on the decline since 1996.

Table 6.10: Central Government public debt, 1996 - 2000

KSh Million

As at 30th June	Public Debt**								
	Funded			Unfunded			Total		
	External	Internal	Total	External	Internal***	Total	External	Internal	Total
1996 ..	. .	4,583.4	4,583.4	234,708.4	28,169.8	262,878.2	234,708.4	32,753.2	267,461.6
1997	. .	3,959.6	3,959.6	218,106.4	23,462.4	241,568.8	218,106.4	27,422.0	245,528.4
1998	. .	3,743.8	3,743.8	231,038.8	23,552.0	254,590.8	231,038.8	27,295.8	258,334.6
1999	. .	3,430.0	3,430.0	310,227.4	15,235.8	325,463.2	310,227.4	18,665.8	328,893.2
2000*	. .	3,005.7	3,005.7	279,080.1	24,609.1	303,689.2	279,080.1	27,614.8	306,694.9

* Provisional

** Excludes Short Term Borrowing.

*** Includes Treasury bonds.

6.15. Table 6.11 shows the sources of unfunded debt for the period 1996 to 2000. Over the period multinational donor agencies remained the source of unfunded debt. During the year under review, the multinational agencies contributed 57.8 per cent of the total external unfunded debt. This represents a drop from 62.5 per cent to 62.8 per cent recorded in 1999 and 1998, respectively. Amongst the multilateral donor agencies, the World Bank affiliate, International Development Association remained the leading source contributing over 76 per cent. The total debt financed by bilateral agreement increased by only 1 per cent, from KSh 116,334.0 million in 1999 to KSh 117,672.9 million in 2000. Japan and Denmark were the only countries with increased debt during the period under review.

Table 6.11: Central Government Sources of Unfunded Debt, 1996 - 2000

KSh million

Outstanding as at 30th June	1996	1997	1998	1999	2000
EXTERNAL DEBT:					
Lending Countries:					
Germany	6,909.2	5,873.4	6,768.4	5,276.9	5,155.8
Japan	42,232.4	35,843.8	37,495.4	52,181.2	60,987.5
France	16,631.6	10,886.2	9,582.4	10,897.3	10,269.6
U.S.A.	134.0	40.4	597.0	4,009.3	408.7
Netherlands	6,834.6	5,630.8	6,468.2	7,955.9	4,931.0
Denmark	3,684.6	3,062.2	2,632.2	2,636.2	3,000.8
Finland	518.0	406.6	365.0	429.6	411.6
Other	30,203.2	23,620.4	22,047.0	32,947.5	32,507.9
Total	107,147.6	85,363.8	85,955.6	116,334.0	117,672.9
International Organizations:					
I.D.A	95,184.2	99,288.6	110,489.2	143,412.2	122,940.5
I.B.R.D	6,946.2	7,100.2	5,840.8	4,622.8	2,948.5
African Development Bank	7,108.8	6,640.0	6,278.4	8,147.8	4,507.1
O.P.E.C.	1,084.6	938.2	831.8	247.4	223.4
E.E.C.	4,415.2	4,904.8	5,431.2	4,858.9	5,173.1
I.M.F.					
Arab League	41.4	13.0	14.2	0.0	0.0
Badea	562.2	470.8	440.6	443.4	184.7
I.F.A.D.	1,512.6	1,762.4	2,369.4	1,561.0	1,388.8
C.D.C.					
A.D.F.	10,705.6	11,624.6	13,387.6	30,599.9	24,041.2
Total	127,560.8	132,742.6	145,083.2	193,893.4	161,407.2
Total External	234,708.4	218,106.4	231,038.8	310,227.4	279,080.1
INTERNAL DEBT:					
Central Bank of Kenya ..	200.0	200.0	200.0	200.0	200.0
Other	27,969.8	23,262.4	23,352.0	15,035.8	24,409.1
TOTAL INTERNAL	28,169.8	23,462.4	23,552.0	15,235.8	24,609.1
TOTAL UNFUNDED DEBT	262,878.2	241,568.8	254,590.8	325,463.2	303,689.2

6.16. The public funded debt at book value by holders on local registers as at 30th June 1996 to 2000 is shown in Table 6.12. The total funded debt declined substantially from KSh 3,430.1 million in 1999 to KSh 3,005.7 million in 2000. Although the amount owed to National Social Security Fund (NSSF) declined from KSh 2,306.2 million in 1999 to KSh 1,936.4 million in 2000, it still remained the single major source of funded loans to the Government. The Central Government sinking fund is the only other holder with substantial security, with KSh 766.8 million at the end of 1999/2000 financial year.

Table 6.12: Public Funded Debt at Book Value by holders on local Register as at 30th June, 1996 - 2000

KSh Million

	1996	1997	1998	1999	2000
PUBLIC BODIES:					
National Social Security Fund	3,111.6	2,611.0	2,525.2	2,306.2	1,936.4
Central Government	986.4	882.8	832.0	809.9	766.8
Local Government	3.6	1.2	1.2	1.0	1.0
Kenya Post Office Savings Bank ..	46.0	44.0	44.0	33.0	33.0
Former E.A.Community Institutions*	65.6	65.6	65.6	51.2	51.2
Central Bank	0.0	0.0	0.0	0.0	0.0
Other Public Sector	22.0	41.4	41.4	17.4	16.4
OTHER INTERNAL:					
Commercial Banks	98.8	100.6	113.2	105.4	95.0
Insurance Companies	69.0	65.4	61.0	46.2	46.2
Other Companies	178.8	146.4	59.4	59.4	59.4
Private Individuals	1.6	1.0	0.8	0.5	0.4
TOTAL	4,583.4	3,959.4	3,743.8	3,430.1	3,005.7

Source: Central Bank of Kenya.

* And their successors

6.17. Details of Government debt servicing charges from 1996 to 2000 are given in Table 6.13. The total net servicing charges declined by 19.8 per cent, from KSh 97,842.4 million in 1999 to KSh 78,431.39 million in 2000. Internal servicing charges went down from KSh 66,627.8 million to KSh 44,869.74 million during the period under review. The external net servicing charges increased by 10.4 per cent during the period under review. By the end of the first quarter of 2000/2001 financial year, the Government had paid loans guaranteed to Kenya Broadcasting Corporation (KBC) and Nzoia Sugar Company, as the enterprises had liquidity problems.

Table 6.13: Central Government Debt Servicing charges*, 1996 - 2000

KSh Million

Year ending	Annual Debt Servicing charges			Interesta and Loan Repayment Receipts			Net Servicing Charges		
30th June	External	Internal	Total	External	Internal	Total	External	Internal	Total
1996	29,877.2	39,393.4	69,270.6	. .	1,105.0	1,105.0	29,877.2	38,281.8	68,159.0
1997	26,460.4	32,500.8	58,961.2	. .	1,155.4	1,155.4	26,460.4	26,460.4	52,920.8
1998	29,150.4	144,302.6	173,453.0	. .	593.6	593.6	29,150.4	143,709.0	172,859.4
1999. ..	31,214.6	66,955.6	98,170.2	. .	327.8	327.8	31,214.6	66,627.8	97,842.4
2000** ..	33,980.0	44,869.7	78,849.7	..	418.3	418.3	33,980.0	44,451.4	78,431.4

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

** Provisional

6.18. Table 6.14 shows that the ratio of debt service charges on external debt to exports of goods and services has been declining for the last three years and dropped marginally in 2000. This indicates that the growth in export receipts has been faster than the increase in external debt service charge.

Table 6.14: Central Government debt service charges on external debt related to exports of goods and services, 1996 - 2000

	Debt Service Charges on External Debt** (Financial Year)	Exports of Goods and Services (Calender Year)	External Debt Service Charges as a Percentage of Exports of Goods and Services
	KSh million	KSh million	
1996	29,877.2	172,459.2	17.3
1997	26,460.4	174,846.2	15.1
1998	29,150.4	171,894.7	17.0
1999	31,214.6	188,693.1	16.5
2000*	34,475.6	208,799.8	16.5

* Provisional.

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

Local Authorities

6.19. Poverty reduction can be achieved by strengthening the capacity of local Governments to deliver public services in a more responsive manner to the residents. Primarily majority of the people live in the rural areas. Local services such as road maintenance, water, sewerage, and solid waste disposal are key services to be targeted in improving the welfare of people. Local Authority Transfer Fund (LATF) and financial control management boards have been put to strengthen governance and service delivery capacities of the local authorities.

6.20. The expenditure summary for local authorities from 1996/97 to 2000/2001 is given in Table 6.15. The total expenditure for local authorities comprising of municipal, town and county council, is expected to rise by KSh 1,322.9 million during the period under review. While expenditure for Nairobi City Council is expected to rise by 12.5 per cent, from KSh 3,388.8 million in 1999/2000 to KSh 3,813.5 million in 2000/2001, total expenditure of other municipal councils is expected to register a marginal gain of 2.4 per cent. Expenditure for town and county councils is expected to rise significantly by 32.2 per cent during the period under review.

Table 6.15: Expenditure by Local Authorities, 1996/97 - 2000/01

KSh million

	Municipalities				
	Nairobi City Council	Other Municipal Councils	Sub-Total	Town and County Councils	Total
1996/97	3,527.0	2,973.2	6,500.2	1,724.4	8,224.6
1997/98	3,455.0	3,511.4	6,966.4	1,950.2	8,916.6
1998/99	3,368.5	4,115.9	7,484.3	2,373.7	9,858.0
1999/00*	3,388.8	4,800.6	8,189.4	2,423.4	10,612.8
2000/01**	3,813.5	4,917.5	8,731.0	3,204.8	11,935.7

* Provisional

** Estimates

6.21. Table 6.16 shows the current and capital expenditure on main services by municipal councils from 1996/97 to 2000/2001. Expenditure incurred on administrative issues, which consumed 31.6 per cent of the total expenditure, increased from KSh 2,271.0 million in 1999/2000 to KSh 2,754.8 million in 2000/2001, an increase of 21.3 per cent. On community services expenditure on roads declined by 6.9 per cent while that on sanitation and community services grew by 17.1 per cent and 11.5 per cent, respectively.

Table 6.16: Municipal Councils: Current and Capital Expenditure on main services, 1996/97 - 2000/01

KSh million

		1996/97	1997/98	1998/99	1999/2000*	2000/01**
	ADMINISTRATION	1,975.6	1,995.0	2,236.9	2,271.0	2,754.8
COMMUNITY	Roads	607.4	271.0	354.3	702.6	654.3
SERVICES:	Sanitation	690.6	1,061.4	546.3	611.2	715.7
	Other	53.0	123.0	136.1	154.6	172.4
	Total	1,351.0	1,455.4	1,036.6	1,468.4	1,542.3
SOCIAL	Education	341.2	357.2	443.9	502.4	475.3
SERVICES	Health	602.0	879.8	750.6	882.0	843.5
	Other	105.8	52.0	98.7	173.0	224.0
	Total	1,049.0	1,289.0	1,293.1	1,557.4	1,542.8
ECONOMIC	General Administration	331.6	390.0	426.2	511.4	687.0
SERVICES:	Water Undertaking	1,361.6	1,197.8	1,198.3	1,154.0	1,265.0
	Housing Estates(including staff housing)	236.8	355.6	655.8	1,037.4	785.5
	Other	194.6	283.6	637.4	189.8	153.5
	Total	2,124.6	2,227.0	2,917.7	2,892.6	2,891.0
	TOTAL EXPENDITURE	6,500.2	6,966.4	7,484.3	8,189.4	8,731.0

* Provisional

** Estimates

6.22. Details of economic analysis of expenditure and revenue for municipal councils are provided in Tables 6.17 and 6.18, respectively. Current expenditure is expected to drop marginally by 1.2 per cent in 2000/2001 compared to 17.6 per cent increase in 1999/2000. This decrease in total expenditure was attributed mainly to decrease in labour costs and interest rates. The gross fixed capital formation is estimated to improve by 58.6 per cent in 2000/2001 after dropping by 24.9 per cent in 1999/2000, due to increased sewerage works in most of the municipal councils. Total revenue is projected to grow by 6.2 per cent in 2000/2001, below the 13.8 per cent growth recorded in the previous fiscal year. Direct taxes continued to be the main source of revenue for municipal councils, together with sales of goods and services, contributing 83.8 per cent of the total revenue collected.

Table 6.17: Municipal Councils: Economic Analysis of Expenditure, 1996/97 - 2000/01

KSh million

	1996/97	1997/98	1998/99	1999/2000*	2000/01**
CURRENT EXPENDITURE:					
Labour Cost	2,968.6	2,994.2	3,268.4	3,647.2	3,528.4
Other Goods and Services	1,999.8	1,755.4	2,433.6	3,044.6	3,112.7
Transfer to Households & Enterprises	53.8	63.0	52.3	24.8	33.5
Transfer to Funds (Current) ..	72.0	89.2	61.3	70.8	78.8
Interest		9.2	12.4	64.4	18.3
Total	5,094.2	4,911.0	5,828.0	6,851.8	6,771.8
CAPITAL EXPENDITURE:					
Gross Fixed Capital Formation ..	1,304.2	1,992.2	1,565.8	1,176.4	1,866.1
Loan Repayment***	67.8	54.4	76.3	161.2	93.1
Transfer to Funds (capital)	33.8	8.8	14.3	..	..
Total	1,405.8	2,055.4	1,656.3	1,337.6	1,959.2
TOTAL EXPENDITURE	6,500.0	6,966.4	7,484.3	8,189.4	8,731.0

* Provisional.

** Estimates

*** Includes interest.

Table 6.18: Municipal Councils: Economic Analysis of Revenue, 1996/97 - 2000/01

KSh Million

	1996/97	1997/98	1998/99	1999/2000*	2000/01+
CURRENT REVENUE:					
Direct Taxes (Rates**)	1,742.4	1,742.4	1,598.5	1,723.2	1,756.7
Indirect Taxes (Licences and cesses)	563.0	359.8	324.7	336.2	358.4
Income from Property	419.6	309.2	329.0	376.2	408.5
Current Transfers	22.4	10.0	1.4	0.8	2.4
Sale of Goods and Services***	2,254.4	2,147.0	3,267.3	4,034.8	4,268.6
TOTAL	5,001.8	4,568.4	5,520.8	6,471.2	6,794.5
CAPITAL REVENUE:					
Loans Raised	62.0	818.2	422.3	293.2	387.5
Loan Repayment	9.4	8.2	7.4	8.4	10.4
TOTAL	71.4	826.4	429.7	301.6	397.9
TOTAL REVENUE	5,073.2	5,394.8	5,950.6	6,772.8	7,192.4

* Provisional.

** Paid by households and enterprises.

*** Includes service charge and LATF.

\+ Estimates

6.23. Economic analysis of expenditure and revenue for towns and county councils are shown on Table 6.19. Local Authorities expect to record a deficit of about KSh 504.0 million in 2000/2001 as compared to KSh 422.0 million in 1999/2000. The total expenditure is expected to register an 8.8 per cent increase, from KSh 2,669.8 million in 1999/2000 to KSh 2,904.8 million in 2000/2001. Revenue is also estimated to record a 6.8 per cent rise from KSh 2,247.6 million during 1999/2000 fiscal year to KSh 2,400.7 million in 2000/2001. Taxes and revenue from sale of goods and services continue to be the main source of income, accounting for 98 per cent of the total current revenue.

Table 6.19: Town and County Councils: Economic Analysis of Expenditure and Revenue, 1996/97 - 2000/01

KSh million

	1996/97	1997/98	1998/99	1999/2000*	2000/01+
CURRENT EXPENDITURE:					
Labour Cost	890.20	1,133.80	1,423.75	1,600.60	1,642.36
Other Goods and Services	504.80	418.40	544.85	614.60	726.97
Transfer to households & Enterprises	80.60	154.80	146.43	137.20	163.98
Transfer to Funds (Current)	118.60	27.60	26.45	31.60	41.24
Interest	..	..	..	0.20	..
Total	1,594.20	1,734.60	2,141.48	2,384.20	2,574.55
CAPITAL EXPENDITURE:					
Gross Fixed Capital Formation	124.20	202.60	215.35	258.80	296.54
Loan Repayments**		13.00	16.84	26.80	33.69
Transfer to Funds (capital)	6.00				
Total	130.20	215.60	232.19	285.60	330.23
TOTAL EXPENDITURE	1,724.40	1,950.20	2,373.67	2,669.80	2,904.77
CURRENT REVENUE:					
Direct Taxes (Rates***)	264.40	79.40	124.32	208.40	204.37
Indirect Taxes (Licences and cesses)	325.40	267.40	254.26	451.60	440.69
Income from Property	37.60	15.00	22.35	38.20	44.33
Current Transfers	0.40	1.20	2.36	3.60	4.63
Sale of Goods and Services++	591.60	957.40	857.65	1,538.60	1,694.63
Total	1,219.40	1,320.40	1,260.94	2,240.40	2,388.63
CAPITAL REVENUE:					
Loans Raised	1.60	0.40	0.60	7.00	12.10
Loans Repayments	0.00	0.00	0.00	0.20	0.00
Total	1.60	0.40	0.60	7.20	12.10
TOTAL REVENUE	1,221.00	1,320.80	1,261.54	2,247.60	2,400.73

* Provisional.

** Includes Interest.

*** Paid by households and enterprises.

\+ Estimates

++ Includes service charge and LATF

CHAPTER 7

INTERNATIONAL TRADE AND BALANCE OF PAYMENTS

Overview

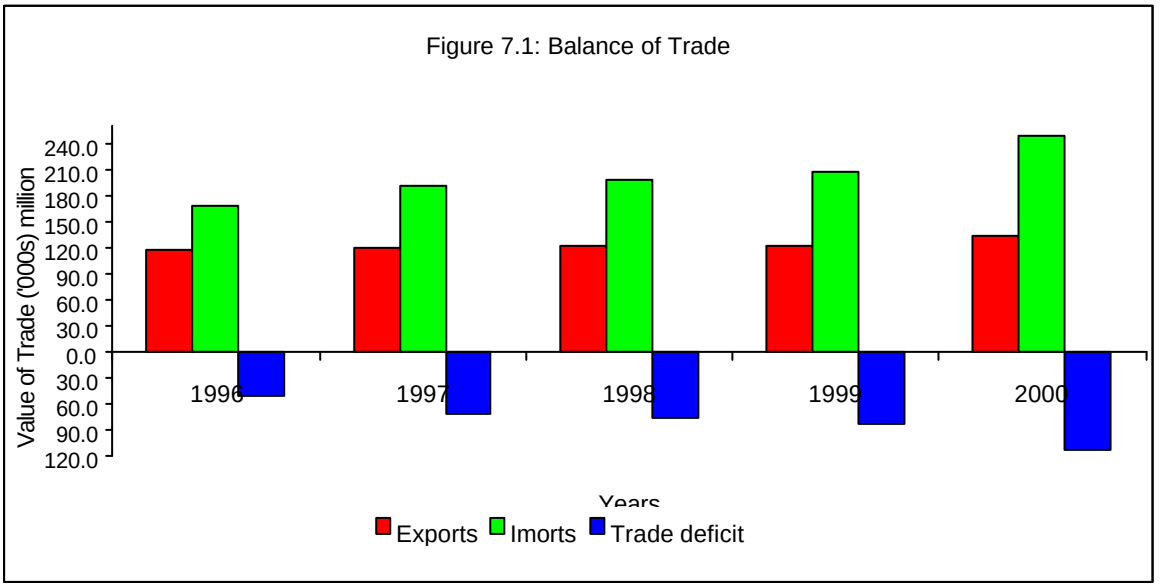
Major indicators of Kenya's international trade and balance of payments statistics showed a poor performance in 2000. The trade deficit worsened considerably as a result of unmatched growth in value of imports growth of 20.1 per cent vis a vis exports which grew by only 9.8 per cent. An increase of 15.0 per cent in import volumes and a 10.8 per cent rise in import prices caused the rapid expansion in imports value. The current account deficit therefore deteriorated while capital and financial account performed poorly, registering a smaller surplus.

7.2. The poor performance in the general merchandise trade had the effect of offsetting any positive contribution to the rest of the current account. Thus, despite better than average growth from services and higher transfers, the current account deficit widened from KSh 6,875 million in 1999 to a deficit of KSh 18,145 million in 2000. Improved official capital inflows, however, led to a net change in foreign reserve assets of KSh 8,244 million in 2000 compared to KSh 411 million in 1999. The increase in the official capital inflows was a reflection of disbursements under the IMF supported Poverty Reduction and Growth Programme.

Balance of Trade

7.3. The value of international trade increased significantly as shown in Table 7.1. Domestic exports continued to perform poorly, increasing by only 3.8 per cent in 2000. However, re-exports more than doubled. Value of imports rose much faster, recording an increase of 20.1 per cent, largely due to increase in importation of crude petroleum and industrial machinery. These developments caused the trade deficit to widen by 35.1 per cent from KSh 83,842 million in 1999 to KSh 113,277 million in 2000. The deficit was about 84.0 per cent of the export earnings. The export to import ratio continued with the downward trend, standing at 54.0 per cent in 2000 compared to 59.0 per cent in 1999 and 70.0 per cent in 1996. Figure 7.1 shows the widening trend of the trade deficit.

Figure 7.1: Balance of Trade



7.4. The sluggish performance of export earnings was mainly due to the fact that over three quarters of the principal export commodities had recorded a decline in quantities and/or reduction in price.

Table 7.1: Balance of Trade, 1996 - 2000

KSh million

DESCRIPTION	1996	1997	1998	1999	2000*
EXPORTS (f.o.b) :					
Domestic Exports	113,926	114,459	114,445	115,406	119,764
Re-exports	4,274	5,986	6,735	7,153	14,763
Total	118,200	120,445	121,181	122,559	134,527
IMPORTS (c.i.f) :					
Commercial	162,884	185,283	190,538	199,808	240,473
Government	5,602	5,391	7,251	6,592	7,331
Total	168,486	190,674	197,789	206,401	247,804
BALANCE OF TRADE	**-50,286**	**-70,228**	**-76,608**	**-83,842**	**-113,277**
TOTAL TRADE	**286,686**	**311,119**	**318,969**	**328,960**	**382,331**
COVER RATIO (EXPORT/IMPORT)..	**70**	**63**	**61**	**59**	**54**

*Provisional

Price Changes

7.5. Unit price indices for exports and imports grouped by Standard International Trade Classification (SITC) sections are presented in Table 7.2. Export and import price indices for all items rose by 7.6 per cent and 10.8 per cent respectively. The price index for non-oil exports remained at the 1999 level, while non-oil imports rose by 1.4 per cent.

7.6. Animals and vegetable oils and fats export price index went up by 30.7 per cent. Reductions in export prices of electrical bulbs, trailers and semi-trailers, and parts of motor vehicles, mainly caused export price indices for machinery and transport to drastically reduce by 40.1 per cent. On the other hand, export prices for manufactured goods and crude materials (inedible) went up by 36.7 per cent and 18.3 per cent, respectively. Higher prices were recorded for motorcar tyres, plywood, cigarette paper and, hand and machine tools that pushed up the export price index for manufactured goods. Overall, export price index increased by 7.6 per cent.

7.7. Import price index for machinery and transport equipment, which fell by 9.1 per cent in 1999, went up by 9.2 per cent in 2000. Food and live animals, animals and vegetable oils and fats, and miscellaneous manufactured articles recorded price declines. Overall, import prices index rose by 10.8 per cent.

Table 7.2: Price Indices, 1996 - 2000

1982=100

DESCRIPTION	1996	1997	1998	1999	2000*
EXPORTS:					
Food and live animals	530	752	755	651	613
Beverages and tobacco	632	633	619	614	641
Crude materials, (inedible)	625	669	670	563	666
Mineral fuels	383	351	346	370	575
Animal and vegetable oils and fats	229	173	247	274	358
Chemicals	529	621	546	611	545
Manufactured goods	677	636	644	673	920
Machinery and transport equipment	496	513	547	526	315
Miscellaneous manufactured articles	514	552	656	775	714
All Exports	**519**	**608**	**615**	**576**	**620**
Non-oil Exports	**549**	**679**	**689**	**631**	**632**
IMPORTS:					
Food and live animals	408	475	475	456	453
Beverages and tobacco	828	769	845	804	965
Crude materials, (inedible)	488	718	668	393	428
Mineral fuels	358	357	267	401	612
Animals and vegetable oils and fats	728	759	848	684	598
Chemicals	637	789	804	976	976
Manufactured goods	573	678	663	623	633
Machinery and transport equipment	767	792	1,040	945	1,032
Miscellaneous manufactured articles	676	756	840	958	876
All imports	**560**	**598**	**614**	**667**	**739**
Non-oil Imports	**577**	**629**	**718**	**700**	**710**

* provisional

Terms of Trade

7.8. Terms of trade, which is the ratio of export price index to import price index, are summarized in Table 7.3. As a result of the unit price changes detailed in the previous paragraphs, the unfavourable terms of trade recorded in the last two years deteriorated further in 2000, although at a slower pace. Terms of trade for all items and non-oil items fell by 2.3 per cent and 1.1 per cent respectively, which mirrors the continued sluggish performance of the export sector. This is a reflection of the relatively better prices enjoyed by imports over export prices in the international commodity markets.

Table 7.3: Terms of Trade, 1996 - 2000

1982=100

DESCRIPTION	1996	1997	1998	1999	2000*
All Items	93	102	100	86	84
Non-oil Items	95	108	96	90	89

* Provisional

Volume Changes

7.9. Changes in the volume of trade as measured by the quantum indices are summarized in Table 7.4. Export quantum index for all SITC sections increased except for manufactured goods and, animal and vegetable oils and fats, which slowed down by 25.4 per cent and 56.0 per cent respectively. Beverages and tobacco category increased by 20.4 per cent, mainly as a result of higher exports of beer, cigars and cigarettes, and spirits. Electrical batteries, parts of motor vehicles and motor vehicle trailers pushed up the index for the machinery and transport equipment, occasioning a high increase in quantum index of 64.2 per cent. Other notable increases were in the export quantities of miscellaneous manufactured

goods, which rose by 11.3 per cent. Overall, quantum index for all exports moved up by only 2.7 percent in 2000, while that for non-oil exports grew by 4.8 per cent.

7.10. Quantum index for all imports rose by 15.4 percent, largely on account of substantial increases in import quantities of food and beverages and industrial supplies. Higher imports of rice, maize, milk and sugar mainly contributed by substantial increase in quantum index for food and live animals by more than a half. Volume of rice and sugar imports almost doubled while that of maize shot up by more than five times. Quantities of chemicals imports grew by more than half while that of wheat flour and fertilizers slowed down by 23.7 per cent and 2.2 per cent, respectively. Trend of quantities of principal imports are detailed in Table 7.6.

Table 7.4: Quantum Indices, 1996 - 2000

1982 =100

DESCRIPTION	1996	1997	1998	1999	2000*
EXPORTS:					
Food and live animals	200	138	148	172	194
Beverages and tobacco	1,112	988	971	755	909
Crude materials, (inedible)	170	158	150	203	202
Mineral fuels	74	106	106	105	109
Animal and vegetable oils and fats	9,237	13,601	10,241	8,257	3,637
Chemicals	383	332	366	334	348
Manufactured goods	308	340	267	240	179
Machinery and transport equipment	204	232	307	246	404
Miscellaneous manufactured articles	809	697	568	556	619
All Exports	**200**	**174**	**173**	**186**	**191**
Non-oil Exports	**239**	**193**	**191**	**209**	**219**
IMPORTS:					
Food and live animals	348	608	493	358	585
Beverages and tobacco	122	179	191	205	254
Crude materials, (inedible)	224	180	274	430	433
Mineral fuels	115	129	190	115	159
Animals and vegetable oils and fats	219	194	197	254	256
Chemicals	230	187	191	168	259
Manufactured goods	219	192	182	215	207
Machinery and transport equipment	142	150	125	130	144
Miscellaneous manufactured articles	200	202	222	247	237
All imports	**167**	**177**	**179**	**162**	**187**
Non-oil Imports	**216**	**225**	**204**	**207**	**228**

* Provisional

Values of Principal Exports and Imports

7.11. Values of principal exports and imports are presented in Table 7.5. Tea, horticulture, coffee and petroleum products continued to be the leading export earners, they jointly contributed 64.7 per cent of the domestic export earnings in 2000. (See Figure 7.2)

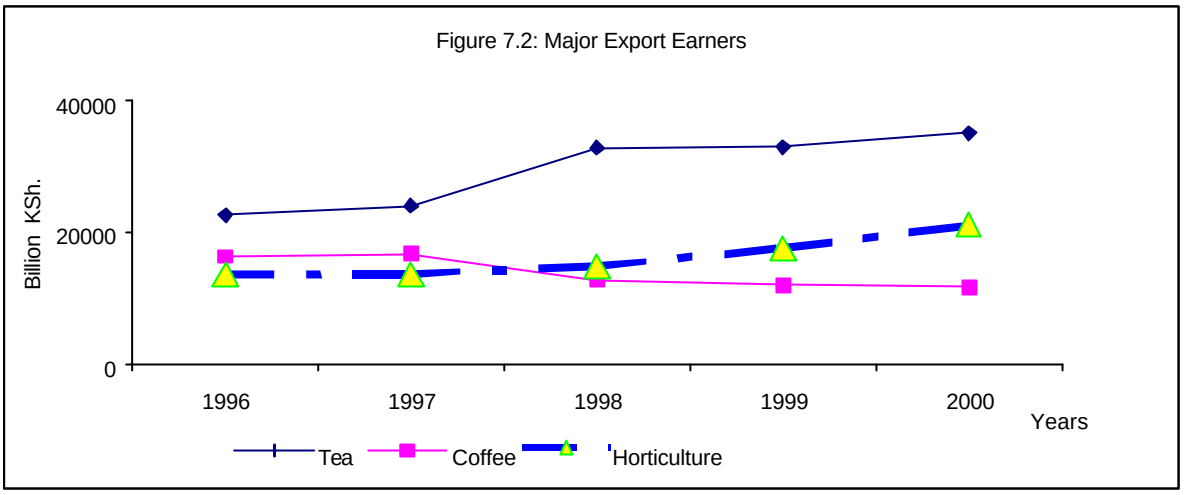
Table 7.5: Value of Principal Exports and Imports, 1996 - 2000

Ksh million

Commodity	1996	1997	1998	1999	2000*
DOMESTIC EXPORTS					
Fish and fish preparations	3,293	3,076	2,791	2,267	2,953
Maize(raw)	2,000	56	130	488	33
Meals and flours of wheat	1,029	838	971	423	201
Horticulture**	13,631	13,752	14,938	17,641	21,216
Sugar confectionery	641	846	833	874	1,326
Coffee, unroasted ..	16,427	16,856	12,817	12,029	11,707
Tea	22,705	24,126	32,971	33,065	35,150
Margarine and shortening	650	997	1,413	1,309	246
Beer made from malt	895	684	638	202	69
Tobacco and tobacco manufactures ..	1,774	1,725	1,607	1,554	2,167
Hides and skins (undressed)	232	165	128	311	494
Sisal	814	723	689	636	606
Stone, sand and gravel	209	182	174	166	123
Fluorspar	358	366	213	501	644
Soda ash	1,155	1,325	1,236	1,280	1,440
Metal scrap .. .	177	207	114	147	153
Pyrethrum extract ..	1,595	1,371	716	656	704
Petroleum products ..	7,018	7,156	9,127	9,555	9,429
Animal and vegetable oils	1,975	2,197	2,396	2,186	1,204
Medicinal and pharmaceutical products	1,624	1,796	1,663	1,657	2,350
Essential oils	3,302	3,267	3,364	3,361	2,116
Insecticides and fungicides	611	601	678	501	465
Leather	66	602	495	387	486
Wood manufactures n.e.s	240	297	371	384	388
Paper and paperboard	1,416	499	499	618	713
Textile yarn	2,007	493	308	303	488
Cement	2,544	2,289	1,443	1,248	1,358
Iron and steel	5,257	5,200	3,824	2,757	2,605
Metal containers	156	281	289	193	97
Wire products: nails screws, nuts, etc.	241	298	253	181	113
Footwear	824	1,135	914	1,121	1,140
Articles of plastics	1,691	1,737	1,999	1,573	2,104
All other commodities	17,368	19,318	14,444	15,831	15,476
GRAND TOTAL	**113,926**	**114,459**	**114,445**	**115,406**	**119,764**
IMPORTS					
Wheat, unmilled	6,378	4,204	4,794	5,899	6,989
Rice	699	982	918	1,013	1,968
Maize	73	12,619	4,758	906	4,664
Wheat flour	110	490	278	194	180
Sugars, molasses and honey	1,733	1,421	4,232	1,468	2,730
Textile fibres and their waste	1,361	1,356	1,411	4,747	1,636
Second hand clothing	212	672	2,043	3,695	2,360
Crude petroleum	13,504	16,825	15,036	22,355	41,907
Petroleum products	12,964	12,189	16,318	18,433	21,773
Animal/vegetable fats and oils	8,344	7,701	8,750	9,184	8,016
Organic & inorganic chemicals	4,913	4,256	4,490	4,418	4,546
Medicinal & pharmaceauticals products	5,157	5,563	6,559	6,373	5,976
Essential oils & pefumes	1,061	1,375	1,392	1,652	1,583
Chemical fertilizers	4,827	4,379	3,516	5,488	5,448
Plastics in primary & non-primary forms	7,281	7,337	7,128	7,083	8,446
Paper and paperboard	2,706	2,556	2,536	2,305	2,613
Iron and steel	9,634	10,759	7,900	9,103	8,604
Non-ferrous metals	2,709	2,635	2,109	2,153	2,404
Hand & machine tools	847	735	836	861	792
Industrial machinery	26,464	28,014	31,262	30,753	39,438
Agricultural machinery and tractors	1,778	1,506	1,537	1,247	966
Road motor vehicles	16,485	14,312	14,681	11,906	9,659
All other commodities	39,246	48,787	55,305	55,165	65,106
GRAND TOTAL	**168,486**	**190,674**	**197,789**	**206,401**	**247,804**

* Provisional

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



7.12. Imports of industrial machinery went up to account for 15.9 per cent of the total import bill in 2000 compared to 14.9 per cent in 1999. The increase was largely as a result of importation of electrical generators worth KSh 8,161 million to cater for the short fall in power supply as a consequence of drought. The import value of crude petroleum rose faster by 87.5 per cent from KSh 22,355 million in 1999 to KSh 41,907 million in 2000 while that for petroleum products rose by 18.1 per cent from KSh 18,433 million in 1999 to KSh 21,773 million in 2000.

7.13. Import values of textile fibres and their waste, and second hand clothing recorded the largest declines of 65.5 per cent and 36.1 per cent respectively, partly as a result of the higher import duty imposed during the last budget. Imports of food items mainly wheat, rice, maize and sugar recorded huge increases due to shortfalls in local production of related food commodities occasioned by the drought of 2000. Imports of road motor vehicles and agricultural machinery and tractors fell by 18.9 per cent and 22.5 per cent respectively in 2000. Animal and vegetable fats and oils imports fell by 12.7 per cent, while the value of imported sugar almost doubled from KSh 1,468 million in 1999 to KSh 2,730 million in 2000, in order to meet the domestic supply deficit. Imports of chemical fertilizers remained at 1999 levels.

7.14. Table 7.6 gives a breakdown of quantities of principal exports and imports. The export quantities of horticulture decreased by 3.3 per cent, while that of coffee increased substantially by 21.5 per cent. The amount of tea exported declined from 260,177 tonnes in 1999 to 217,282 tonnes in 2000 as a result of unfavourable weather conditions. Fluorspar, soda ash, cement, fish and fish preparations also registered notable increases. Export quantities of margarine and shortening, beer, pyrethrum extract, animal and vegetable oils, and essential oils registered substantial declines.

Table 7.6: Quantities of Principal Exports and Imports 1996 - 2000

Commodity	Unit of Quantity	1996	1997	1998	1999	2000*
DOMESTIC EXPORTS						
Fish and fish preparations	Tonne	18,769	17,438	14,332	15,951	16,855
Maize(raw)	Tonne	221,478	2,637	9,126	40,520	488
Meals and flours of wheat	Tonne	36,577	29,992	43,865	21,288	11,049
Horticulture **	Tonne	304,461	192,629	232,217	200,624	193,918
Sugar confectionery	Tonne	7,549	10,408	9,179	8,628	13,343
Coffee, unroasted	Tonne	116,731	70,066	51,578	71,581	86,982
Tea	Tonne	262,146	199,224	263,771	260,177	217,282
Margarine and shortening	Tonne	9,500	13,040	18,746	16,531	3,590
Beer made from malt	000 Lt.	36,790	24,902	23,486	7,978	2,142
Tobacco and tobacco manufactures	Tonne	13,364	8,520	6,993	6,706	8,452
Hides and skins	Tonne	2,301	2,564	2,118	7,302	7,555
Sisal	Tonne	21,672	19,154	17,650	16,830	16,753
Stone, sand and gravel	Tonne	46,208	432	56,907	596	52,483
Fluorspar	Tonne	37,764	72,300	45,618	83,707	103,944
Soda ash	Tonne	197,021	213,190	214,470	210,350	236,051
Metal scrap	Tonne	1,408	1,775	2,151	2,096	2,332
Pyrethrum extract	Tonne	717	441	216	623	165
Petroleum products	Mn. Lt.	567	587	792	765	1,155
Animal and vegetable oils	Tonne	30,794	40,120	40,751	31,651	23,056
Medicinal and pharmaceutical products ..	Tonne	12,315	4,083	3,758	3,621	3,149
Essential oils	Tonne	44,461	41,043	43,800	36,380	16,212
Insecticides and fungicides	Tonne	3,696	3,122	2,938	2,156	1,859
Leather	Tonne	5,414	5,864	4,602	3,899	5,915
Wood manufactures n.e.s	Tonne	1,354	1,765	2,246	1,814	2,110
Paper and paperboard	Tonne	7,567	8,692	11,340	14,074	13,874
Textile yarn	Tonne	6,160	1,990	1,123	1,361	2,814
Cement	Tonne	662,036	690,392	417,239	283,717	301,157
Iron and steel	Tonne	166,252	131,011	100,406	77,372	64,891
Metal containers	Tonne	38,528	1,819	2,243	1,969	645
Wire products: nails screws, nuts, etc.	Tonne	6,199	5,921	6,570	3,629	2,301
Footwear	' 000' Pairs	21,557	28,158	28,296	30,113	28,747
Articles of plastic***	-	-	-	-	-	-
IMPORTS						
Wheat, unmilled	Tonne	531,467	388,138	478,865	578,543	636,045
Rice	Tonne	39,159	62,435	62,893	53,358	105,803
Maize, unmilled	Tonne	6,759	1,101,105	368,761	73,520	409,416
Wheat flour	Tonne	7,502	23,560	15,307	13,777	10,512
Sugars, molasses and honey	Tonne	71,788	58,347	210,745	62,917	119,417
Textile fibres and their waste	Tonne	15,071	16,054	16,611	18,829	18,913
Second hand clothing	Tonne	5,946	18,417	50,876	50,274	47,956
Crude petroleum	Tonne	1,412,947	1,833,744	2,157,695	2,139,253	2,452,336
Petroleum products	Mn. Lt.	1,261	1,145	1,874	1,563	1,548
Animal/vegetable fats and oils	Tonne	239,233	234,998	217,048	263,956	270,450
Organic & inorganic chemicals	Tonne	95,046	84,929	105,107	54,330	81,934
Medicinal and pharmaceutical products	Tonne	12,629	7,286	9,403	6,032	6,341
Essential oils & pefumes	Tonne	5,007	5,633	7,513	9,343	6,758
Chemical fertilizers	Tonne	300,285	286,902	229,105	345,180	337,524
Plastics in primary & non-primary forms	Tonne	150,743	111,045	138,374	122,978	114,337
Paper and paperboard	Tonne	53,779	59,909	54,210	49,794	89,212
Iron and steel	Tonne	374,240	394,173	137,811	361,835	298,204
Non-ferrous metals	Tonne	23,992	24,707	18,180.30	18,581	16,382
Hand & machine tools	"000"No	11,877	9,148	9,428	9,246	10,057
Industrial machinery***	-	-	-	-	-	-
Agricultural machinery and tractors***	-	-	-	-	-	-
Road motor vehicles	Nos.	44,641	34,986	30,565	55,988	16,661

* Provisional.

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

*** Some of the items under this heading have either different quantities or none at all, hence the blank.

Domestic Export Prices

7.15. Table 7.7 (next page), summaries the trend of prices per unit quantity of principal exports and imports. Export price of horticulture rose for a second consecutive year while that of tea has risen steadily for the last five years registering a 27.6 per cent increase in 2000. The export price of coffee suffered severely from unfavourable world prices for the second consecutive year. In 2000, the price of coffee fell to 80.4 per cent of the 1999 price. Export prices of all mineral products exported namely: soda ash, fluorspar and cement remained at the almost 1999 levels, while their quantities registered increases. Notable decreases were in export prices of leather and textile yarn.

7.16. Analysis of changes in value, quantity and prices of principal export commodities are shown in Table 7.8, page 102. The performance of principal exports was determined by mixed developments in their respective export prices and quantities. The quantity of coffee rose by 21.5 per cent, which could not offset the 19.9 per cent export price reduction, resulting in lower export earnings by 2.7 per cent. However, export values of tea and horticulture went up by 6.3 per cent and 20.3 per cent respectively, mainly due to better prices they enjoyed in the international markets, which offset declines in quantities exported. Export value of margarine and shortening, beer and essential oils drastically dropped mainly due to substantial reduction in their export prices. On the other hand fish and fish preparations, tobacco manufactures, hides and skins, medicinal and pharmaceutical products registered significant increases in both their export quantities and prices.

Table 7.7: Prices of Principal Exports and Imports, 1996- 2000

KSh./Unit

Commodity	Unit	1996	1997	1998	1999	2000*
DOMESTIC EXPORTS						
Fish and fish preparations	Kg	175	176	160	142	175
Maize(raw)	Tonne	9,032	21,083	14,210	12,044	68,675
Meals and flours of wheat	Kg	28,130	27,930	22,130	19,870	18,159
Horticulture	Kg	45	71	64	88	109
Sugar confectionery	Kg	85	81	91	101	99
Coffee, unroasted	Kg	142	247	253	168	135
Tea	Kg	87	121	125	127	162
Margarine and shortening	Kg	68	76	75	79	69
Beer made from malt	Lt.	24	27	27	25	32
Tobacco and tobacco manufactures	Kg	133	202	230	232	256
Hides and skins(undressed)	Kg	101	64	60	43	65
Sisal	Tonne	37,572	37,751	39,067	37,803	36,173
Stone, sand and gravel	Tonne	4,523	421,657	3,058	278,523	2,344
Fluorspar	Tonne	9,479	5,059	4,675	5,984	6,196
Soda ash	Tonne	5,863	6,216	5,764	6,085	6,100
Metal scrap	Tonne	125,426	116,424	52,983	70,116	65,612
Pyrethrum extract	Kg	5,677	6,356	6,265	1,053	4,267
Petroleum products ..	Lt.	12	12	12	12	8
Animal and vegetable oils	Kg	64	55	59	69	52
Medicinal and pharmaceutical products	Kg	132	440	442	457	746
Essential oils	Kg	74	80	77	92	131
Insecticides and fungicides	Kg	165	192	231	233	250
Leather	Kg	122	103	108	99	82
Wood manufactures n.e.s	Tonne	177,474	168,039	165,274	211,383	184,062
Paper and paperboard	Tonne	47,360	57,440	44,000	43,908	51,391
Textile yarn	Kg	66	248	274	223	173
Cement	Tonne	3,843	3,316	3,459	4,398	4,509
Iron and steel	Tonne	31,621	31,276	38,082	35,639	40,144
Metal containers	Tonne	4,049	154,487	128,996	97,771	150,614
Wire products: nails screws, nuts, etc.	Tonne	38,877	50,329	38,508	49,879	49,103
Footwear	Pair	38	40	32	37	40
Articles of plastics	-	-	-	-	-	-
IMPORTS						
Wheat, unmilled	Tonne	12,000	10,832	10,012	10,196	10,988
Rice	Tonne	11,192	15,732	14,595	18,993	18,598
Maize, unmilled	Tonne	10,770	11,460	12,902	12,317	11,393
Wheat flour	Tonne	14,663	20,798	18,147	14,081	17,144
Sugars, molasses and honey	Tonne	24,140	24,347	20,081	23,332	22,862
Textile fibres and their waste	Tonne	90,324	84,463	84,937	252,112	86,514
Second hand clothing	Tonne	35,681	36,488	40,157	73,497	49,217
Crude petroleum	Tonne	9,557	8,200	6,969	10,450	17,089
Petroleum products	Lt.	10	11	9	12	14
Animal/vegetable fats and oils	Kg	35	33	40	35	30
Organic & inorganic chemicals	Kg	52	50	43	81	55
Medicinal & pharmaceuticals products	Kg	408	764	698	1,057	942
Essential oils & pefumes	Kg	212	244	185	177	234
Chemical fertilizers	Tonne	16,076	15,262	15,347	15,899	16,141
Hand & machine tools	No	71	80	89	93	79
Plastics in primary & non-primary forms	Tonne	48,303	66,076	51,510	57,598	73,871
Paper and paper products	Tonne	50,317	42,665	46,781	46,293	29,289
Iron and steel	Tonne	25,742	27,295	57,322	25,157	28,852
Non-ferrous metals	Tonne	112,913	106,650	116,047	115,854	146,718
Industrial machinery	-	-	-	-	-	-
Agricultural machinery and tractors	-	-	-	-	-	-
Road motor vehicles	No.	369,285	409,080	480,326	212,649	579,732

* Provisional.

Table 7.8: Domestic Exports change in value, quantity and price *, 1999 - 2000

Commodity	Value (Ksh. million)				Quantity					Price per Unit - KSh.			
	1999	*2000***	*Changes*	*%-change*	*Unit*	*1999*	*2000***	*Changes*	*%-change*	*1999*	*2000***	*Changes*	*%-change*
Fish and fish preparations	2,267	2,953	686	30.26	Tonne	15,951	16,855	904	5.67	142,123	175,200	33,077	23.27
Maize(raw)	488	33	-455	-93.14	Tonne	40,520	488	-40,032	-98.80	12,044	68,675	56,631	470.22
Meals and flours of wheat	423	201	-222	-52.57	Tonne	21,288	11,049	-10,239	-48.10	19,870	18,159	-1,711	-8.61
Horticulture	17,641	21,216	3,575	20.26	Tonne	200,624	193,918	-6,706	-3.34	87,931	109,407	21,476	24.42
Sugar confectionery	874	1,326	452	51.72	Tonne	8,628	13,343	4,715	54.64	101,294	99,378	-1,916	-1.89
Coffee, unroasted ..	12,029	11,707	-322	-2.68	Tonnes	71,581	86,982	15,401	21.52	168,052	134,591	-33,461	-19.91
Tea	33,065	35,150	2,085	6.31	Tonne	260,177	217,282	-42,895	-16.49	127,087	161,771	34,685	27.29
Margarine and shortening	1,309	246	-1,063	-81.21	Tonne	16,531	3,590	-12,941	-78.28	79,206	68,524	-10,682	-13.49
Beer made from malt	202	69	-133	-65.86	000 Lt.	7,978	2,142	-5,836	-73.15	25,331	32,213	6,882	27.17
Tobacco and tobacco manufactures ..	1,554	2,167	613	39.47	Tonnes	6,706	8,452	1,746	26.04	231,695	256,389	24,694	10.66
Hides and skins (undressed)	311	494	183	58.90	Tonnes	7,302	7,555	253	3.46	42,577	65,387	22,811	53.58
Sisal	636	606	-30	-4.75	Tonnes	16,830	16,753	-77	-0.46	37,803	36,173	-1,630	-4.31
Stone, sand and gravel	166	123	-43	-25.90	Tonne	596	52,483	51,887	8705.87	278,523	2,344	-276,180	-99.16
Fluorspar	501	644	143	28.57	Tonne	83,707	103,944	20,237	24.18	5,984	6,196	212	3.54
Soda ash	1,280	1,440	160	12.51	Tonne	210,350	236,051	25,701	12.22	6,085	6,100	16	0.26
Metal scrap .. .	147	153	6	4.10	Tonne	2,096	2,332	236	11.26	70,116	65,609	-4,507	-6.43
Pyrethrum extract ..	656	704	48	7.27	Tonne	623	165	-458	-73.52	1,053,457	4,266,667	3,213,209	305.02
Petroleum products ..	9,555	9,429	-126	-1.32	Mn. Lt.	765	1,155	390	51.03	12,490,085	8,160,813	-4,329,272	-34.66
Animal and Vegatable oils	2,186	1,204	-982	-44.91	Tonne	31,651	23,056	-8,595	-27.16	69,050	52,221	-16,829	-24.37
Medicinal and pharmaceutical products	1,657	2,350	693	41.86	Tonne	3,621	3,149	-472	-13.04	457,443	746,269	288,826	63.14
Essential oils	3,361	2,116	-1,245	-37.05	Tonne	36,380	16,212	-20,168	-55.44	92,398	130,521	38,123	41.26
Insecticides and fungicides	501	465	-36	-7.27	Tonne	2,156	1,859	-297	-13.78	232,581	250,134	17,554	7.55
Leather	387	486	99	25.65	Tonne	3,899	5,915	2,016	51.71	99,203	82,164	-17,039	-17.18
Wood manufactures n.e.s	384	388	5	1.25	Tonne	1,814	2,110	295	16.28	211,383	184,062	-27,321	-12.92
Paper and paperboard	618	713	95	15.38	Tonne	14,074	13,874	-200	-1.42	43,908	51,391	7,484	17.04
Textile yarn	303	488	185	61.06	Tonne	1,361	2,814	1,453	106.76	222,623	173,419	-49,204	-22.10
Cement	1,248	1,358	110	8.82	Tonne	283,717	301,157	17,440	6.15	4,398	4,509	111	2.52
Iron and steel	2,757	2,605	-152	-5.53	Tonne	77,372	64,891	-12,481	-16.13	35,639	40,144	4,505	12.64
Metal containers	193	97	-95	-49.58	Tonne	1,969	645	-1,325	-67.27	97,771	150,614	52,843	54.05
Wire products: nails screws, nuts, etc.	181	113	-68	-37.58	Tonne	3,629	2,301	-1,328	-36.59	49,879	49,103	-777	-1.56
Footwear	1,121	1,140	19	1.66	' 000' Pairs	30,113	28,747	-1,366	-4.54	37,239	39,656	2,418	6.49
Articles of plastics	1,573	2,104	531	33.75	-	-	-	-	-	-	-	-	-
All other Commodities	15,831	15,476	-4,714	-29.78	-	-	-	-	-	-	-	-	-
TOTAL	**115,406**	**119,764**			**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

* Excluding Re-exports

** Provisional

Table 7.9: Import Change in Value, Quantity and Price, 1999 - 2000

Commodity	Value (Ksh. million)				Quantity					Price per Unit (KSh.)			
	1999	*2000**	*Change*	*%-change*	*Unit*	*1999*	*2000**	*Change*	*%-change*	*1999*	*2000**	*Change*	*%-change*
Wheat, unmilled	5,899	6,989	1,090	18	Tonne	578,543	636,045	57,502	10	10,196	10,988	792	8
Rice	1,013	1,968	954	94	Tonne	53,358	105,803	52,445	98	18,993	18,598	-395	-2
Maize	906	4,664	3,759	415	Tonne	73,520	409,416	335,896	457	12,317	11,393	-924	-7
Wheat flour	194	180	-14	-7	Tonne	13,777	10,512	-3,265	-24	14,081	17,144	3,063	22
Sugars, molasses and honey	1,468	2,730	1,262	86	Tonne	62,917	119,417	56,501	90	23,332	22,862	-471	-2
Textile fibres and their waste	4,747	1,636	-3,111	-66	Tonne	18,829	18,913	84	0	252,112	86,514	-165,598	-66
Second hand clothing	3,695	2,360	-1,335	-36	Tonne	50,274	47,956	-2,318	-5	73,497	49,217	-24,280	-33
Crude petroleum	22,355	41,907	19,552	87	Tonne	2,139,253	2,452,336	313,083	15	10,450	17,089	6,639	64
Petroleum products	18,433	21,773	3,340	18	Mn. Lt.	1,563	1,548	-15	-1	11,789,914	14,064,097	2,274,183	19
Animal/vegetable fats and oils	9,184	8,016	-1,168	-13	Tonne	263,956	270,450	6,495	2	34,794	29,639	-5,155	-15
Organic & inorganic chemicals	4,418	4,546	128	3	Tonne	54,330	81,934	27,604	51	81,318	55,478	-25,839	-32
Medicinal & pharmaceuticals products	6,373	5,976	-398	-6	Tonne	6,032	6,341	309	5	1,056,550	942,387	-114,163	-11
Essential oils & pefumes	1,652	1,583	-69	-4	Tonne	9,343	6,758	-2,586	-28	176,779	234,285	57,506	33
Chemical fertilizers	5,488	5,448	-40	-1	Tonne	345,180	337,524	-7,656	-2	15,899	16,141	242	2
Plastics in primary & non-primary forms	7,083	8,446	1,363	19	Tonne	122,978	114,337	-8,641	-7	57,598	73,871	16,273	28
Paper and paperboard	2,305	2,613	308	13	Tonne	49,794	89,212	39,418	79	46,293	29,289	-17,004	-37
Iron and steel	9,103	8,604	-499	-5	Tonne	361,835	298,204	-63,631	-18	25,157	28,852	3,695	15
Non-ferrous metals	2,153	2,404	251	12	Tonne	18,581	16,382	-2,199	-12	115,854	146,718	30,864	27
Hand & machine tools	861	792	-68	-8	"000"No	9,246	10,057	811	9	93,089	78,794	-14,295	-15
Industrial machinery	30,753	39,438	8,685	28	-	-	-	-	-	-	-	-	-
Agricultural machinery and tractors	1,247	966	-280	-22	-	-	-	-	-	-	-	-	-
Road motor vehicles	11,906	9,659	-2,247	-19	Nos.	55,988	16,661	-39,327	-70	212,649	579,732	367,083	173
All other commodities	55,165	65,106	9,940	-91	-	-	-	-	-	-	-	-	-
GRAND TOTAL	**206,401**	**247,804**	**41,404**	**20**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

* Provisional

Composition of Exports

7.17. Composition of domestic exports classified by Broad Economic Category (BEC) is presented in Table 7.10. In 2000, share of food and beverages export earnings stood at 56.3 per cent, of which 84.3 per cent export earnings were from primary products. Non-food industrial supplies constituted 19.1 per cent of total domestic exports compared to 17.9 per cent in 1999 and 18.3 per cent in 1998. Contribution to total domestic export earnings by transport equipment drastically dropped by almost a half from KSh 998.2 million in 1999 to KSh 557.0 million in 2000, constituting less than one per cent of the total export earnings. Export earnings from fuel and lubricants contributed 8.5 per cent of domestic export earnings.

7.18. Export earnings from non-food industrial supplies increased significantly by 11.7 per cent from KSh 20,511 million in 1999 to KSh 22,921 million in 2000. Export earnings from machinery and other capital equipment dropped by more than a half mainly due to reduction in exports of agricultural machinery and air pumps. Its share contribution remained at less than one per cent. Export earnings from primary food and beverages increased by 8.9 per cent while earnings from processed food and beverages decreased by 15.6 per cent. Export earnings from consumer goods not elsewhere specified, which has been consistently on the rise, almost remained unchanged.

Composition of Imports

7.19. Imports classified by Broad Economic Category are detailed in Table 7.11. Apart from consumer goods not elsewhere specified, all other import categories recorded growths. Imports of industrial supplies accounted for 27.4 per cent of total imports in 2000 compared to 32.6 per cent in 1999. Imports of transport equipment went up by 40.9 per cent in 2000 after declining by 5.3 per cent the previous year. This was mainly as a result of importation of private aircraft and related spare parts. However in this category, passenger motor vehicles and parts and accessories declined. The 85.2 per cent increase in primary fuel and lubricants is attributed to 87.5 per cent increase in the value of crude petroleum imported. On the other hand, imports of primary food and beverages for industry increased by 14.1 per cent as that of household consumption more than doubled. Processed food and beverages for industry reduced by 4.3 per cent, while those for household consumption went up by almost half. Generally, imports of food and beverages grew by 26.2 per cent.

Table 7.10: Domestic Exports by broad economic category, 1996 - 2000

Ksh million

DESCRIPTION	1996	1997	1998	1999	2000*
1 FOOD AND BEVERAGES	60,228.2	61,457.4	65,666.4	64,731.3	67,390.3
Primary	43,454.4	46,187.8	51,132.0	52,183.0	56,804.1
For Industry	16,622.4	17,284.8	12,957.0	12,119.0	11,805.5
For Household Consumption	26,832.0	28,903.0	38,175.0	40,064.0	44,998.5
Processed	16,773.8	15,269.6	14,534.4	12,548.3	10,586.2
For Industry	4,684.2	3,989.6	3,495.6	2,244.0	965.0
For Household Consumption	12,089.6	11,280.0	11,038.8	10,304.3	9,621.2
2. INDUSTRIAL SUPPLIES (Non-Food) ..	29,692.2	25,643.8	20,913.6	20,511.0	22,921.3
Primary	18,864.8	6,408.2	4,911.2	6,322.0	6,436.8
Processed	10,827.4	19,235.6	16,002.4	14,189.0	16,484.5
3. FUEL AND LUBRICANTS	7,559.8	10,318.4	10,448.8	9,430.0	10,241.4
Primary	0.4	6.2	4.8	3.0	4.6
Processed	7,559.4	10,312.2	10,444.0	9,427.0	10,236.9
Motor Spirit	2,241.8	3,482.6	4,176.0	4,429.0	3,629.5
Other	5,317.6	6,829.6	6,268.0	4,998.0	6,607.4
4. MACHINERY & OTHER CAPITAL EQUIPMENT ..	1,019.4	653.0	1,033.4	1,445.0	597.5
Machinery & Other Capital Equipment ..	577.6	522.0	873.0	1,345.0	431.9
Parts and Accessories	441.8	131.0	160.4	100.0	165.6
5. TRANSPORT EQUIPMENT	522.8	482.4	725.8	998.2	557.0
Passenger Motor Vehicles	52.2	0.0	0.0	392.0	149.2
Other	121.8	39.4	177.6	123.0	116.7
For Industry	113.4	36.0	166.4	56.0	98.7
Non-Industrial	8.4	3.4	11.2	67.0	18.0
Parts and Accessories	348.8	443.0	548.2	483.2	291.0
6. CONSUMER GOODS NOT ELSEWHERE SPECIFIED	14,903.6	15,904.4	15,657.0	18,291.0	18,044.6
Durable	424.2	191.8	261.8	321.0	274.2
Semi-Durable	7,482.8	3,962.6	3,172.0	4,056.0	3,912.6
Non-Durable	6,996.6	11,750.0	12,223.2	13,914.0	13,857.8
7. GOODS NOT ELSEWHERE SPECIFIED ..	0.0	0.0	0.4	0.0	11.6
TOTAL	**113,926.0**	**114,459.4**	**114,445.4**	**115,406.0**	**119,763.7**
PERCENTAGE SHARES:					
1. Food and Beverages	52.87	53.69	57.38	55.87	56.27
2. Industrial Supplies (Non-Food)	26.06	22.40	18.27	17.86	19.14
3. Fuel and Lubricants	6.64	9.01	9.13	8.21	8.55
4. Machinery and other Capital Equipment ..	0.89	0.57	0.90	1.26	0.50
5. Transport Equipment	0.46	0.42	0.63	0.87	0.47
6. Consumer Goods not elsewhere specified	13.08	13.90	13.68	15.93	15.07
7. Goods not elsewhere specified	-	-	0.00	0.01	0.01
TOTAL	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

* Provisional

Table 7.11: Total Imports by broad Economic category, 1996 - 2000

Ksh. million

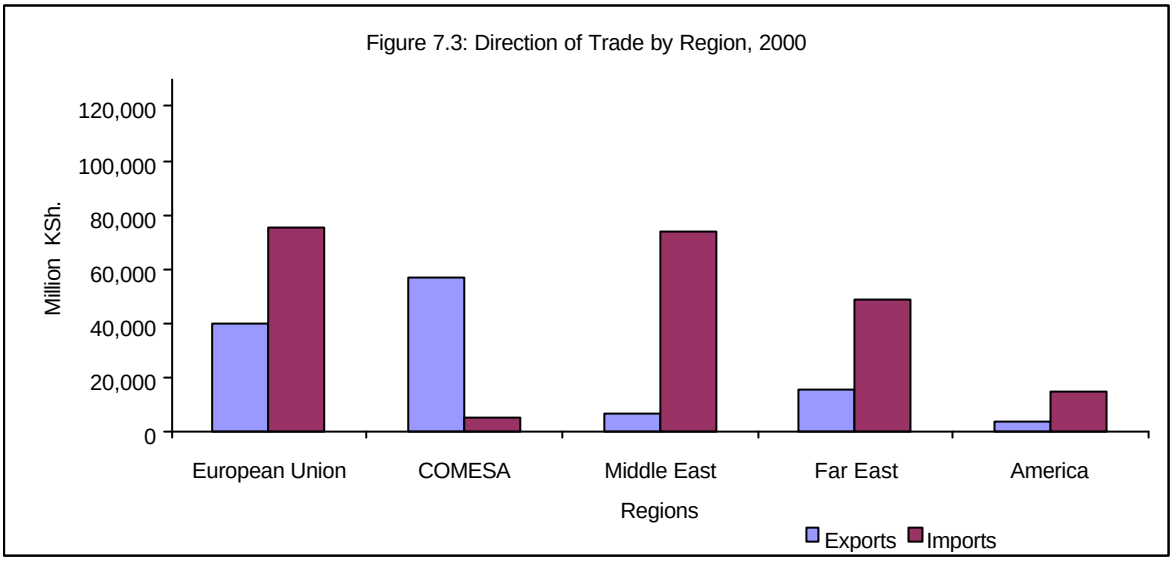
DESCRIPTION	1996	1997	1998	1999	2000*
1. FOOD AND BEVERAGES	12,957	12,627	17,011	15,145	19,110
Primary	6,862	5,330	5,847	6,930	8,678
For Industry	6,521	4,538	5,101	6,263	7,148
For Household Consumption	341	792	746	667	1,530
Processed	6,095	7,297	11,164	8,215	10,431
For Industry	2,859	3,645	5,024	3,303	3,160
For Household Consumption	3,236	3,652	6,140	4,912	7,271
2. INDUSTRIAL SUPPLIES (Non-Food)	61,672	75,786	66,910	67,362	67,955
Primary	4,269	15,333	9,073	5,019	4,347
Processed	57,403	60,452	57,837	62,343	63,608
3. FUEL AND LUBRICANTS	27,110	29,558	31,911	41,644	63,311
Primary	14,007	17,359	15,273	22,787	42,198
Processed	13,102	12,199	16,639	18,857	21,113
Motor Spirit	2,548	2,570	4,503	3,303	2,287
Other	10,554	9,629	12,136	15,554	18,826
4. MACHINERY AND OTHER CAPITAL EQUIPMENT	30,594	32,246	34,867	33,739	39,227
Machinery and Other Capital Equipment	13,139	23,624	26,587	24,083	30,599
Parts and Accessories	17,454	8,622	8,280	9,656	8,628
5. TRANSPORT EQUIPMENT	24,298	27,505	30,998	29,346	41,356
Passenger Motor Vehicles	12,109	6,294	6,459	6,618	4,765
Other	11,398	14,993	16,530	15,060	29,160
Industrial	10,870	14,454	15,743	14,309	28,161
Non-Industrial	528	539	787	751	999
Parts and Accessories	791	6,218	8,009	7,667	7,431
6. CONSUMER GOODS NOT ELSEWHERE SPECIFIED	11,508	12,268	15,525	18,010	15,839
Durable	3,497	2,370	2,729	4,053	2,907
Semi-Durable	5,300	2,509	3,247	3,985	3,820
Non-Durable	2,711	7,389	9,548	9,972	9,112
7. GOODS NOT ELSEWHERE SPECIFIED	348	684	567	1,155	1,007
TOTAL	**168,486**	**190,674**	**197,789**	**206,401**	**247,804**
PERCENTAGE SHARES:					
1. Food and Beverages	7.69	6.62	8.60	7.34	7.71
2. Industrial Supplies (Non-Food)	36.60	39.75	33.83	32.64	27.42
3. Fuel and Lubricants	16.09	15.50	16.13	20.18	25.55
4. Machinery and other Capital Equipment	18.16	16.91	17.63	16.35	15.83
5. Transport Equipment	14.42	14.43	15.67	14.22	16.69
6. Consumer Goods not elsewhere specified ..	6.83	6.43	7.85	8.73	6.39
7. Goods not elsewhere specified	0.21	0.36	0.29	0.56	0.41
TOTAL	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

* Provisional

Direction of Trade

7.20. African countries continue to be the dominant market for Kenya's exports followed by the European Union (EU) as depicted in Table 7.12, next page. In 2000, the market share of total exports to African countries and EU stood at 46.0 per cent and 29.8 per cent respectively. The share of total exports to the EU reduced by 1.3 percentage points while that to African countries reduced by less than one percentage point. Exports to the Far East and Middle East edged upward and accounting for 11.6 per cent and 4.9 per cent of total exports respectively.

Figure 7.3: Direction of Trade by Region, 2000



7.21. Exports to the EU in 2000 increased by 4.9 per cent, while exports to Middle East, went up by 21.1 per cent. Exports to Uganda and Tanzania jointly accounted for 26.2 per cent of total exports. Exports to Tanzania declined by 19.4 per cent mainly due to drastic drop in exports of margarine and shortening, soaps and animals and vegetable oils, while exports to Uganda increased by 14.1 per cent.

7.22. The European Union continues to be one of the major sources of Kenya's imports with 30.5 per cent share of total imports (See Table 7.13, page 108). Imports from Tanzania almost doubled while those from Uganda increased by more than one half. Imports from South Africa dropped marginally by 3.2 per cent, but still constituted 72.9 per cent of total imports from the Africa. The share of imports from the Middle East rose from 20.9 per cent in 1999 to 29.7 per cent in 2000 while that of Far East dropped from 23.2 per cent to 19.8 per cent over the same period. Imports from the Middle East increased by almost three quarters due to the surge in import value of crude petroleum from Saudi Arabia and United Arab Emirates. There was a significant decrease of 18.4 per cent in imports from Japan due to a drop in value of imported motor vehicles from KSh 7,418 million in 1999 to KSh 5,654 million in 2000 as the number of units imported dropped from 55,988 to 16,661. This could partly be attributed to anti dumping duty imposed on imported second hand motor vehicles.

Table 7.12: Total exports by destination, 1996 - 2000

Ksh million

CONTINENT/COUNTRY	1996	1997	1998	1999	2000*
EUROPE					
WESTERN EUROPE:					
European Union:					
Belgium..	2,186	1,874	1,705	1,570	1,844
Finland	974	1,159	480	550	342
France	1,981	2,571	1,890	2,290	2,143
Germany, ...	8,820	7,651	5,550	5,773	5,577
Italy	2,072	2,254	1,748	1,650	1,519
Netherlands	6,393	5,693	5,284	6,152	7,293
Spain	1,366	894	756	567	510
Sweden	1,187	1,813	1,428	1,338	915
United Kingdom	12,332	13,884	16,228	17,014	18,655
Other	1,764	1,631	1,279	1,241	1,230
Total	**39,076**	**39,424**	**36,347**	**38,146**	**40,029**
Other Western Europe	1,345	1,395	925	983	1,162
**Total Western Europe.. .. ..

Table 7.13: Imports by country of origin, 1996 - 2000

KSh million

CONTINENT/COUNTRY	1996	1997	1998	1999	2000*
EUROPE					
WESTERN EUROPE:					
European Union.					
Belgium..	5,185	3,534	3,110	3,008	5,433
Finland	917	1,011	1,577	1,480	2,106
France	8,258	7,110	8,032	6,735	8,297
Germany, ...	10,246	12,728	11,139	11,210	8,714
Italy	5,494	4,635	5,103	4,815	7,206
Netherlands	4,784	4,759	5,396	5,030	8,674
Spain	1,267	1,708	1,030	2,336	1,691
Sweden	1,659	1,609	1,569	1,691	1,811
United Kingdom	22,265	21,557	24,355	23,123	25,136
Other	3,723	3,337	3,075	3,543	6,585
Total	**63,797**	**61,989**	**64,385**	**62,971**	**75,653**
Other Western Europe	3,587	2,776	3,504	3,565	3,553
Total Western Europe..	**67,384**	**64,764**	**67,473**	**66,536**	**79,205**
EASTERN EUROPE:					
Poland	131	103	44	47	53
Romania	348	416	126	167	346
Other	1,611	1,697	2,117	3,083	4,683
Total	**2,090**	**2,217**	**2,287**	**3,296**	**5,082**
TOTAL EUROPE	**69,474**	**66,981**	**69,760**	**69,831**	**84,287**
AMERICA					
U.S.A	8,802	14,110	16,509	13,190	10,084
Canada	1,792	1,593	1,393	1,735	986
Other	1,880	2,513	1,086	4,063	3,716
TOTAL AMERICA	**12,474**	**18,216**	**18,988**	**18,988**	**14,785**
AFRICA					
South Africa	12,773	21,753	14,198	17,134	16,586
Tanzania	928	865	610	480	928
Uganda	30	467	60	307	515
Other**	2,451	5,832	2,472	4,377	4,717
TOTAL AFRICA	**16,181**	**28,917**	**17,339**	**22,298**	**22,746**
ASIA					
MIDDLE EAST:					
Iran	122	691	555	1,345	1,452
Israel	1,410	1,623	1,456	1,431	2,198
Jordan	1	2	127	34	78
Saudi Arabia	8,470	10,216	12,384	10,873	15,004
United Arab Emirates	13,860	19,012	17,810	25,529	48,212
Other	3,316	1,142	3,571	3,860	6,561
Total	**27,179**	**32,686**	**35,903**	**43,072**	**73,505**
FAR EAST					
China	2,906	3,717	4,139	4,786	7,755
India	9,613	8,209	8,649	8,995	10,139
Indonesia	6,652	6,317	3,060	1,651	2,706
Japan	12,508	14,360	15,675	15,336	12,514
Korea South	2,318	1,795	2,647	3,203	2,861
Pakistan	550	1,008	1,006	609	864
Singapore	2,225	1,975	1,331	4,278	4,776
Other	4,664	4,021	9,690	9,115	7,548
Total..	**41,436**	**41,402**	**46,196**	**47,973**	**49,164**
TOTAL ASIA	**68,615**	**74,088**	**82,099**	**91,046**	**122,669**
AUSTRALIA & OCEANIC					
Australia	1,647	2,059	1,725	2,692	2,611
Other	49	126	352	136	68
TOTAL AUSTRALIA & OCEANIC	**1,696**	**2,185**	**1,884**	**2,829**	**2,679**
All Other Countries N.E.S.	45	287	7,717	1,408	638
TOTAL	**45**	**287**	**7,717**	**1,408**	**638**
GRAND TOTAL	**168,486**	**190,674**	**197,789**	**206,401**	**247,804**

* Provisional.

** See Table 7.14 for details

7.23 Table 7.14 summarizes trade with the Common Market for Eastern and Southern Africa (COMESA) and other African countries. Exports to COMESA rose marginally by 5.5 per cent accounting for 42.1 per cent of the total value of exports in 2000. Uganda and Tanzania jointly absorbed 62.2 per cent of Kenya's total exports to the COMESA region. Major exports to Uganda were petroleum products, plastic articles, paper products, cement, textiles, medicinal products and footwear. Major exports to Tanzania were petroleum products, plastic articles, chewing gum, medicinal products, tobacco, paper and paperboard, and footwear. Tea was the dominant export to Egypt and Sudan.

7.24. The value of imports from COMESA countries rose by 45 per cent in 2000. Imports from Tanzania, Uganda, Zambia, Zimbabwe and Democratic Republic of Congo recorded exceptionally high increases. Major imports from Uganda were fresh vegetable and tobacco manufactures, while from Tanzania articles of plastics, cotton, glassware, animal feeds, and maize were the main imports. Tobacco was the principal import from Democratic Republic of Congo and Zimbabwe. Maize and milk and cream were the major imports from Zambia and Zimbabwe. Imports from South Africa dropped by 3.2 per cent though she still dominated on the African countries, with a share of 72.9 per cent. Imports from South Africa were maize, sugars, petroleum products, paper and paperboard, motor vehicles, fertilizers and medicinal products.

Table 7.14: Trade with African countries, 1996 - 2000

KSh. '000 '

ZONES/COUNTRIES	TOTAL EXPORTS					IMPORTS				
	1996	1997	1998	1999	2000*	1996	1997	1998	1999	2000*
COMESA										
EAST AFRICAN COMMUNITY (EAC)										
Tanzania	15,507,661	15,789,648	16,116,362	13,766,581	11,092,107	927,976	864,566	212,569	480,050	927,724
Uganda	17,730,421	16,571,110	19,466,334	21,189,072	24,186,092	29,694	467,212	59,738	307,012	515,402
Sub-Total	**33,238,082**	**32,360,758**	**35,582,695**	**34,955,653**	**35,278,198**	**957,670**	**1,331,778**	**272,307**	**787,062**	**1,443,126**
OTHERS:										
Angola	42,523	15,026	13,817	37,001	6,474	-	146	264	3,234	1,359
Burundi	407,130	314,411	273,599	794,397	898,562	3,155	183	-	7,568	1,070
Comoros	180,231	195,971	194,866	435,551	730,890	-	-	-	-	18
Congo, D.R	1,911,928	2,243,855	2,014,776	2,031,041	3,042,502	39,170	186,447	7,544	88,708	250,892
Djibouti	93,835	201,858	160,307	120,555	315,960	13,759	8,018	2,794	17,604	13,421
Egypt**	4,295,640	3,062,209	5,693,646	6,739,154	7,107,444	360,863	265,740	243,210	1,372,837	1,597,319
Eritrea	174,416	153,713	228,709	207,522	453,751	-	408	50,358	6,028	177
Ethiopia	2,290,418	2,072,657	1,535,040	1,412,371	2,056,609	2,879	610,309	70,485	7,042	63,463
Madagascar	216,859	223,467	127,753	62,835	104,019	17,217	7,353	2,847	2,220	12,672
Malawi	287,592	337,036	410,672	338,753	177,944	1,733	5,478	6,272	20,916	206,592
Mauritius	606,272	847,816	408,848	188,161	152,555	161,758	264,743	590,280	476,024	404,149
Namibia	330,602	329,498	2,246	3,606	2,369	19,047	3,527	10,176	49,631	10,128
Rwanda	2,130,005	3,560,410	3,037,229	3,110,314	3,504,082	5,514	173,215	8,508	3,542	2,719
Seychelles	227,327	233,806	144,685	124,685	239,623	3,006	8,170	3,658	645	23,504
Sudan	1,341,319	1,866,306	2,989,538	2,705,420	2,191,440	1,418	338,926	103,066	13,890	24,596
Swaziland	2,526,135	2,530,829	15,385	881	3,614	2,973	19,272	90,772	139,457	208,531
Zambia	243,328	278,793	228,520	141,756	168,000	264,154	149,100	126,898	214,929	310,943
Zimbabwe	419,371	520,057	544,139	321,368	244,500	275,065	3,295,423	515,727	373,049	633,483
Sub-Total	**17,724,931**	**18,987,717**	**18,023,774**	**18,775,368**	**21,400,339**	**1,171,712**	**5,336,458**	**1,832,859**	**2,797,326**	**3,765,036**
Total, COMESA	**50,963,013**	**51,348,474**	**53,606,469**	**53,731,022**	**56,678,538**	**2,129,382**	**6,668,236**	**2,105,166**	**3,584,388**	**5,208,162**
OTHER COUNTRIES										
Algeria & Libya	36,874	65,102	158,137	17,590	27,940	1,001,124	-	3,741	6,343	203
Ghana & Nigeria	312,199	179,702	169,638	179,201	686,717	80,266	120,006	81,847	167,121	68,052
Lesotho	4,725	13,591	-	164	-	399	577	-	-	-
Mozambique	245,560	89,426	55,784	44,203	133,024	-	139,957	6,970	90,576	174,472
Reunion	270,636	245,895	302,776	353,823	303,287	1,302	292	181	6,275	1,319
Somalia	2,413,263	2,000,437	1,842,335	2,051,513	2,940,278	7,278	614	3,041	1,108	5,032
South Africa	2,457,597	1,075,055	937,916	477,483	614,586	12,772,628	21,753,245	14,197,593	17,134,097	16,585,575
All Other African Countries	646,514	1,180,619	554,265	470,594	550,215	189,085	234,282	940,754	1,097,434	702,939
Sub-Total	**6,387,368**	**4,849,827**	**4,020,852**	**3,594,570**	**5,256,047**	**14,052,082**	**22,248,973**	**15,234,126**	**18,502,954**	**17,537,593**
TOTAL AFRICA	**57,350,381**	**56,198,302**	**57,627,321**	**57,325,592**	**61,934,585**	**16,181,464**	**28,917,209**	**17,339,292**	**22,298,459**	**22,745,755**
Percentage of all Exports/Imports	48.5	46.7	47.6	46.8	46.0	9.6	15.2	8.8	10.8	9.2

* Provisional

** Egypt joined COMESA in 1998

Note : Tanzania ceased to be a member of COMESA in september 2000

Import Duty

7.25. Values of import duty collected on commodities classified by Standard International Trade Classification (SITC) sections are summarized in Table 7.15. Import duty collected rose marginally by 1.7 per cent despite a 20.1 per cent rise in total imports. This was largely due to a sudden rise in import volume of jet fuel, which attracts no customs duty and generators to boost power supply, which either attracted low duty or were zero-rated. The amount realized from mineral fuels and machinery and transport equipment constituted 23.5 per cent and 25.7 per cent respectively while that from food and live animals accounted for 19.8 of the total amount collected.

Table 7.15: Import Duty, 1996-2000

KSh Million

Description	1996	1997	1998	1999	2000*
Food and live animals..	1,979.10	2,122.06	4,198.62	4,264.09	5,321.46
Beverages and tobacco..	101.26	111.90	110.26	129.53	158.09
Crude materials, inedible,except fuels..	287.36	362.26	745.42	751.15	1,212.75
Mineral fuels..	4,423.86	4,220.86	5,897.62	6,307.79	6,326.64
Animal and vegetable oils and fats..	886.18	795.66	808.86	826.43	386.75
Chemicals..	1,870.96	1,713.04	1,676.46	1,741.02	1,527.06
Manufactured goods	3,397.92	3,232.64	3,403.54	3,914.53	3,313.38
Machinery and transport equipment..	6,424.28	6,589.60	6,679.16	6,752.45	6,910.34
Miscellaneous manufactured articles..	1,045.68	1,083.52	1,283.02	1,741.76	1,724.89
Miscellaneous transactions and commodities	0.02	0.74	-	0.42	0.04
Total..	**20,416.62**	**20,232.28**	**24,802.96**	**26,429.17**	**26,881.40**

* Provisional

Balance of Payments

7.26. The three-year time series of balance of payments estimates up to the year 2000 are detailed in Table 7.16. The current account deteriorated to a deficit of KSh 18,145 million from a deficit of KSh 6,875 million in 1999 as a result of higher imports value and reduced earnings from the tourism sector. The visible trade deficit widened to KSh 96,785 million in 2000 compared to a deficit of KSh 69,143 million in 1999 while the invisible trade balance excluding transfers recorded a surplus of KSh 8,379 million in 2000 compared to a surplus of KSh 14,408 million in 1999. Transfers to the private and public sectors shot up by KSh 22,402 million to KSh 70,262 million in 2000 reflecting increased inflow of grants towards relief efforts following the severe drought spell in the year.

7.27. The capital and financial account also deteriorated in 2000 to register a smaller surplus of KSh 17,844 million compared to 1999 and 1998 surpluses of KSh 23,019 million and KSh 37,285 million respectively. The smaller surplus was occasioned mainly by net portfolio investment out flows and reduced short-term capital inflows. However, long-term capital inflows increased to KSh 16,233 million in 2000 reflecting disbursements to support Poverty Reduction and Growth Programme from KSh 9,006 million and KSh 14,743 million in 1999 and 1998 respectively.

7.28 Trading in the foreign investment portfolios at the Nairobi Stock Exchange was characterized by net capital outflows throughout 2000, which in turn influenced the portfolio investment account, to record a net outflow of KSh 1,096 million.

Table 7.16: Balance of payments, 1998 - 2000

KSh. million

	1998+			1999+			2000*		
	Liabilities	Assets	Net	Liabilities	Assets	Net	Liabilities	Assets	Net
A. -CURRENT ACCOUNT									
1. Goods	121,762	182,834	-61,072	122,973	192,116	-69,143	135,089	231,874	-96,785
2. Transportation	18,457	18,653	-196	26,433	16,596	9,837	31,318	26,016	5,303
3. Foreign Travel	17,509	11,463	6,046	21,367	8,059	13,308	19,593	10,018	9,574
4. Other Services - Private	2,098	8,057	-5,959	2,868	10,865	-7,997	2,524	14,644	-12,120
5. Government Services, n.i.e.	12,069	3,766	8,304	15,052	4,596	10,456	20,275	4,514	15,761
6. Income	2,490	12,958	-10,468	2,230	13,426	-11,196	3,426	13,566	-10,140
7. Current Transfers	34,929	272	34,657	48,194	334	47,860	70,582	320	70,262
Government	3,101	-	3,101	2,216	-	2,216	8,473	-	8,473
Private	31,828	272	31,556	45,978	334	45,644	62,109	320	61,788
TOTAL CURRENT ACCOUNT	**209,314**	**238,002**	**-28,688**	**239,117**	**245,992**	**-6,875**	**282,807**	**300,953**	**-18,145**
of which:									
Visible Balance	121,762	182,834	-61,072	122,973	192,116	-69,143	135,089	231,874	-96,785
Invisible Balance	87,552	55,168	32,383	116,144	53,876	62,268	147,719	69,079	78,640
B. - CAPITAL & FINANCIAL ACCOUNT									
8.Capital Account	5,091	-	5,091	3,894	-	3,894	3,775	-	3,775
9.Direct Investment	689	-	689	972	-	972	8,448	-	8,448
10.Portfolio Investment	80	-	80	-560	-	-560	-269	828	-1,096
11.Other Investment	62,876	31,451	31,425	55,015	36,302	18,713	40,342	33,625	6,717
Long Term	14,743	28,772	-14,029	9,006	31,075	-22,069	16,233	33,225	-16,992
Short Term	48,134	2,679	45,454	46,009	5,227	40,782	24,110	401	23,709
TOTAL CAPITAL & FINANCIAL ACCOUNT	**68,737**	**31,451**	**37,285**	**59,321**	**36,302**	**23,019**	**52,297**	**34,453**	**17,844**
C. -ERRORS AND OMISSIONS			**-8,887**			**-15,734**			**8,545**
D. OVERALL BALANCE			-290			411			8,244
E. RESERVE ASSETS									
12.Special Drawing Rights	-		-	-		-	-		-
13.Reserve Position in the Fund	-43		-43	96		96	62		62
14.Foreign Exchange	348		348	-515		-515	-8,291		-8,291
15.Other claims	-14		-14	8		8	-14		-14
Total Foreign Reserves	**290**		**290**	**-411**		**-411**	**-8,244**		**-8,244**

* *Provisional.*

** *Official reserves are now defined to exclude Commercial Banks' foreign assets.*

\+ *Revised.*

7.29. Other details of the Balance of Payments are set out in Table 7.17. Adjusted exports of goods expanded by KSh 12,116 million while the adjusted imports of goods bill increased by KSh 39,758 million. Net services and income earnings dropped by KSh 6,029 million in 2000 compared with an increase of KSh 16,681 million in 1999. The reduced net earnings from tourism and transportation resulted in decrease in services and income accounts. The changes in current account and net long-term capital flows led to a deficit in the basic balance of KSh 628 million in 2000 compared to a deficit of KSh 12,220 million in 1999.

Table 7.17: Changes in Kenya Balance of Payments Magnitudes , 1998 -2000

KSh Million

	1998**	1999**	2000*
1. Exports of Goods	+624	+1,211	+12,116
2. Imports of Goods	-9,667	-9,282	-39,758
3. Services & Income (net)	+6,153	+16,681	-6,029
4. Current Transfers(net)	+1,030	+13,203	+22,401
5 Changes on current account	-1,859	+21,814	-11,270
6. Capital account	+580	-1,197	-119
7. Direct investment	-340	+283	+7,476
8. Portfolio investment	-1,927	-640	-536
9. Other investment - Long term	+5,562	-8,040	+5,077
10. Change on basic balance (net balance on lines 5-9)	+2,016	+12,220	+628
11. Other investment - Short term	+13,757	-4,672	-17,073
12. Errors and ommisions (net)	-11,825	-6,847	+24,279
13 Net change on all above items (5 - 10) (Net changes on Reserves assets)	+3,948	+700	+7,833

* Provisional.

** Revised

1 A positive entry indicates a change that improves the balance of payments outcome; a negative entry indicates a change worsening the BOP outcome. Thus, an increase in imports or reduction in exports are marked as negative entries.

2 Exports and imports of goods are derived from Goods Account.

International Liquidity

7.30 Table 7.18 shows foreign assets of the Monetary Authorities. Total net foreign reserves of Monetary Authorities steadily rose in the year to stand at KSh 55,945 million in December 2000 from KSh 46,353 million in December 1999. Gross foreign reserves of Central Bank increased from KSh 56,041 million in 1999 to KSh 66,570 million partly due to rescheduling of government loan repayments under the Paris Club Framework. The reserve position in the Fund stood at KSh 1,263 million as at December 2000. The holding of SDRs declined substantially from KSh 177 million in December 1999 to KSh 21 million in December 2000. The total foreign liability of the banking system stood at KSh 27,482 million at the end of 2000 compared to KSh 29,262 million at the end of 1999.

Table 7.18: Central Monetary Authorities: Foreign Exchange Reserves, 1997 - 2000

KSh. Million

As at end of	Central Bank Of Kenya					Central Government			Total Net Foreign Reserves of Central Monetary Authorities
	S.D.R.'s	Foreign Reserves	External Banks' Deposits	Use of Fund Credit	Total Net Foreign Reserves of Central Bank*	Reserve Position in IMF	Other Holdings	Total Net Foreign Reserves of Central Government	
1997..	86	48,128	19	15,797	32,436	1,046	19	1,064	33,500
1998..	36	46,980	89	14,448	32,657	1,070	31	1,100	33,757
1999..	177	56,041	79	11,213	45,084	1,241	28	1,269	46,353
2000..									
January ..	168	56,041	86	11,445	44,849	1,215	22	1,237	46,086
February ..	39	60,869	152	11,421	49,640	1,221	19	1,240	50,880
March	40	59,983	299	11,354	48,969	1,251	53	1,303	50,272
April	40	59,883	147	11,197	48,873	1,226	47	1,273	50,146
May	45	61,675	131	10,813	51,038	1,257	42	1,299	52,337
June	66	61,470	113	10,230	51,418	1,295	35	1,330	52,748
July	62	59,252	83	10,131	49,266	1,215	29	1,244	50,509
August ..	22	65,512	97	11,113	54,518	1,255	25	1,280	55,798
September	23	66,205	97	11,113	55,211	1,268	21	1,288	56,499
October ..	297	64,347	96	13,140	51,600	1,267	20	1,288	52,888
November .	23	66,570	96	12,907	53,783	1,267	20	1,288	55,070
December .	21	66,570	96	12,055	54,633	1,263	50	1,313	55,945

Source: Central Bank of Kenya.

* Reserves constitute foreign assets which are readily available for meeting external financial needs

7.31. Table 7.19 shows the nominal mean exchange rate of the Kenya Shilling against selected world currencies. The Shilling weakened against the US dollar by 6.5 per cent. However, it strengthened against Sterling Pound, Deutsche Mark and 100 Japanese Yen by 1.4 per cent, 1.3 per cent, and 4.8 per cent respectively. Generally, the Shilling appreciated against most of the selected world currencies in 2000. By the end of the period, the Shilling exchanged at KSh 101.7 from KSh 100.4 in 1999 to the SDR. As measured by the trade weighted exchange rate index, the Shilling strengthened by 2.1 per cent against all the selected currencies. The strength of the Shilling against Sterling Pound and Japanese yen reflected the substantial weakening of these currencies against the US Dollar in the international markets.

Table 7.19: Foreign exchange rates of Kenya Shilling for selected currencies, 1994 - 2000

	31st Dec. 1994	31st Dec. 1995	31st Dec. 1996	31st Dec. 1997	31st Dec. 1998	31st Dec. 1999	31st Dec. 2000
1 US Dollar	44.8390	55.9390	55.0211	62.6778	61.9056	72.9306	78.0361
1 Pound Sterling	69.9490	86.5590	93.0495	103.9223	103.0364	118.1058	116.4113
1 Deutsche Mark	28.8890	38.9300	35.3431	35.0413	36.8852	37.5535	37.0800
1 French Franc	8.3730	11.4070	10.5058	10.4726	11.0014	11.1969	11.1024
1 Swiss Franc	34.1350	48.5040	40.8195	43.1151	44.8502	45.7615	47.6709
1 Dutch Guilder	25.7780	34.7650	31.5221	31.0739	32.7275	33.3259	32.9112
1 Swedish Kroner	6.0300	8.3910	7.9967	7.9299	7.6254	8.5658	8.1826
1 Norwegian Kroner	6.6010	8.8160	8.5385	8.5692	8.1745	9.0868	8.7767
1 Zambian Kwacha**	0.0650	..	..	..	0.0353	0.0274	0.0173
1 Austrian Schilling	4.1150	5.5430	5.0433	4.9804	5.2449	5.3376	5.2726
1 Belgian Franc	1.4080	1.8950	1.7239	1.7037	1.7965	1.5257	1.7984
1 Danish Kronor	7.3660	10.0710	9.1951	9.1942	9.6941	9.8533	9.6953
1 Canadian Dollar	31.9310	41.0900	40.1700	43.7286	40.1036	50.2010	51.9565
1 Finish Marka	9.4470	12.8130	11.8523	11.5478	11.7583	12.3474	12.1948
1 Australian Dollar	34.5420	..	43.8243	40.9106	38.0010	47.6820	43.2317
100 Japanese Yen	44.9530	54.3800	47.3897	48.2813	53.6138	71.4283	67.9709
100 Italian Lira	2.7660	3.5480	3.6003	3.5813	3.7387	3.7883	3.7406
1 Indian Rupee	1.4340	1.6090	1.5391	1.6060	1.4584	1.6764	1.6725
1 Pakistan Rupee**	1.4420	..	1.3818	1.4085	1.3457	1.4131	1.3448
100 Burundi Francs**	18.1700	..	..	15.3500	12.2500	11.6024	9.9991
100 Rwanda Francs**	32.3200	..	..	20.5700	19.2831	20.8653	21.7353
1 SA Rand	..	..	11.7770	12.9538	10.6569	11.8391	10.3153
TSh/KSh	..	..	10.7988	9.8727	10.9463	10.9359	10.2900
USh/KSh	..	..	18.9854	18.1382	21.9868	20.6297	22.0403
Overall Weighted Index* 1982=100	419.83	551.56	510.72	527.18	542.89	607.18	594.20

* Trade weighted Fisher's Ideal index (The SA Rand, TSh, USh and other unavailable exchange rates are excluded from index computation) .

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

.. not available.

Export Market Developments

Trade Information Delivery

7.32. The Centre for Business Information in Kenya continued to provide vital information to the business community. The Centre undertook data collection exercises in fifteen countries within Africa and Middle East. The information has been collated and catalogued for access at the Centre by the business community and other stakeholders.

Product Development

7.33. The main goal of activities under the Product Development Programme is to assist producers and exporters to develop and adapt their products to suit specific market requirements. Strategies being pursued to achieve the broad objectives include:

- Studies to establish supply capacity and identify new exportable products;

- Demand studies to identify markets, establish demands, market trends, consumer preferences, appropriate packaging, entry requirements and competition in order to adapt the new products appropriately;
- Firm level assistance to provide private exporting enterprises with technical assistance to supplement in project identification and development; improvement of production techniques and quality control; product design, development and test marketing; and product packaging, branding and labelling.

7.34. In pursuance of the above strategies, it is expected that Kenya's export base will expand and that more enterprises will join the export business resulting in increased employment and wealth creation. During the year, under this pillar, the focus was in encouraging the enhancement of quality of export products through implementation of quality management systems, understanding of the market requirements and encouraging the self-regulation by industry through adherence to codes of practice.

Future Outlook

7.35. With the supply side namely drought, power shortages, water shortages and recent rises of fuel prices, the export sector should do whatever is possible to reduce production costs, to improve its competitiveness. They will need to do aggressive marketing and quality improvement to maintain share in international markets. The future is not that bleak; there are sectors where positive developments have been attained. The tourism sector has picked up. The availability and quality of telecommunications services is expanding, while the cost is expected to be more competitive. The EPC is expected to continue with its export drive, whose success owes a lot to the partnership between the public and private sectors.

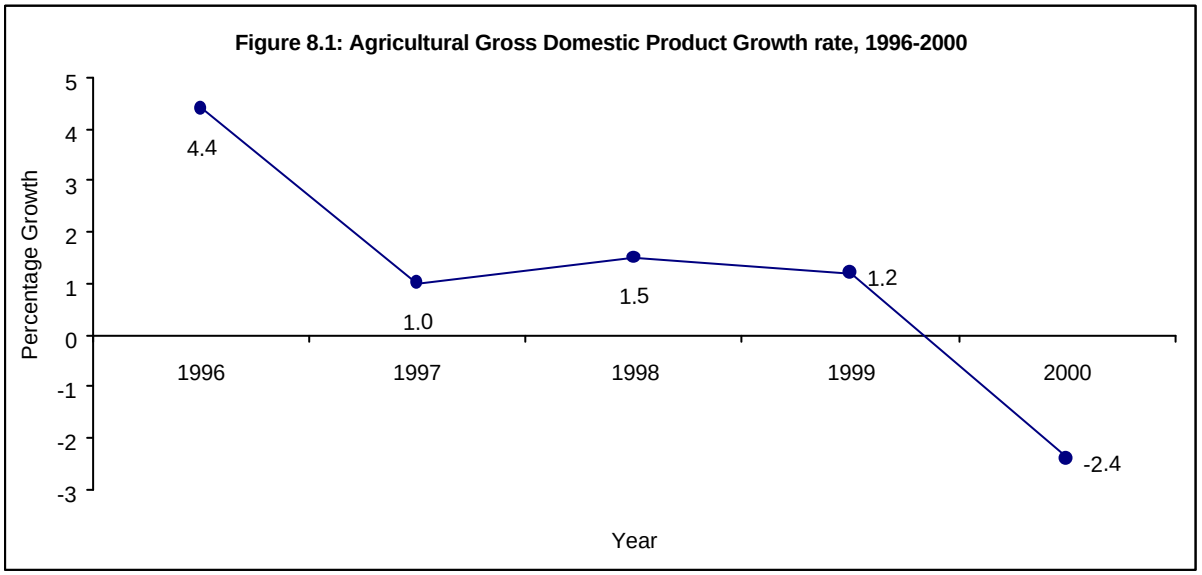
7.36. The impetus and momentum arising from the corrective measures being put in place by the Government should start bearing fruit in the near future and the economy will once more be buoyant. The Council is expected to continue co-ordinating and harmonizing export development activities so as to ensure higher sustained growth of the economy. Future efforts should focus on the consolidation and expansion of market share in our traditional markets, diversification to emerging markets and promotion of non-traditional exports in order to diversify and expand the export basket.

CHAPTER 8

AGRICULTURE

Overview

Agricultural sector GDP growth rate decelerated from 1.2 per cent in 1999 to negative 2.4 per cent in the year 2000. Factors contributing to the continued poor performance of the sector included bad weather, poor world commodity prices and poor infrastructure. Poor international coffee prices were as a result of a glut in the international market. Prices of sisal, wheat, seed cotton and milk also declined. However, prices of sugarcane, pyrethrum (extract equivalent), tea, maize and bacon pigs increased in the year. For a second consecutive year, maize production declined by 12.0 per cent from 25.0 million bags in 1999 to 22.0 million bags in 2000, resulting in the importation of 409.4 thousand tonnes of maize valued at KSh 4,700 million for relief and commercial purposes. Wheat production increased from 55.4 thousand tonnes in 1999 to 73.8 thousand tonnes in 2000. Despite management difficulties in the coffee co-operatives sub-sector, total coffee production increased from 68.1 thousand tonnes in 1998/99 crop year to 100.7 thousand tonnes in 1999/2000 crop year. Processed tea declined by 5.0 per cent from 248.7 thousand tonnes in 1999 to 236.3 thousand tonnes in 2000. The decline in tea production in 2000 was attributed to frost and low temperatures at the beginning of the year. The volume of marketed milk declined from 180 million litres in 1999 to 136.7 million litres in 2000. This was attributed to livestock deaths resulting from inadequate pasture and water. The quantity of horticulture exports increased marginally from 99.0 thousand tonnes in 1999 to 99.2 thousand tonnes in 2000. The value of horticultural exports declined by 2.1 per cent from KSh 14,200 million in 1999 to KSh 13,900 million in 2000. Horticultural exports were also constrained by limited cargo space. The sub sector was also faced with stiff competition from exports from other African countries.



8.2. Total value of agricultural output at current prices declined further by 9.9 per cent from KSh 155,574 million in 1999 to KSh 140,189 million in 2000. Total value inputs at current prices increased by 0.9 per cent from KSh 15,638 million in 1999 to KSh 15,778 million in 2000. At constant prices, total value of agricultural output decreased by 2.1 per cent from KSh 27,999 million in 1999 to KSh 27,407 million in

2000 while value of total inputs increased by 0.8 per cent from KSh 2,574 million in 1999 to KSh 2,594 million in the year 2000.

Table 8.1: Agricultural Output and Input, 1996 - 2000

KSh million

	1996	1997	1998	1999	2000*
AT CURRENT PRICES-					
Total Output	135,572.0	151,614.2	163,086.4	155,574.2	140,189.4
Less Inputs	10,912.0	13,615.4	15,068.2	15,638.0	15,778.0
Value Added	124,660.0	137,998.8	148,018.2	139,936.2	124,411.4
AT CONSTANT (1982) PRICES-					
Total Output	27,073.4	27,019.0	27,576.4	27,999.2	27,407.4
Less inputs	2,566.4	2,267.8	2,454.8	2,574.2	2,594.2
Value Added	24,507.0	24,751.2	25,121.6	25,425.0	24,813.2

* Provisional.

Marketed Production

8.3. Total recorded marketed production increased by 7.5 per cent from KSh 73,313.2 million in 1999 to KSh 78,775.0 million in 2000 as shown in Table 8.2. The total value for all crops increased by 11.3 per cent from KSh 58,269.8 million in 1999 to KSh 64,826.3 million in 2000. This was attributed to better prices for pyrethrum, maize, tea and sugar cane coupled with higher marketed production volumes for wheat and coffee. The value of marketed cereals improved by 3.7 per cent from KSh 5,414.4 million in 1999 to KSh 5,617.1 million in 2000. This was mainly due to higher prices for marketed maize. However, the quantity of marketed maize declined by 10.0 per cent from 223.5 thousand tonnes to 201.2 thousand tonnes in year 2000 as shown in Table 8.11. The values of coffee and tea increased from KSh 10,050.0 million and KSh 31,087.6 million in 1999 to KSh 11,282.0 million and KSh 35,969.8 million in 2000 respectively.

Table 8.2: Recorded Marketed Production at Current Prices, 1996 - 2000

KSh Million

	1996	1997	1998	1999	2000*
CEREALS-					
Maize	3,118.0	2,809.2	2,800.0	3,098.0	2,915.4
Wheat	2,114.0	2,198.0	2,986.0	1,006.0	1,132.9
Others	1,364.0	1,288.0	994.0	1,310.4	1,568.8
Total	6,596.0	6,295.2	6,780.0	5,414.4	5,617.1
TEMPORARY INDUSTRIAL CROPS-					
Sugar-cane	7,126.0	6,644.0	7,968.0	7,639.4	7,942.2
Pineapples	588.0	588.0	935.0	1,079.8	1,122.9
Pyrethrum	334.0	322.0	350.0	405.8	729.3
Others	316.0	704.0	727.0	846.6	734.2
Total	8,364.0	8,258.0	9,980.0	9,971.6	10,528.6
OTHER TEMPORARY CROPS	320.0	454.0	478.0	522.8	246.1
PERMANENT CROPS-					
Coffee	14,358.0	16,546.0	13,198.0	10,050.0	11,282.0
Tea	20,336.0	23,636.0	39,138.0	31,087.6	35,969.8
Sisal	546.0	786.0	796.0	874.0	809.9
Others	290.0	378.0	322.0	349.4	372.8
Total	35,530.0	41,346.0	53,454.0	42,361.0	48,434.5
TOTAL CROPS	50,810.0	56,353.2	70,692.0	58,269.8	64,826.3
LIVESTOCK AND PRODUCTS-					
Cattle and Calves ..	7,262.0	8,714.0	8,878.0	8,886.4	8,039.8
Dairy Produce ..	3,864.0	2,862.0	1,946.0	2,693.6	2,051.2
Chicken and eggs	1,384.0	1,344.0	1,400.0	1,431.4	1,540.0
Others	1,726.0	1,860.0	1,886.0	2,032.0	2,317.7
Total	14,236.0	14,780.0	14,110.0	15,043.4	13,948.7
GRAND TOTAL	65,046.0	71,133.2	84,802.0	73,313.2	78,775.0

* Provisional.

The drought in livestock producing areas resulted in livestock deaths and an over supply of weak livestock for slaughter. The consequential fall in prices of livestock and livestock products caused a 7.3 per cent decrease in total value marketed production from KSh 15,043.4 million in 1999 to KSh 13,948.7 million in 2000. The value of dairy produce sold centrally decreased by 23.8 per cent from KSh 2,693.6 million in 1999 to KSh 2,051.2 million in 2000. Likewise, the volumes declined from 180.3 million litres in 1999 to 136.7 million litres in 2000.

Table 8.3: Volume and Price Indices of sales to Marketing Boards, 1996 - 2000

1982=100

QUANTUM INDICES	1996	1997	1998	1999	2000*
Cereals	54.6	46.3	54.3	35.5	37.7
Temporary Industrial Crops ..	104.0	91.9	96.7	96.1	85.3
Permanent Crops	175.0	136.1	158.2	147.0	162.2
TOTAL CROPS	143.9	112.3	131.3	120.4	129.5
Livestock and Products	126.7	104.8	98.0	75.1	72.9
TOTAL GROSS MARKETED PRODUCTION	140.5	112.4	125.5	111.5	118.3
PRICE INDICES					
Cereals	923.2	1,151.3	1,088.5	1,161.6	1,158.7
Temporary Industrial Crops ..	646.4	650.7	792.4	794.0	1,002.9
Permanent Crops	456.0	753.0	820.0	608.3	583.5
TOTAL CROPS	568.0	803.4	854.1	729.9	744.4
Livestock and Products**	393.9	500.0	497.7	638.9	425.4
TOTAL GROSS MARKETED PRODUCTION	533.7	733.8	789.4	673.3	681.6

* Provisional.

**Data on livestock is from slaughter houses

8.4. The overall price index of sales to marketing boards increased by 8.3 points in 2000. As shown in Table 8.3, the quantum index for cereals increased from 35.5 in 1999 to 37.7 in 2000, mainly due to increases in quantity of marketed wheat. The price index for cereals decreased marginally from 1,161.6 in 1999 to 1,158.7 in 2000, mainly due to a decrease in the price of marketed wheat. The increase of 208.9 points in the price index of temporary crops could be attributed to higher prices for pyrethrum and sugar cane in 2000 compared to 1999. The price index for the total crop marketed increased from 729.9 in 1999 to 744.4 in 2000. The price index for livestock and products decreased significantly from 638.9 in 1999 to 425.4 in 2000. The decrease could be due to low prices of livestock slaughtered.

8.5. As shown in Table 8.4, the prices of coffee, sisal, wheat, beef (third grade) and seed cotton declined in the year 2000. The decline of 26.4 per cent in coffee prices was due to a glut in the international market. The prices of sugarcane, tea, and bacon pigs increased by 16.5 per cent, 21.8 per cent, and 10.5 per cent respectively. The average price of pyrethrum extract (pyrethrin) almost doubled as a result of increasing demand in the world market. The sisal price declined by 5.3 per cent from KSh 3,989.9 in 1999 to KSh 3,779.4 in 2000.

Table 8.4: Average Gross Commodity Prices* to farmers, 1996 - 2000

KSh. per stated unit

	UNIT	1996	1997	1998	1999	2000**
Coffee	100kg	13,913.6	25,150.0	25,718.0	15,632.2	11,508.7
Tea	,,	7,908.0	10,680.0	13,300.0	12,500.0	15,223.0
Sisal	,,	1,915.0	3,891.0	3,973.9	3,989.9	3,779.4
Sugar-cane	Tonne	1,553.0	1,553.0	1,730.0	1,730.0	2,015.0
Pyrethrum (extract equivalent)	Kg	3,600.0	3,600.0	5,200.0	5,200.0	9,835.0
Seed Cotton	100Kg	2,136.0	2,000.0	2,096.0	2,000.0	1,910.4
Maize	,,	1,055.0	1,373.2	1,284.4	1,385.9	1,449.4
Wheat	,,	1,563.0	1,770.0	1,690.1	1,815.0	1,651.7
Beef (third grade)	,,	3,400.0	5,987.6	8,824.4	10,676.7	8,153.8
Bacon Pigs	,,	6,600.0	8,173.5	7,651.1	8,164.1	9,021.6
Milk	100 litres	1,250.0	1,450.0	1,549.0	1,494.0	1,500.0

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

** Provisional.

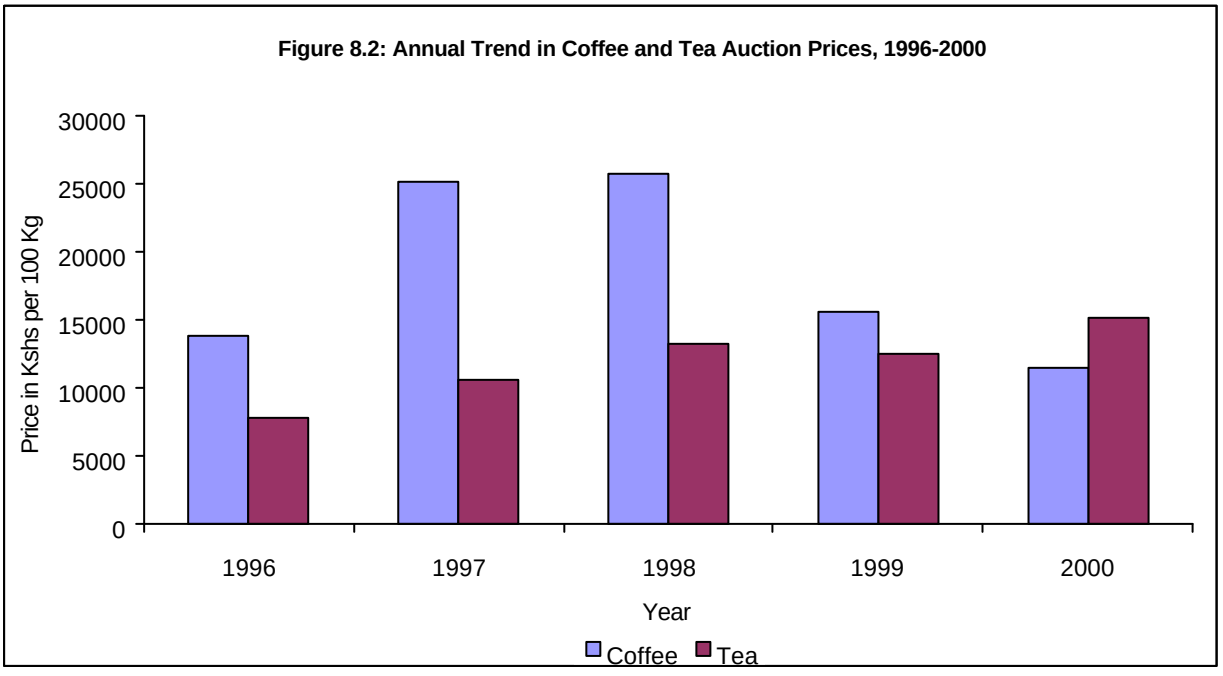
8.6. Total sales to marketing boards recorded a growth of 7.5 per cent in 2000 following a decline of 13.5 per cent in the previous year. Sales from small farms registered a 7.7 per cent increase in the year 2000 with a market share of 70.0 per cent in 2000, hence reflecting the importance of the smallholder farms in overall output production.

Table 8.5: Sale to Marketing Boards from Large and Small Farms, 1996 -2000

YEAR	LARGE FARMS		SMALL FARMS		TOTAL		PERCENTAGE SHARE OF SMALL FARMS
	Kshs mn.	Annual Percentage change	Kshs mn.	Annual Percentage change	Kshs mn.	Annual Percentage change	
1996	20,294.4	5.5	44,751.6	7.5	65,046.0	6.9	68.8
1997	21,468.2	5.8	49,665.8	11.0	71,133.0	9.4	69.8
1998	25,576.0	19.1	59,226.0	19.3	84,802.0	19.2	69.8
1999	22,104.0	-13.6	51,209.0	-13.5	73,313.4	-13.5	69.9
2000*	23,633.0	6.9	55,142.5	7.7	78,775.0	7.5	70.0

* Provisional.

Figure 8.2: Annual Trend in Coffee and Tea Auction Prices, 1996-2000



8.7. As shown in Table 8.6, the quantum index for total material inputs rose by 15.4 points from 143.2 in 1999 to 158.6 in 2000. The price index for total material inputs increased from 647.2 in 1999 to 667.2 in 2000 as a result of increases in the prices of manufactured feeds, purchased seeds, fuel and power, which rose substantially by 315.3 points, 302.5 points, and 45.3 points in 2000 respectively. The overall price index for total inputs rose from 607.5 in 1999 to 608.2 in the year 2000.

Table 8.6: Agricultural Input Indices*, 1996 - 2000

1982=100

	1996	1997	1998	1999	2000**
QUANTUM INDICES-					
Fertilizers	115.2	124.7	99.6	87.0	121.6
Fuel and Power	129.1	114.9	118.4	159.5	164.6
Bags	110.9	133.3	135.6	140.1	142.9
Manufactured Feeds	273.6	240.4	232.3	245.0	176.4
Purchased Seeds	128.2	125.3	142.7	123.8	112.7
Other Material Inputs	100.3	101.5	104.6	109.8	112.4
Total Material Input	127.2	139.6	138.9	143.2	158.6
Service Inputs	120.8	115.7	127.3	128.6	131.6
TOTAL INPUTS	125.8	132.8	128.2	129.1	136.7
PRICE INDICES-					
Fertilizers	232.8	389.7	446.9	528.4	401.9
Fuel and Power	730.6	804.4	851.5	859.1	904.4
Bags	301.6	296.1	337.4	296.1	301.9
Manufactured Feeds	621.7	886.6	946.5	740.6	1,055.9
Purchased Seeds	937.4	1,166.8	1,679.7	1,556.0	1,858.5
Other Material Inputs	378.9	386.2	408.8	340.3	325.0
TOTAL MATERIAL INPUT	489.9	585.6	656.7	647.2	667.2
SERVICE INPUTS	230.4	250.0	265.0	286.2	210.0
TOTAL INPUTS	465.2	549.4	613.8	607.5	608.2

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

** Provisional.

8.8. Table 8.7 shows the value of purchased agricultural inputs. The value of total inputs rose from KSh 11,926 million in 1999 to KSh 12,066 million in 2000. The value of fuel and power, which accounts for nearly half of total material inputs, increased by 4.1 per cent from KSh 5,477 million in 1999 to KSh 5,702 million in 2000. This was attributed to increases in power tariffs coupled with rises in fuel pump prices recorded in the year. The value of fertilizers sold declined by 12.0 per cent from KSh 2,052 million in 1999 to KSh 1,805 million in 2000.

Table 8.7: Purchased Agricultural Inputs*, 1996 - 2000

Ksh million

	1996	1997	1998	1999	2000**
MATERIAL INPUTS-					
Fertilizers	1,044	1,934	1,738	2,052	1,805
Other Agricultural Chemicals	304	356	320	378	340
Livestock Drugs and Medicines	512	574	607	640	583
Fuel and Power	2,938	4,832	5,036	5,477	5,702
Bags	356	483	512	451	497
Manufactured Feeds	760	720	761	749	748
Purchased Seeds	924	1,085	1,758	1,464	1,686
Other Material Inputs	234	241	252	210	234
Total	7,073	10,227	10,985	11,422	11,595
SERVICE INPUTS	436	453	489	504	471
TOTAL INPUTS	7,509	10,680	11,475	11,926	12,066

* Except labour.

** Provisional.

Table 8.8 gives details of agricultural terms of trade. The general index of agricultural output prices increased from 642.0 in 1999 to 681.6 in 2000 in response to better prices offered for agricultural commodities such as tea, pyrethrum, sugar cane and maize. Total inputs price index increased from 607.5 in 1999 to 608.2 in 2000 due to higher prices of farm inputs such as manufactured feeds, purchased seeds, fuel and power. Overall, terms of trade in the agricultural sector improved from 105.2 in 1999 to 108.7 in 2000.

Table 8.8: Price and Terms of Trade Indices for Agriculture, 1996 - 2000

1982=100

	1996	1997	1998	1999	2000*
General Index of Agricultural Output Prices**	460.7	568.7	676.0	642.0	681.6
PRICE PAID					
Purchased Inputs	465.2	549.4	613.8	607.5	608.2
Index of Purchased Consumer Goods-Rural Areas	632.3	650.4	683.6	727.3	793.5
INDICES OF PRICES PAID	523.7	565.4	630.0	610.0	630.2
Agricultural Sector terms of Trade	88.0	100.6	107.3	105.2	108.2

* Provisional.

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

8.10. In the year 2000, there were significant drops in the production of beans, potatoes and sorghum of 62.5 per cent, 50.0 per cent and 33.3 per cent respectively. Maize production also dropped by 12.0 per cent. Only millet production recorded an increase of 50.0 per cent in the year under review.

Table 8.9: Estimated Production of selected agricultural commodities, 1996 - 2000**

CROP	Unit	1996	1997	1998	1999	2000*
Maize	million bags	24.00	24.60	27.30	25.00	22.00
Beans	"	2.30	1.55	3.00	4.00	1.50
Potatoes	million tonnes	0.74	0.37	0.90	0.90	0.45
Sorghum	million bags	0.40	0.39	0.56	0.90	0.60
Millet	"	0.26	0.26	0.37	0.40	0.60

* Provisional.

Source: Ministry of Agriculture & Rural Development

8.11. **Rural Market Prices**: - Rural market prices per kilogram for selected agricultural commodities are presented in Table 8.10. Commodity prices offered for maize and beans were relatively higher compared to the previous year, whereas the price of millet tended to be lower. This was attributed to a drop in supply of such commodities due to drought. Prices of maize were slightly higher in September compared to March, while the prices for millet were slightly better in March 2000. Prices for beans and potatoes varied across Provinces.

Table 8.10: Rural Market Prices for Selected Food Crops, 1997-2000

KSh. per Kg.

CROP	Province	1997		1998		1999		2000	
		March	Sep-tember	March	Sep-tember	March	Sep-tember	March	Sep-tember
Maize	Coast	24.7	21.8	17.4	18.3	18.8	19.7	27.0	29.3
	Eastern	14.1	12.3	13.8	12.8	14.6	13.6	17.2	19.2
	Central	10.9	11.9	12.6	12.9	12.8	13.4	15.6	21.6
	Rift Valley	12.7	13.3	12.4	11.6	13.6	12.7	17.0	15.5
	Nyanza	12.7	15.5	14.2	12.2	14.6	13.3	13.2	14.8
	Western	12.2	13.7	13.1	11.7	13.2	12.9	14.5	15.0
Beans	Coast	32.6	37.3	34.9	34.8	36.4	37.2	47.2	52.5
	Eastern	24.0	21.4	19.5	22.5	20.7	23.8	31.4	30.3
	Central	24.5	20.6	23.8	22.4	24.6	23.9	27.3	36.3
	Rift Valley	25.3	20.4	22.0	22.3	23.7	23.8	31.7	39.9
	Nyanza	24.5	22.8	23.5	21.4	23.9	22.3	28.8	27.1
	Western	24.7	23.6	24.6	23.4	25.2	24.7	34.1	30.0
Potatoes	Coast	22.7	22.6	14.4	14.3	15.2	14.9	14.7	18.3
	Eastern	13.8	13.5	10.9	11.2	11.1	11.6	17.9	15.0
	Central	10.6	11.2	10.6	10.7	11.3	11.6	10.3	10.1
	Rift Valley	12.7	13.1	10.7	10.7	11.4	11.8	12.9	15.2
	Nyanza	12.8	11.6	11.8	12.1	12.1	12.6	11.3	11.0
	Western	12.9	13.6	12.9	12.6	13.9	13.4	12.3	15.0
Sorghum	Eastern	14.8	10.1	12.8	13.2	13.5	14.5	18.0	18.0
	Nyanza	12.1	12.4	12.5	13.7	13.1	14.8	15.2	15.0
	Western	16.7	15.0	15.5	14.5	16.0	15.3	14.0	13.3
Millet	Eastern	22.5	27.5	20.5	21.5	22.5	22.8	20.0	22.0
	Rift Valley	26.1	30.4	29.1	30.4	31.6	33.0	25.0	20.0
	Nyanza	27.2	53.2	28.7	30.4	29.9	31.3	24.3	26.1
	Western	26.4	14.2	29.4	30.6	30.6	31.9	30.3	21.9

Production by Crop

8.12. The drought experienced in most parts of the country in 1999 continued into the better part of 2000. This negatively impacted on the production of some cereal crops, including maize, prompting importation to cover the deficit. In addition, inadequate supply of quality seeds, poor crop husbandry and high cost of farm inputs among other factors contributed to the decline in production. However, wheat production increased from 55.4 thousand tonnes to 73.8 thousand tonnes in 2000.

Table 8.11: Sale of some Major Crops to Marketing Boards, 1996 - 2000

CROP	UNIT	1996	1997	1998	1999	2000*
Maize++	'000 tonnes	295.5	204.6	218.0	223.5	201.2
Wheat+	"	130.0	124.2	176.7	52.9	70.5
Rice Paddy + ...	"	15.9	14.4	11.7	24.3	18.7
Cotton+	"	0.5	0.5	0.5	0.2	0.5
Coffee	"	103.2	68.0	51.3	64.3	98.0
Tea	"	257.2	220.7	294.2	248.8	236.3
Sisal	"	28.1	20.1	19.9	21.9	21.4
Sugar-cane+	mn. tonnes	3.9	4.3	4.6	4.4	3.9
Pyrethrum (Extract Equivalent)	tonnes	93.0	89.4	67.4	78.1	74.2

* Provisional.

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

++ Includes maize purchases by NCPB and millers.

8.13. **Maize:** In 2000, overall maize production declined to 22.0 million bags from 25 million bags in 1999. As shown in Table 8.11, centrally marketed maize declined from 223.5 thousand tonnes in 1999 to 201.2 thousand tones. Consequently, 409.4

thousand tonnes of maize valued at KSh 4,700 million were imported to reduce the deficit. The production deficit was largely due to inadequate rainfall in the maize growing regions during the crop season coupled with low supply of quality seeds, high cost of farm inputs, infestation of maize farms by armyworms and poor crop husbandry.

Table 8.12: Production and Imports of Wheat, 1996 - 2000

'000 Tonnes

YEAR	PRODUCTION*	IMPORTS	TOTAL
1996	135.0	486.9	621.9
1997	125.8	388.1	513.9
1998	177.1	478.9	656.0
1999	55.4	583.8	639.2
2000**	73.8	636.0	709.8

* Includes retention for seed.

** Provisional.

8.14. **Wheat:** Production of wheat has been low for the last two years, 1999 and 2000 registering 55.4 thousand tonnes and 73.8 thousand tonnes respectively compared with a record 177.1 thousand tonnes produced in 1998. An additional 636.0 thousand tonnes of wheat valued at KSh 7.0 billion was imported in 2000 to meet the production deficit. The low production could be attributed to drought, low wheat prices offered by millers, invasion of wheat farms by wildlife seeking pasture.

8.15. **Coffee: -** In 1999/2000 crop year, coffee production increased by 47.9 per cent from 68.1 thousand tonnes in 1998/99 crop year to 100.7 thousand tonnes. This was in response to high prices during the previous coffee seasons coupled with improved crop husbandry. Production from the estates recorded 34.1 per cent increase in production while that from co-operatives registered an increase of 57.9 per cent. The area under coffee remained at 42 and 128 thousand hectares for estates and co-operatives respectively. Increased world production and stocks from previous seasons explain the low global coffee prices. The effect of low prices and drought experienced in 2000 is expected to reverse the trend in increased production in the 2000/2001 season. Poor infrastructure and lack of access to credit has in some cases resulted in substitution of coffee with other crops such as tea and horticultural crops. Managerial problems within the coffee co-operative sub-sector adversely affected the sector.

Table 8.13: Production, area, and average yield of Coffee by type of grower, 1995/96-1999/00

	1995/96	1996/97	1997/98	1998/99	1999/00*
AREA (Ha) '000-					
Co-operatives	122.7	122.7	122.6	128.0	128.0
Estates	38.4	38.4	39.7	42.0	42.0
TOTAL	161.1	161.1	162.3	170.0	170.0
Production (tonnes) '000-					
Co-operatives	56.9	38.3	32.1	39.4	62.2
Estates	40.1	29.7	21.3	28.7	38.5
TOTAL	97.0	68.0	53.4	68.1	100.7
Average yield (kg./Ha.)-					
Co-operatives	463.7	312.0	261.8	308.0	485.9
Estates	1,045.0	774.0	536.5	683.0	916.7

* Provisional.

8.16. **Tea**:- Production of tea, as indicated in Table 8.14, declined by 5.0 per cent from 248.7 thousand tonnes in 1999, to 236.3 thousand tonnes in 2000.

Smallholder tea production recorded a 5.4 per cent decline to stand at 145.6 thousand tonnes in 2000 while estates production fell by 4.3 per cent to 90.7 thousand tonnes. The decline in tea production in the last two years was attributed to the dry weather in 1999 and 2000. In addition frost in some tea growing areas adversely affected tea production in the early part of year 2000. Total area planted with tea, however, increased by 1.5 per cent from 124.2 thousand hectares in 1999 to 126.1 thousand hectares in 2000. Consequently, the average yield increased from 1,729.15 Kg/ha in 1999 to 1,775.17 Kg/ha in 2000 for smallholders and from 3,278.77 Kg/ha to 3,477.27 Kg/ha for estates. Improved crop husbandry, roads and proper and timely application of inputs has resulted in the increased productivity. Greater autonomy for the Kenya Tea Development Authority in year 2000, where farmers have more control of the organization, could further boost the farmers' morale and hence lead to increased production in the subsequent periods.

Table 8.14: Production, Area and Average yield of Tea by type of grower, 1996 - 2000

	1996	1997	1998	1999	2000*
AREA (Ha) '000					
Smallholder	81.2	86.1	87.9	90.3	91.7
Estates	32.5	32.7	33.1	33.9	34.4
Total	113.7	118.8	121.0	124.2	126.1
PRODUCTION (Tonnes) '000					
Smallholder	144.1	129.7	175.6	153.9	145.6
Estates	113.1	91.0	118.5	94.9	90.7
Total	257.2	220.7	294.2	248.7	236.3
AVERAGE YIELD (Kg/Ha)					
Smallholder	1,383.2	1,539.3	1,523.2	1,729.2	1,775.2
Estates	2,816.2	3,106.2	2,819.7	3,278.8	3,477.3

* Provisionsal

8.17. **Cotton**:- Intake of seed cotton by ginneries increased from 200 tonnes in 1999 to 508 tonnes in 2000. However, the price of a 100 kg bale of cotton declined slightly from KSh 2,000.0 in 1999 to KSh 1, 910.4 in the year under review. Second hand imported clothes and managerial problems in the cotton sub-sector explain the generally low cotton production level.

8.18. **Sugarcane**:- Sugarcane production declined by 10.7 per cent from 4.4 million tonnes in 1999 to 3.9 million tonnes in 2000. The average yield reduced to 60.5 tonnes/ha in 2000 from 78.4 tonnes/ha in 1999. Sugar production fell by 14.6 per cent to stand at 402.0 thousand tonnes in 2000. As shown in Table 8.16, sugar imports rose by 104.5 per cent from 57.7 thousand tonnes to 118.0 thousand tonnes as a result of the supply-demand gap in 2000. The decline in sugar production was largely attributed to the long spell of dry weather; management related problems in sugar milling; and the rejection by millers of unscheduled cane supply occasioned by fires.

Table 8.15: Area under sugar cane, area harvested, production, and average yield, 1996 - 2000

	1996	1997	1998	1999	2000*
Area under cane (Ha)	131,130	127,560	117,657	108,793	107,985
Area harvested (Ha)**	39,249	43,814	50,111	51,833	57,243
Production (Tonnes)	3,870,479	4,278,273	4,661,361	4,415,801	3,941,524
Average yield (Tonnes/Ha)	90.86	90.81	85.51	78.42	60.52

* Provisionsal

** Does not include area harvested by non-contracted farmers

Source: Kenya Sugar Authority

Table 8.16: Production, imports and consumption of sugar, 1996 - 2000**

'000 Tonnes

YEAR	PRODUCTION	IMPORTS	CONSUMPTION+	EXPORTS
1996	389.00	65.80	570.00	24.50
1997	401.61	52.37	580.00	25.05
1998	449.13	186.52	587.13	-
1999+	470.79	57.70	609.43	-
2000*	401.98	118.01	631.20	2.09

* Provisional

** Source: Kenya Sugar Authority

\+ Figures revised

8.20. **Horticulture**:- As shown in Table 8.17, the volume of horticultural exports rose marginally by 0.2 per cent from 99.0 thousand tonnes in 1999 to 99.2 thousand tonnes in 2000. The volume of exports was 38.8 tonnes of cut flowers, 45.0 tonnes of vegetables and 15.4 tonnes of fruits. The value of horticultural exports however, declined by 2.1 per cent from the previous year to stand at KSh 13,890 million. The corresponding value of exports was KSh 7,327 million for cut flowers, KSh 5,474 million for vegetables and KSh 1,089 million for fruits. Production was adversely affected by drought, poor infrastructure especially the rural feeder roads and limited cargo capacity for cut flowers.

8.21. **Pyrethrum**: Production of pyrethrum extract (pyrethrin) declined by 5.0 per cent from 78.1 thousand tonnes in 1999 to 74.2 thousand tonnes in the year 2000. The slight drop could be attributed to adverse weather experienced in the pyrethrum growing areas. Prices of pyrethrum (extract equivalent) improved from KSh 5,200 per Kg in 1999 to KSh 9,835 per Kg in 2000 (see Table 8.4). The improvement is attributed to favourable world market prices despite competition from synthetic substitutes.

Table 8.17: Exports of fresh horticultural produce*, 1996 - 2000

YEAR	Volume '000 Tonnes	Value KSh Million
1996	84.8	7,700.0
1997	84.2	8,700.0
1998	78.4	9,729.0
1999	99.0	14,200.0
2000**	99.2	13,900.0

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

** Provisional.

8.21. **Sisal:-** Sisal production declined by 2.3 per cent from 21,923 tonnes in 1999 to 21,429 tonnes in 2000. As indicated in Table 8.4, sisal prices dropped by 5.3 per cent from KSh 39,899 per tonne in 1999 to KSh 37,794 per tonne in 2000.

8.22. **Irrigation: -** Information regarding the development and production in the irrigation schemes in Kenya is presented in Table 8.18. The area cropped in the irrigation schemes increased by 34.8 per cent for the 1999/2000 crop year. The increase was attributed to inclusion of rice production outside Mwea irrigation scheme. However, plot holders outside Mwea irrigation scheme are not included in the total number of plot holders. The total gross value of output increased substantially by 78.1 per cent from KSh 770 million in 1998/99 to KSh 1,371 million in 1999/2000. However, recorded payment to plot holders declined from KSh 50 million in 1998/99 to KSh 10 million in 1999/00 as this excludes the Mwea plot holders who did not deliver their rice paddy to the National Irrigation Board

(NIB). Total paddy production increased by 32.6 per cent from 36.5 thousand tonnes in 1998/99 to 48.4 thousand tonnes in 1999/00. All the irrigation schemes with the exception of Mwea recorded a decrease in paddy production. Poor maintenance equipment and canals contributed to the low rice paddy production. Mwea recorded an increase of 40.6 per cent in rice paddy production from 31.9 thousand tonnes in 1998/99 to 44.8 thousand tonnes in 1999/2000. The crisis in Mwea irrigation scheme has created bottlenecks in rice marketing with Mwea farmers' co-operative society holding massive amounts of rice paddy in stock. Other problems include variety mix up, use of non-certified seeds, and a high incidence of pests and diseases associated with continuous cropping.

Table 8.18: Production from Irrigation Schemes, 1993/94 - 1999/00*

	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00**
MWEA-						
Area cropped-Hectares	5,882	5,901	6,145	6,000	6,052	8,617
Plot-holders-Number***	3,242	3,243	3,270	3,392	3,381	3,500
Gross value of output-Kshs million ..	237	353	435	323	715	1,327
Payments to plot-holders by NIB -Kshs million ..	134	231	286	178	20	-
ALL SCHEME AREAS-						
Area cropped-Hectares	8,910	9,039	7,551	7,611	7,531	10,150
Plot-holders-Number	7,109	7,243	4,471	4,679	4,475	4,777
Gross value of output-Kshs million ..	320	445	506	394	770	1,371
Payments to plot-holders by NIB -Kshs million ..	163	278	324	204	50	10
CROPS PRODUCED - Tonnes						
Mwea-Paddy	24,205	25,987	27,488	21,352	31,876	44,830
Ahero-Paddy	2,712	2,054	412	968	1,836	1,497
W.Kano-Paddy	2,997	1,645	2,847	1,606	1,976	1,580
Bunyala-Paddy	1,073	920	812	728	837	500
Total Paddy	30,987	30,606	31,559	24,654	36,525	48,406
Pekera-Onions	997	889	45	239	443	101
-Chillies	160	-	50	44	-	101
-Cotton	75	208	37	116	-	-
-Water Melon	264	303	13	18	-	-
-Paw-paw	265	129	9	152	-	-

* Source: National Irrigation Board

** Provisional

*** Farmers outside Mwea scheme

Livestock and Livestock Products

8.23. Total recorded milk production declined by 23.9 per cent from 180 million litres in 1999 to 137 million litres in 2000. Unfavourable weather and delay in payment of farmers contributed to the decrease in production. Processed whole milk and cream increased by 9.1 per cent from 55 million litres to 60 million litres. As a result of severe drought and hence reduced milk intake, Kenya Co-operative creameries (KCC) undertook massive reconstitution of milk powder thus leading to the increase in processed whole milk and cream. Butter and ghee decreased by 57.8 per cent from 268 tonnes to 113 tonnes. Cheese production increased from 257 tonnes to 315 tonnes but remains well below the 1997 level of 464 tonnes.

8.24. As shown in Table 8.19, the total number of livestock slaughtered went up for all categories in 2000. Drought in many parts of the country resulted in shortage of water and pasture. This led to increased livestock deaths and livestock slaughtered as farmers disposed of a large number of their stock. The number of cattle and calves slaughtered went up by 5.7 per cent, sheep and goats increased by 5.0 per cent while that of pigs increased by 19.6 per cent.

Table 8.19: Production and Sale of Livestock and Dairy Products*, 1996 - 2000

	UNIT	1996	1997	1998	1999	2000**
Recorded Milk Production	Mn. Litres	257	197	126	180	137
Milk Processed:						
Wholemilk and cream	Mn. Litres	167	132	83	55	60
Butter and ghee	Tonne	1,964	1,521	360	268	113
Cheese	"	426	464	342	257	315
Livestock slaughtered						
Cattle and Calves..	'000 Head	1,219	1,320	1,800	1,805	1,908
Sheep and Goats	"	1,407	1,603	3,983	4,355	4,573
Pigs	"	98	88	153	158	189

* Figures are revised for milk processed and livestock, 1997-1999

** Provisional.

Agricultural Training

8.25. Table 8.20 shows the enrolment in Agricultural training Institutions. The total number of students enrolled for agricultural degree courses in public universities increased by only 1.0 per cent from 3,915 students in 1999 to 3,956 students in 2000. However, enrolment of female students over the same period increased by 4.6 per cent. However, the number of males enrolled was almost three times the number of female students. Diploma courses in public universities registered an increase of 1.0 per cent but the number of females fell by 2.3 per cent. Overall, female students constituted less than 30.0 per cent of total students enrolled for both degree and diploma courses. Enrolment rates for certificate courses increased by 3.6 per cent in 2000, while enrolment in the animal health training institutes went up by 2.8 per cent. Short term vocational courses offered at Naivasha and Athi River recorded a notable 6.3 per cent increase in enrolment.

Table 8.20: Enrolment in Agricultural Training Institutions, 1996 - 2000

Number

	1996			1997			1998			1999			2000*		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
DEGREE LEVEL -Public Universities															
Nairobi	609	130	739	542	140	682	567	169	736	496	131	627	501	133	634
Moi	-	-	-	-	-	-	12	2	14	26	7	33	44	18	62
Jomo Kenyatta (JKUCAT).	302	78	380	402	78	480	412	121	533	412	121	533	412	142	554
Egerton.	1,477	769	2,246	1,487	706	2,193	1,597	788	2,385	1,999	723	2,722	1,972	734	2,706
Total.	**2,388**	**977**	**3,365**	**2,431**	**924**	**3,355**	**2,588**	**1,080**	**3,668**	**2,933**	**982**	**3,915**	**2,929**	**1,027**	**3,956**
DIPLOMA LEVEL -Public Universities															
Jomo Kenyatta (JKUCAT).	186	59	245	232	54	286	263	97	360	263	97	360	255	97	352
Egerton.	587	229	816	707	295	1,002	649	386	1,035	1,035	420	1,455	1,073	408	1,481
Total.	**773**	**288**	**1,061**	**939**	**349**	**1,288**	**912**	**483**	**1,395**	**1,298**	**517**	**1,815**	**1,328**	**505**	**1,833**
DIPLOMA LEVEL - MOA & RD**															
Bukura Institute of Agriculture	84	35	119	89	39	128	98	33	131	78	22	100	78	23	101
CERTIFICATE LEVEL-															
Kilifi Institute of Agiculture	119	67	186	123	65	188	150	70	220	160	55	215	153	72	225
Naivasha Dairy Training Institute	48	25	73	30	30	60	50	27	77	42	19	61	40	21	61
Total.	**167**	**92**	**259**	**153**	**95**	**248**	**200**	**97**	**297**	**202**	**74**	**276**	**193**	**93**	**286**
Animal Health Training Institutes-															
Kabete	92	27	119	68	34	102	90	29	119	95	23	118	95	32	127
Nyahururu	45	31	76	44	25	69	41	28	69	48	27	75	48	26	74
Ndomba	80	34	114	78	36	114	76	41	117	84	45	129	84	46	130
Total.	**217**	**92**	**309**	**190**	**95**	**285**	**207**	**98**	**305**	**227**	**95**	**322**	**227**	**104**	**331**
SHORT-TERM VOCATIONAL COURSE															
Naivasha Dairy Training School	48	25	73	30	30	60	50	27	77	42	19	61	26	25	51
Athi River M.T. School	39	10	49	52	11	63	45	8	53	29	6	35	40	11	51
Total.	**87**	**35**	**122**	**82**	**41**	**123**	**95**	**35**	**130**	**71**	**25**	**96**	**66**	**36**	**102**

* Provisional.

** Ministry of Agriculture and Rural Development

Co-operatives

8.26. Table 8.21 shows the number of societies and unions by type. The number of societies increased by 3.2 per cent from 9,151 in 1999 to 9,443 in 2000. The total number of agricultural societies went up by 3.6 per cent from 4,199 in 1999 to 4,349 in 2000. The total non-agricultural societies increased by 2.9 per cent from 4,863 in 1999 to 5,005 in 2000.

8.27. The increase in the number of agricultural societies could be explained by the splitting of co-operative societies following the amendment of Co-operative Societies Act in 1997

Table 8.21: Number of Societies and Unions by type, 1996 - 2000

Number

TYPE OF SOCIETY	1996	1997	1998	1999	2000*
Coffee	248	279	308	335	366
Sugar-cane	95	98	99	108	112
Pyrethrum	62	65	66	71	73
Cotton	79	78	78	86	86
Dairy	291	313	323	331	337
Multi-produce	1,236	1,342	1,446	1,504	1,560
Farm Purchase	450	677	698	717	731
Fisheries	71	72	74	79	82
Other Agricultural Societies	803	860	915	968	1,002
TOTAL	3,335	3,784	4,007	4,199	4,349
Savings and Credit	3,031	3,169	3,305	3,538	3,627
Other Non-Agricultural Societies	1,116	1,276	1,272	1,325	1,378
TOTAL	4,147	4,445	4,577	4,863	5,005
Unions	82	83	85	89	89
TOTAL	7,564	8,312	8,669	9,151	9,443

* Provisional

8.28. Sale of selected agricultural produce by co-operatives and their contribution to the recorded marketed production is reflected in Table 8.22. The value of coffee that was delivered through co-operatives increased by 0.4 per cent from KSh 7,712 million in 1999 to KSh 7,741 million in 2000, with the result that the percentage share declined from 76.7 in 1999 to 68.6 in 2000. Milk delivery to the co-operatives remained at the 1999 level but its contribution to the Gross Farm Revenue (GFR) increased from 56.8 in 1999 to 74.5 in 2000. The overall contribution of the co-operatives to the GFR decreased from 13.3 in 1999 to 12.4 in 2000.

Table 8.22: Sale of Selected Agricultural Produce by Co-operative and their contribution to Gross Farm Revenue, 1996 - 2000

YEAR	Coffee	Sugar-Cane	Pyrethrum	Cotton	Milk	Total
	Sale Kshs million					
1996	6,933	296	119	5	2,782	10,135
1997	7,188	308	122	5	2,421	10,044
1998	7,661	332	128	5	1,501	9,627
1999	7,712	340	129	5	1,530	9,716
2000*	7,741	345	129	5	1,529	9,749
	Percentage Share of marketed production (Table 8.2)					
1996	48.3	4.2	35.6	47.1	72.0	15.9
1997	43.4	5.7	37.9	47.1	84.6	16.6
1998	58.1	4.2	36.6	40.9	77.1	11.4
1999	76.7	4.5	31.8	33.8	56.8	13.3
2000*	68.6	4.3	31.8	31.5	74.5	12.4

* Provisional.

CHAPTER 9

ENVIRONMENT AND NATURAL RESOURCES

Overview

The year was characterized by drought in most parts of the country. The severity of the drought impacted negatively on fisheries, forestry, water resources and wildlife sub-sectors. The quantity of fresh and marine fish landed declined by 1.6 per cent to stand at 209,916 metric tonnes, compared to 213,396 metric tonnes in 1999. The recorded area under forest plantation remained at the 1999 level while the population of most wildlife animals decreased in the year. However, the quantity of mineral production rose by 2.0 per cent to 777,530 metric tonnes in 2000 compared to 762,080 metric tonnes recorded in 1999. Development expenditure on water supplies and related services went up from KSh 1,504.0 million in 1999/2000 to KSh 1,983.4 million in 2000/2001.

Water Supply

9.2. The overall goal of the Government is to ensure that all Kenyans have access to safe drinking water within a reasonable distance. Despite significant investment in the water sub-sector, current estimates indicate that nearly 70 per cent of the country's urban population has access to safe drinking water, while 50 per cent of the rural population have access to potable water. The proportions are declining due to non-performance of some of the existing water supply schemes. This decline in water supply has necessitated a change in water policy approach to that of participatory management. The current water policy focuses on providing an enabling environment and regulatory framework for all actors in the water sector. Indeed the provision of water and sanitation has gradually shifted to local authorities, communities, Non-Governmental Organisations (NGOs) and the private sector.

9.3. During the period under review, the Government in conjunction with the other stakeholders, continued with the drilling of boreholes and maintenance of water purification points across the country as shown in Table 9.1. The number of boreholes drilled increased by 3.9 per cent from 232 in 1999/2000 to 241 in 2000/2001. The number of water purification points also rose by 15.6 per cent from 282 points in 1999 to 326 points.

Table 9.1: Water purification points and boreholes drilled, 1998/99 - 2000/01

Province	1998/99		1999/2000		2000/2001*	
	W.P.P	B.H	W.P.P	B.H	W.P.P	B.H
Central	44	28	41	28	56	28
Coast	16	26	16	28	19	31
Eastern	38	42	38	42	40	42
N/Eastern	4	13	4	13	8	13
Nyanza	46	36	46	43	55	46
R/Valley	105	36	107	72	117	75
Western	30	6	30	6	31	6
Total	283	187	282	232	326	241

Source: Ministry of Environment and Natural Resources -Department of Water Resources
W.P.P - Water purification point
BH - Borehole
* Provisional

9.4. Development Expenditure on water supplies and related services during the fiscal year 2000/2001 is summarised in Table 9.2. Total Development Expenditure is expected to grow by 31.9 per cent from KSh 1,504.0 million in 1999/2000 to KSh 1,983.4 million in 2000/2001. This is mainly due to increased allocation to the National Water Conservation and Pipeline Corporation (NWC&PC). The increase also reflects Government's additional expenditure on rehabilitation of water facilities across the country.

Table 9.2: Development expenditure on water supplies and related services, 1996/97 - 2000/2001

KSh '000

	1996/97	1997/98	1998/99**	1999/2000**	2000/2001*
Water Development	338,549	131,416	342,576	716,278	574,500
Training of Water Development Staff	11,410	10,498	11,890	21,000	26,300
Rural Water Supplies	433,136	300,917	196,934	209,404	530,543
Self-Help Water Supplies*** ..	229	747	490	445	-
County Council and Urban Water Supplies	38,183	28,349	20,380	153,000	227,000
Miscellaneous and Special Water Programmes	15,324	38,355	231,956	56,650	51,000
National Water Conservation and Pipeline Corporation	1,221,020	1,245,646	538,984	347,209	574,062
TOTAL	2,057,851	1,755,928	1,343,210	1,503,986	1,983,405

Sources: Ministry of Environment and Natural Resources, National Water Conservation and Pipeline Corporation

* Provisional.

** Approved estimates

*** Includes contributions by the Ministry of Environment and Natural Resources

9.5. Development Expenditure allocated to NWC&PC for water supply rose by 65.3 per cent in 2000/2001. The expenditure on rural water supplies more than doubled increasing from KSh 209.4 million in 1999/2000 to KSh 530.5 million in 2000/2001. Expenditure on county council and urban water supplies grew by 48.4 per cent from KSh 153.0 million in 1999/2000 to KSh 227.0 million in 2000/2001. Expenditure on training of water development staff grew by 25.2 per cent. In general, the growth in development expenditure on water supplies and related services is attributed to rehabilitation of existing water projects being given a higher priority within the Mid-Term Expenditure Framework (MTEF). The Government has however, withdrew its financial contribution to self-help water projects during 2000/2001 reflecting a shift in the water policy towards increased participatory management. Table 9.2 also indicates that expenditure on water development recorded a decline of 19.8 per cent from KSh 716.3 million in 1999/2000 to KSh 574.5 million in 2000/2001. Expenditure on special water programmes also dropped by 10.0 per cent.

Fisheries

9.6. The quantity and value of fish landed for the period between 1996 and 2000, is shown in Table 9.3. The total quantity of fish landed in 2000 decreased from 213,396 tonnes in 1999 to 209,916 tonnes in year 2000. Lake Victoria continued to be the major source of fresh water fish in the country, accounting for 96.2 per of the total fish landed in the year 2000. The quantity of freshwater fish landed decreased from 208,164 tonnes in 1999 to 204,430 tonnes in 2000, a decline of 1.8 per cent. In Lake Naivasha a record 452 tonnes of fish was registered in 1999 compared to only 14 tonnes in 2000. During the latter period a total ban on fishing in the lake was imposed by the Fisheries Department. The other reason for the

overall decline in the fish landed was the ban on Kenyan fish exports to the European Union markets.

Table 9.3: Quantity and value of fish landed, 1996 - 2000

	1996	1997	1998	1999	2000*
Quantities - Tonnes:					
Freshwater fish-					
Lake Victoria	166,460	164,174	158,876	200,159	196,714
Lake Turkana	4,799	4,866	4,268	5,237	5,305
Lake Naivasha	54	69	50	452	14
Lake Baringo	72	99	141	409	392
Lake Jipe	109	130	97	99	103
Fish Farming	1,089	1,086	994	887	899
Other areas	2,488	2,360	3,421	921	1,003
TOTAL ..	175,071	172,784	167,847	208,164	204,430
Marine fish	4,915	4,790	3,966	4,090	4,261
Crustaceans	461	458	800	880	927
Other marine products ..	887	881	232	262	298
GRAND TOTAL ..	181,334	178,913	172,845	213,396	209,916
Value - Kshs' 000					
Freshwater fish ..	5,429,920	6,480,620	6,446,840	7,401,515	7,310,855
Marine fish	234,340	133,780	185,660	201,359	233,639
Crustaceans	65,280	99,060	132,020	96,533	101,274
Other marine products	76,120	85,040	14,240	14,721	16,223
TOTAL	5,805,660	6,798,500	6,778,760	7,714,128	7,661,991

* Provisional.

Source : Fisheries Department

9.7. During the year marginal increases in the landing of marine fish, crustacean and other marine products of 4.2 per cent, 5.3 per cent and 13.7 per cent respectively were recorded. The overall value of the fish landed decreased marginally from KSh 7,714.1 million in 1999 to KSh 7,662.0 million in 2000. The value for the marine fish, crustacean and other marine products all recorded increases while that of fresh water fish decreased by 1.2 per cent.

Forestry

9.8. The acquisition of land for human settlement continued in the year 2000. The average Kenyan household continued to utilise forest products, namely firewood and charcoal, as their main source of fuel. However, during the period under review, the government maintained a total ban on exploitation of timber that has been in existence since October 1999. This ban did not however cover the area under Pan Paper mills and Raiply, who are have manufacturers of paper and wood products respectively. The area under indigenous softwood timber, which is mainly cedar, is not exploited, in addition the indigenous hardwood are not mature for exploitation. The area under fuelwood did not change because the Forest Department does coppice cutting. The effect of the ban on tree cutting in forests, imposed in 1997, has been that the area under forest plantation has remained largely unchanged at 4,500ha and 7,800ha for Indegineous softwood and hardwood respectively; 18,300ha for exotic hardwoods; and at around 104,100ha for the exotic softwoods.

9.9. Trends in recorded sale of forest products for the period 1996 to 2000 are shown in Table 9.4. During the period under review there was a significant decrease in the volume of timber sold with the total falling from 345.7 thousand cubic metres in 1999 to 216.8 thousand cubic metres. There was no recorded sale

of hardwood timber in the last two years. Sales of fuelwood/charcoal in thousand cubic stacks and power and telegraph poles declined from 61.9 units and 24.6 units in 1999 to 0.8 units and 0.5 units in 2000 respectively. The decrease in sales of power and telegraph poles was mainly due to Telkom (K) Ltd and Kenya Power and Lighting Company (KPLC) using alternative sources.

Table 9.4: Recorded sale of forest products, 1996 - 2000

Forest Product	1996	1997	1998	1999	2000*
Timber - '000 true cu. metres-					
Soft wood	193.7	314.5	287.7	345.7	216.8
Hardwood	8.7	1.9	0.4	0.0	0.0
TOTAL	202.4	316.4	288.1	345.7	216.8
'000 stacked cu. metres-					
Peels/Veener logs/Plywoods	142.0	140.7	-	-	-
Pulpwood/Paper production	136.8	137.3	-	-	-
Fuelwood /Charcoal	30.0	63.2	36.3	61.9	0.8
Power &Telegraph Poles	14.6	19.9	4.9	24.6	0.5

* Provisional.

Source : Ministry of Environment and Natural Resources.

Mining

9.10 The quantity and value of mineral production for the period 1996-2000 are shown in Table 9.5. The overall quantity of mineral production recorded a marginal increase of 2.0 per cent in 2000. Notable increases were in the output of crushed refined soda and fluorspar, which increased by 14.1 per cent and 6.9 per cent, respectively. Declines were recorded in soda ash, salt, and 'other' category. The prospects of titanium mining in Kwale district are high.

Table 9.5: Quantity and value of mineral production, 1996 - 2000

Mineral	1996	1997	1998	1999	2000*
Quantities - Tonnes:					
Minerals-					
Soda Ash	223,000	257,640	242,910	245,680	238,190
Fluorspar	83,000	68,700	60,854	93,602	100,102
Salt	41,000	6,280	21,742	44,886	16,359
Limestone Products**	31,935	32,668	32,000	32,000	32,000
Crushed Refined Soda	375,000	392,000	370,000	335,230	382,556
Other	10,276	10,934	9,823	10,682	8,323
TOTAL	764,211	768,222	737,329	762,080	777,530
Value - Kshs'000:					
Soda Ash***	1,702,000	1,894,020	1,473,360	1,848,520	1,955,500
Fluorspar***	416,320	331,100	341,720	651,260	627,860
Salt	30,860	23,540	66,260	136,240	51,740
Limestone Products	30,180	31,120	31,600	31,600	31,600
Crushed Refined Soda	34,040	37,900	29,480	36,980	42,200
Other	396,600	322,440	318,540	738,240	933,380
TOTAL	2,610,000	2,640,120	2,260,960	3,442,840	3,642,280

Source : Department of Mines and Geology.

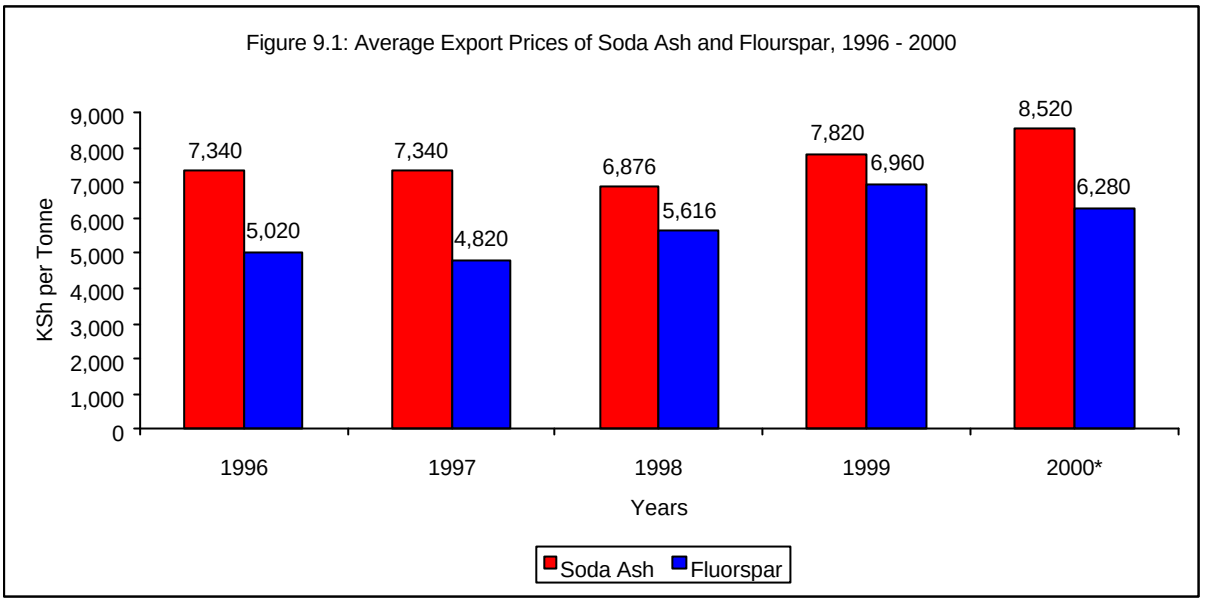
* Provisional.

** Excluding limestone used as input into cement product.

*** Including Export Value.

9.11. The value of the mineral production increased marginally from KSh 3,444.82 million in 1999 to KSh 3,642.3 million in 2000. The value of crushed refined soda, soda ash and 'Other' mineral category also increased by 14.1 per cent, 5.8 per cent and 26.4 per cent, respectively. Figure 9.1 shows the average export prices of soda ash and fluorspar. While the export price of soda ash increased from KSh 7,820 per tonne to KSh 8,520 per tonne that of fluorspar decreased from KSh 6,960 per tonne in 1999 to KSh 6,280 per tonne during the year.

Figure 9.1: Average Export Prices of Soda Ash and Flourspar, 1996 - 2000



Wildlife conservation

9.12. The long drought experienced in 2000 led inadequate pastures and insufficient drinking water for animals which caused massive losses of animals in the rangeland. The most affected species were some of the large herbivores, most of which either died or migrated to more suitable areas away. Total wildlife numbers are shown in Table 9.6.

9.13. The population of all wildlife animals decreased in 2000 except for grevy's zebra, wildebeest, gerenuk, grant's gazelle, warthog and ostrich. The worst affected species included giraffes, elands, waterbucks, elephants, buffalos, kongoni, oryx and H. hartbeest, which recorded more than 30 per cent decrease in 2000.

Table 9.6: Wildlife population in the Kenya rangelands, 1996 - 2000

'000 Number

SPECIES	1996	1997	1998	1999	2000*
Elephant	21.5	15.9	17.1	16.4	11.1
Buffalo	34.1	29.0	28.8	27.5	18.5
Giraffe	50.2	40.4	38.6	36.6	21.6
Burchell's Zebra	207.2	181.4	170.8	170.0	138.8
Grevy's Zebra	4.2	6.8	7.3	7.2	14.4
Topi	88.9	57.6	57.6	57.4	46.6
Kongoni	25.2	15.5	12.9	12.2	8.5
Wildebeest	167.3	322.4	311.0	301.0	324.9
Oryx	32.6	27.4	26.4	26.2	17.7
Eland	14.1	18.6	15.6	15.4	5.9
H. Hartbeest	1.6	1.7	1.6	1.8	1.2
Waterbuck	2.5	6.8	6.2	6.0	3.1
Kudus	7.9	10.3	10.4	10.3	10.3
Gerenuk	22.4	26.5	26.7	26.5	41.8
Impala	103.9	78.5	77.6	77.2	58.9
Grant's Gazelle	150.3	123.3	12.8	127.1	220.1
Thompson's Gazelle	61.9	49.4	56.2	56.2	52.6
Warthog	19.0	14.6	14.4	14.1	21.3
Ostrich	30.9	29.7	26.9	27.0	27.6

Source : Department of Resource Survey and Remote Sensing (DRSRS)
* Provisional

Refuse management

9.14. Table 9.7 shows the expenditure on public health by Nairobi City Council. Industrial and domestic waste management has remained a serious environmental problem in most urban centres. In Nairobi for example, daily refuse collection by Nairobi City Council and the private collectors is only 600 metric tonnes, representing only 45 per cent of the total daily solid waste generated. This is due to a number of factors including inadequate financial resources, insufficient refuse disposal, inadequate disposal vehicles, dumping sites and low participation by both individuals and private companies in solid waste management.

Table 9.7: Expenditure on public health by the Nairobi City Council, 1996 - 2001

Kshs '000

	1996/97	1997/98	1998/99	1999/2000	2000/2001*
Cleaning and Administration	32,610.0	36,700.0	39,430.0	75,734.0	83,166.0
Cleaning - General	134,998.0	139,514.0	139,714.0	163,344.0	164,196.0
Refuse Removal	50,248.0	25,124.0	28,744.0	70,112.0	74,304.0
Conservancy	318.0	322.0	322.0	494.0	496.0
Total	218,174.0	201,660.0	208,210.0	309,684.0	322,162.0

Source : Nairobi City Council.

* Provisional

9.15. The overall expenditure for refuse management rose marginally by 4.0 per cent from KSh 309.7 million in 1999/2001 to KSh 322.2 million in 2000/2001. Over the same period expenditure on cleaning and administration, general cleaning, refuse removal and conservancy increased by 9.8 per cent, 0.5 per cent, 5.9 per cent, and 0.4 per cent, respectively.

Resources Management and Monitoring

9.16. Since the 1972 UN conference on human settlement, many countries have been reviewing their environmental situations as a way of responding to public demands for environmental information. In order to enhance integration of environmental issues in development, the Kenya government will pursue the objectives of ensuring that all public and private projects undergo a thorough Environmental Impact Assessment (EIA) before implementation.

9.17. The central focus of development now is poverty, which has close linkages with natural resources management, environmental degradation and social equity. Additionally the country has a GOK-UNDP Country Co-operation 'Framework' (CCF) in environment and natural resources for the period 1999 – 2003, which focuses on local community participation linking poverty eradication to better environment and natural resources management as a way of furthering sustainable development.

9.18. Pollution enhances poverty through effects on human health and costs of mitigating against such impacts. Pollution control and waste management is one way of achieving good environmental governance. The Government is encouraging the industrial sector to comply with environmental standards and to use clean production technologies, in addition to promoting waste recycling and re-use, and protection of the atmosphere.

9.19. On the protection of the ozone layer, the MENR is currently coordinating an institutional strengthening project for a three-year period to enable the country

develop this capability. The project will strengthen the Ozone Office in Kenya in line with actions by other parties in order to streamline the phasing out of Ozone Depleting Substances (ODS) without disrupting the economic, social and developmental progress of the country.

9.20. On protection of the atmosphere, Kenya has undertaken several activities in line with the requirements of the United Nations Framework Convention on Climate Change (UNFCCC) ratified in 1994. Under a United Nation Development Programme / Global Environment Facility (UNDP/GEF) project, studies have been undertaken in several areas including natural inventories of green house gases sources and sinks; climate change mitigation options; and climate change impacts vulnerability and adoption. The exercise is still going on under the co-ordination of MENR.

9.21. On forestry resource, the general direction of the Government is to strengthen its management, increase public and community involvement, and encourage further private sector participation. These instruments will strengthen efforts to maintain and manage the forest base, through the use of public hearings and the adoption of Environment Impact Assessment (EIA) process. In addition, the mechanism of a forestry fund proposed in the new forestry bill would support rehabilitation of degraded forestland and local forest management.

9.22. The catchments of Lake Victoria have continued to experience serious environmental degradation, inappropriate land-use methods which have led to deforestation, soil infertility, bio-diversity loss, floods and siltation in the lower areas of the basin. In this regard, the Lake Basin Development Authority (LBDA) has carried out an integrated feasibility study on river Nyando basin. Persistent issues addressed by the authority include amounts of semi-treated industrial and domestic discharges on river Nyando, high soil erosion and Biological Oxygen Demand (BOD) levels.

9.23. The study revealed wide variations in BOD levels ranging from 150 mg/l for E.A sugar industries to 2,800 mg/l for Agro-chemical Food Company. Most of the municipalities do not have waste treatment works resulting in very high BOD levels of 390 mg/l for Kakamega and 303 mg/l for Kisumu. Poor management and insufficient maintenance of the waste treatment plants are some of the reasons given for the municipalities' environmental deterioration.

9.24. To boost production of fish in the country the Kenya Marine and Fisheries Research Institute is conducting research on the use of Fish Aggregating Devices (FAD) in marine waters. The use of FADs is a technology that helps in improving fish catches and redirecting fishing activities from traditional fish grounds, which are already threatened with overexploitation.

CHAPTER 10

ENERGY

Overview

In March 1999, the Organization of Petroleum Exporting Countries (OPEC) and non-OPEC members agreed on output cuts to in order boost crude oil prices. The outcome was a 27.8 per cent price rise between January and October 2000 for Murban Adnoc Benchmark from US $ 25.2 to US $ 32.2 a barrel. This presented the highest price level since the 1990 Gulf War. This high price induced the OPEC members to increase output to about 4 million barrels per day for that year, 2000. The increased supply however, caused crude oil prices to drop in the month of December, 2000 to US $ 23.0 per barrel for Murban Adnoc Benchmark.

10.2. The instability of world oil prices translated into erratic price movements of refined petroleum products in the domestic economy. The rapid price changes of petroleum products were attributed to the rise in import prices of crude oil coupled with the weakening of the Kenya shilling against the US dollar.

10.3. Sales of petroleum products went up by 5.9 per cent from 2,311.5 thousand tonnes n 1999 to 2,448.1 thousand tonnes in 2000. This was partly due to the increased demand from thermal generation following the decline in hydro-power generation. The volume of crude oil imports increased by 14.6 per cent while those of refined petroleum fuels declined by 30.1 per cent to 874.9 thousand tonnes in 2000, down from 1,250.9 thousand tonnes imported in 1999. The import bill rose significantly by 60 per cent during the period under review.

10.4. In an attempt to meet the rising electricity demand, power generation capacity rose by 23.3 per cent to 1,147.2 Megawatts (MW) in 2000, over the 930.2 MW registered in 1999. This was as a result of enhancement of generation capacity after the commissioning of a third unit at Gitaru power station; generation by Olkaria III geothermal station; generation by the Independent Power Producers (IPPs); and temporary installation of emergency generators. Even with this improvement, there was a substantial decline in power generation attributable to a 41.4 per cent drop in hydro-based electricity generation. As a result, total generation fell by 8.8 per cent from 4,581.8 Gigawatt Hour (GWH) in 1999 to 4,178.9 GWH in 2000. The result was a prolonged period of power rationing which had a major negative impact on the overall performance of the national economy. During the period under review, a duty rebate on fuel usage was extended to establishments operating generators with a capacity of over 100 KVA. In addition, a compensation scheme for extra costs incurred by those establishments using generators was put in place. In order to ease power rationing, the Government encouraged private sector participation through the IPPs in power generation in addition to contracting emergency generators under the Emergency Power Project.

Petroleum

10.5. Petroleum fuel is a major source of energy used in the modern energy sector. Kenya relies entirely on imports of both crude and refined petroleum products thus resulting in a heavy drain on foreign exchange resources. During the period under review crude oil and imported petroleum products accounted for 25.7 per cent of the total country import bill compared to 19.8 per cent in 1999.

10.6. Table 10.1 shows imports and exports of crude petroleum products for the period 1996 to 2000. Crude petroleum imports rose by 14.6 per cent from 2,139.3 thousand tonnes in 1999 to 2,452.3 thousand tonnes in 2000, while the value nearly doubled from KSh 22,355.4 million to KSh 41,907.2 million in 2000. The overall imports of crude and refined products declined marginally by 1.9 per cent from 3,432.5 thousand tonnes in 1999 to 3,368.1 thousand tonnes in 2000. Total import bill increased from KSh 39,345.8 million in 1999 to KSh 63,112.3 million in 2000, as a result of increase in the crude oil prices coupled with the weakening of the Kenya shilling against the US dollar. Crude petroleum imports accounted for 72.8 per cent of the total oil imports in 2000 compared with 62.3 per cent in 1999. Imports of petroleum fuels recorded a decline of 30.1 per cent in volume while lubricating greases recorded a substantial increase of 12.5 per cent.

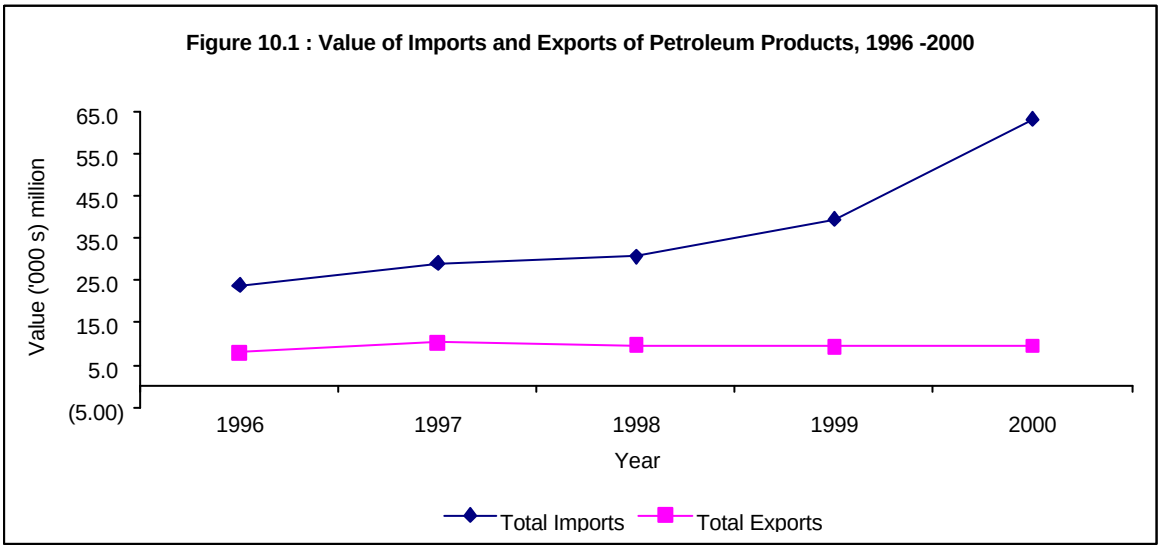
Table 10.1 : Quantity and Value of Imports and Exports of Petroleum Products*, 1996 - 2000

	Quantity ('000 Tonnes)					Value (KSh Million)				
	1996	1997	1998	1999	2000**	1996	1997	1998	1999	2000**
IMPORTS:										
Crude Petroleum	1,413.0	1,833.7	2,157.7	2,139.3	2,452.3	13,504.0	16,825.0	15,036.6	22,355.4	41,907.2
Petroleum Fuels	963.9	895.7	1,387.8	1,250.9	874.9	9,431.0	11,366.2	14,451.0	15,746.2	19,622.2
Lubricating Oils	30.9	29.5	38.2	41.5	40.0	886.0	773.6	1,087.0	1,144.8	1,473.4
Lubricating Greases ..	0.4	0.3	2.2	0.8	0.9	45.2	33.4	124.4	99.4	109.6
TOTAL	2,408.1	2,759.2	3,585.8	3,432.5	3,368.1	23,866.2	28,998.2	30,699.0	39,345.8	63,112.3
EXPORTS:										
Petroleum Fuels	450.8	653.0	640.6	627.3	441.9	7,393.4	9,869.4	9,169.2	9,147.2	9,077.7
Lubricating Oils	8.4	9.7	8.1	3.9	4.8	451.6	414.0	491.8	230.8	355.0
Lubricating Greases ..	0.3	0.2	0.2	0.2	0.1	20.2	11.2	29.4	13.0	12.5
TOTAL	459.5	662.8	648.9	631.4	446.8	7,865.2	10,294.6	9,690.4	9,391.0	9,445.3
NET BALANCE						16,001.0	18,703.6	21,008.6	29,954.8	53,667.0

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

** Provisional

Figure 10.1 : Value of Imports and Exports of Petroleum Products, 1996 -2000



10.7. Petroleum fuel, which is the most important petroleum export product, recorded a remarkable drop of 29.6 per cent from 627.3 thousand tonnes in 1999 to 441.9 thousand tonnes in 2000. This is attributed to direct importation by Kenya's traditional export markets, namely Uganda, Burundi, Rwanda and the

Democratic Republic of Congo. Export earnings in this sector, on the other hand went up from KSh 9,391.0 million in 1999 to KSh 9,445.3 million in 2000 but failed to reach the 1997 or 1998 levels. The net effect between higher imports and lower exports was a near doubling of the deficit on trade in petroleum products, from KSh 29,954.8 million in 1999 to KSh 53,667.0 million in 2000.

10.8. Table 10.2 shows the intake of crude oil at the Kenya Petroleum Refineries Limited (KPRL) by type during the period 1996 to 2000. Total intake at the refinery rose by 18.5 per cent to 2,012.8 thousand tonnes in 2000, up from 1,698.1 thousand tonnes the previous year. This was the highest crude oil intake since liberalisation of the petroleum sector in 1994. The rise was attributed to the increase of crude oil intake, particularly of Murban and Iranian Heavy, which recorded rises of 40.5 per cent and 110.4 per cent respectively between 1999 and 2000. Murban crude remained the most important crude oil intake at the refinery owing to it's high yield of white oils, accounting for 87.4 per cent of total crude intake, with the other 12.6 per cent shared among Zakum, Iranian Heavy and Arabian Medium. Although no Arabian Medium had been imported in the course of the previous five years, 73.1 thousand tonnes were imported in 2000. No imports of Arabian Heavy and Kuwait were recorded in 2000.

Table 10.2: Crude Oil intake at the Refinery by Type, 1996 - 2000

'000 Tonnes

Crude intake	A.P.I. Gravity	1996	1997	1998	1999	2000*
Arabian Heavy	27.9	..	27.6	25.0	54.2	..
Arabian Medium	31.0	..	..	..	..	73.1
Iranian Light	33.9	1.0	..	..	..	..
Iranian Heavy	30.4	56.3	76.8	84.2	30.7	64.6
Kuwait	32.0	68.0	..	..	49.9	..
Zakum	40.1	657.6	582.8	562.0	309.5	115.2
Murban	39.6	834.1	960.2	1,050.4	1,252.7	1,759.9
Marib Light	..	144.2	..	..	..	..
Slops	..	..	..	..	1.1	..
TOTAL	..	1,761.2	1,647.4	1,721.6	1,698.1	2,012.8

* Provisional.

A.P.I means American Petroleum Institute

10.9. Table 10.3 gives the production of various petroleum products processed at the KPRL during the period 1996 to 2000. Overall production in 2000 went up by 18.5 per cent above the 1999 output of 1,698.0 thousand tonnes to stand at 2,012.8 thousand tonnes. The output of all finished products recorded increases over the previous reference period. Fuel oil remained the most important output product, registering an increase of 21.4 per cent to 615.8 thousand tonnes in 2000 compared to 507.2 thousand tonnes in 1999. Illuminating kerosene and jet/turbo fuel, and light diesel oil registered an increase of 18.7 per cent and 18.8 per cent respectively. Demand for fuel oil and light diesel was high during the year as they were extensively used for power generation during the drought period. Bitumen output went up by 5.9 per cent from 20.3 thousand tonnes in 1999 to 21.5 thousand tonnes in 2000, a factor attributed to the increase in road rehabilitation activities implemented under the El Nino Rehabilitation Programme and the Kenya Urban Transport Infrastructure Project (KUTIP).

Table 10.3: Finished Petroleum Products, * 1996 - 2000

'000 Tonnes

	1996	1997	1998	1999	2000**
OUTPUT-					
Liquefied petroleum gas	26.8	23.5	29.0	27.1	34.0
Motor gasoline premium	176.2	131.5	158.9	157.9	201.6
Motor gasoline regular***	128.6	144.2	137.4	127.4	133.2
Illuminating kerosene and Jet/turbo fuel ..	380.4	334.6	355.1	337.4	400.4
Light diesel oil	394.1	385.6	401.2	406.0	482.2
Heavy diesel oil and Marine diesel oil ..	28.1	26.1	27.6	25.1	28.6
Fuel oil***	513.1	496.8	499.1	507.2	615.8
Bitumen***	11.7	12.0	19.8	20.3	21.5
Additives	-0.5	-0.5	-0.6	-0.6	-0.8
Refinery usage	102.8	93.6	94.1	90.2	96.3
THROUGHPUT=TOTAL OUTPUT	1,761.3	1,647.4	1,721.6	1,698.0	2,012.8

* Excludes lubricants.

** Provisional.

*** Revised series

10.10. Table 10.4 shows that domestic demand has been increasing over the last four years. Total domestic sales of petroleum products increased by 5.9 per cent from 2,311.6 thousand tonnes in 1999 to 2,448.1 thousand tonnes in 2000. The growth is mainly attributable to the high domestic consumption of petroleum fuels to overcome power rationing experienced during the second half of the year 2000. Significant increases in sales were recorded in light diesel oil and fuel oil. Demand for light diesel accounted for 29.1 per cent of the total demand and increased by 18.5 per cent over 1999. Fuel oil and heavy diesel increased by 11.5 per cent and 9.3 per cent, respectively. The demand for motor spirit (premium and regular) declined from 384.6 thousand tonnes in 1999 to 365.7 thousand tonnes in 2000. This drop of 4.9 per cent could be related to the overall poor performance of the economy and higher pump prices (refer to Table 10.7). Demand for kerosene, which had recorded an increase of 27.8 per cent in 1999, declined by 5.7 per cent in 2000 to record 383.7 thousand tonnes down from 406.8 thousand tonnes recorded in 1999. This drop is attributable to the introduction by the government kerosene marking system as a measure against the use of kerosene to adulterate refined petroleum products. The sharp rise in the price of kerosene during the year may also have contributed to this drop.

Table 10.4: Petroleum Supply and Demand Balance, 1996 - 2000

'000 Tonnes

	1996	1997	1998	1999	2000*
DEMAND-					
Liquefied petroleum gas ..	31.2	30.7	31.3	32.2	33.4
Motor spirit (premium and regular)	399.3	390.6	395.8	384.6	365.7
Aviation spirit	4.6	4.1	3.2	2.5	2.2
Jet/turbo fuel	444.6	431.9	419.4	418.7	432.2
Illuminating kerosene ..	253.8	267.6	318.2	406.8	383.7
Light diesel oil	646.3	615.9	607.5	601.7	712.8
Heavy diesel oil	26.6	47.6	26.4	25.7	28.1
Fuel oil	424.2	386.9	397.3	439.4	490.0
TOTAL	2,230.5	2,175.2	2,199.1	2,311.6	2,448.1
Refinery usage	102.8	93.6	94.1	90.2	96.3
TOTAL DOMESTIC DEMAND	2,333.3	2,268.9	2,293.2	2,401.8	2,544.4
Exports of petroleum fuels ..	450.8	653.0	640.6	627.3	441.9
TOTAL DEMAND**	2,784.1	2,921.9	2,933.8	3,029.1	2,986.3
SUPPLY-					
Imports:					
Crude oil	1,412.9	1,833.7	2,157.7	2,139.3	2,452.3
Petroleum fuels	963.9	895.7	1,387.8	1,250.9	874.9
TOTAL	2,376.8	2,727.4	3,545.5	3,390.2	3,327.2
Adjustment* .. .. ..**	407.3	194.5	-611.7	-361.1	-340.9
TOTAL SUPPLY**	2,784.1	2,921.9	2,933.8	3,029.1	2,986.3

* Provisional.

** Difference is due to rounding.

*** Adjustment for Inventory, Losses in Production and inconsistency of th data from customs, Oil marketing Firms and KPRL

10.11. The transport sector (road, rail, marine and aviation) continued to be the main consumer of petroleum products as shown in Table 10.5. The sector accounted for 69.1 per cent of the total net sales of 2,448.1 thousand tonnes in 2000, compared to 71.4 per cent of the total sales figure of 2,311.5 thousand tonnes consumed by the sector in 1999. Whereas sales to the retail pump outlets and road transport increased by 6.8 per cent, sales to rail transport and marine fell by 18.5 per cent and 33.6 per cent, respectively. The agriculture sector, which had recorded a decline of 18.2 per cent in 1999, recorded a marginal growth of 1.2 per cent. This was as a result of increase in diesel demand, mainly by tea factories following the dry spell experienced that hampered hydro-power generation. Fuel sales for power generation increased by 3.6 per cent from 279.3 thousand tonnes in 1999, to 289.3 thousand tonnes in 2000. The rise may be attributed to increase in thermal-based generation to back up hydro- power production. Industrial, commercial and other related consumers increased their share of consumption by 16.3 per cent, rising from 355.9 thousand tonnes in 1999 to 413.8 thousand tonnes in 2000. This was caused by rise in usage of diesel oil to generate power as a result of grid power rationing experienced during the second half of the year.

Table 10.5: Net Domestic Sale of Petroleum Fuels by Consumer Category,1996 - 2000

'000 Tonnes

User	1996	1997	1998	1999	2000*
Agriculture	99.4	86.6	109.5	89.6	90.7
Retail pump outlets & road transport	1,069.7	1,061.9	1,115.8	1,109.7	1,184.8
Rail transport	20.3	21.6	20.3	15.7	12.8
Tourism**	12.8	12.1	10.9	10.6	10.7
Marine (excl. Naval Forces)	46.5	56.7	73.5	103.5	68.7
Aviation (excl. Government)	445.8	409.5	392.3	421.0	424.4
Power Generation	122.3	149.5	152.0	279.3	289.3
Industrial, Commercial and Other	425.8	403.1	374.4	355.9	413.8
Government	34.4	31.4	23.5	18.6	21.9
Balancing Item	-46.5	-57.2	-73.1	-92.4	-69.0
TOTAL	2,230.5	2,175.2	2,199.1	2,311.5	2,448.1

* Provisional

** Comprises sales to tour operators

10.12. Table 10.6 and Figure 10.2 show changes in wholesale prices for petroleum products at Mombasa. The higher prices in 2000 reflect the increases in crude oil prices coupled with the weakening of the Kenya shilling against the US dollar. All petroleum products registered a significant increase over the 1999 prices, with illuminating kerosene, a 20.3 per cent rise. Industrial diesel oil registered a 20.1 per cent rise from KSh 35,090 per tonne in 1999 to KSh 42,140 per tonne in 2000. Light diesel, regular, premium, LPG and fuel oil registered rises of 15.9 per cent, 7.4 per cent, 14.0 per cent, 11.8 per cent and 12.0 per cent respectively

Table 10.6: Wholesale Prices* of Petroleum Products at Mombasa 1996 - 2000

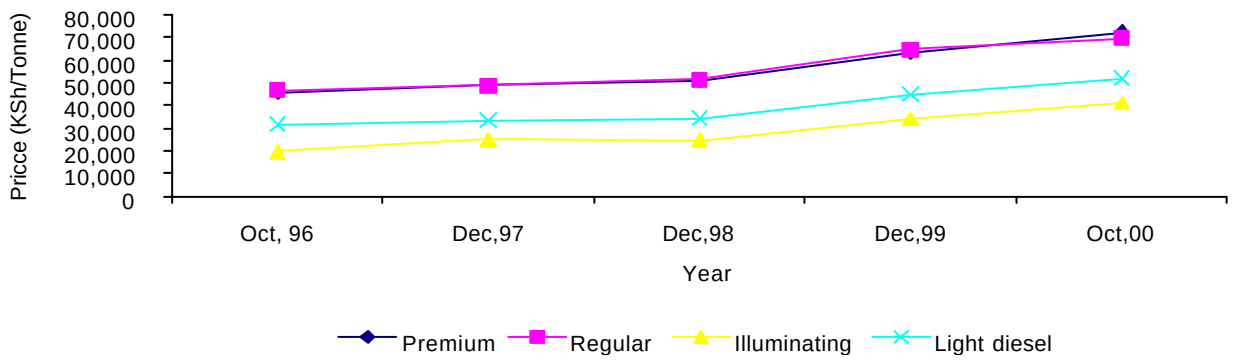
Ksh. Per tonne

	Oct, 96	Dec,97	Dec,98	Dec,99	Oct,00
Liquefied petroleum gas**	36,000	45,000	42,000	51,000	57,000
Premium motor gasoline	45,712	49,002	51,049	63,200	72,057
Regular motor gasoline	46,661	48,672	51,196	64,600	69,400
Illuminating kerosene	19,634	25,031	24,504	34,069	41,000
Light diesel oil	31,788	33,456	34,267	44,700	51,800
Industrial diesel oil	24,326	23,798	23,912	35,090	42,140
Fuel oil	18,364	18,372	17,675	25,900	29,014

* Including duties and VAT.

** Series revised

Figure 10.2: Wholesale Prices of Petroleum Products, Mombasa Oct 1996 - Oct 2000



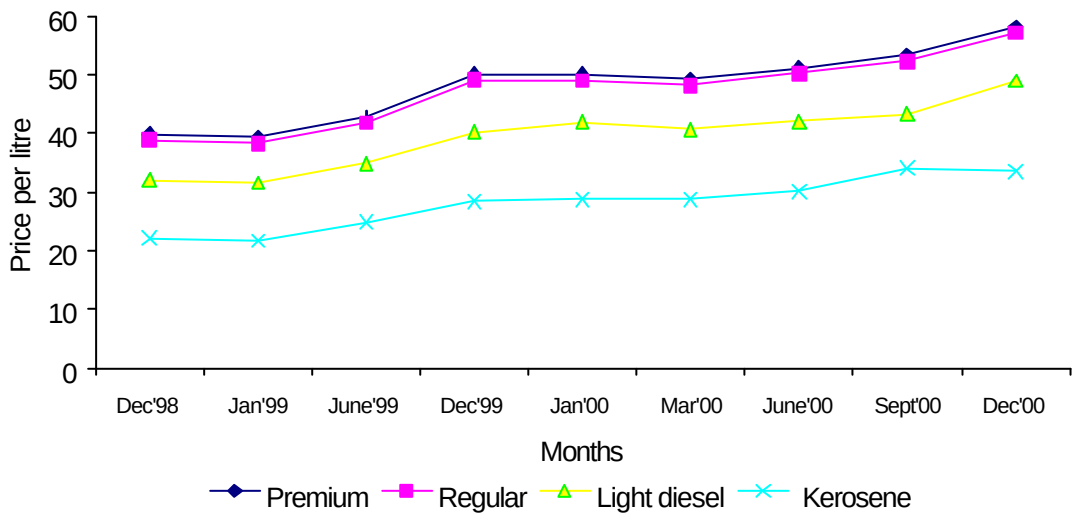
10.13. Table 10.7 and Figure10.3 show changes in Nairobi retail prices of selected petroleum products between December 1998 and December 2000. In the first quarter of the year 2000, the prices of premium and regular decreased by 1.8 per cent as a result of a decline in crude oil prices. However, prices of all products started moving upwards from the month of June to reach the peak level in December, 2000. By December 2000, the retail prices of premium, regular, gas oil and illuminating kerosene had risen by 15.9 per cent, 16.4 per cent, 21.8 per cent and 18.1 per cent, respectively, over those of December, 1999. The changes in the retail prices are partly attributed to variations in the international crude oil prices and fluctuations of the Kenya shilling against the US dollar.

Table 10.7: Nairobi Average Retail Prices of Selected Petroleum Products, Dec1998 - Dec 2000

KSh per litre

Date	Motor Spirit		Gas Oil	Illuminating Kerosene
	Premium	Regular		
Dec'98	39.97	38.89	32.10	22.21
Jan'99.....	39.41	38.33	31.60	21.71
June'99	42.94	41.82	34.98	24.92
Dec'99	50.19	49.12	40.27	28.4
Jan'00	50.15	49.07	41.97	28.78
Mar'00	49.29	48.22	40.79	28.74
June'00	51.25	50.28	42.18	30.22
Sept'00	53.35	52.33	43.33	34.13
Dec'00	58.17	57.19	49.03	33.55

Figure 10.3: Nairobi Retail prices of selected Petroleum products, Dec. 1998 - Dec. 2000



Electricity

10.14. Electricity is the second most important source of commercial energy for the formal sector after the petroleum fuels. Commercial and industrial establishments as well as institutions and households in the country use it. The power rationing which began from September 1998 worsened in the second half of year 2000 as a result of a prolonged drought. Consequently, Kenya Power and Lighting Company (KPLC) effected countrywide power rationing which negatively affected the overall

performance of the economy. In addition expensive thermal generation led to an increase of cost of power consumers.

10.15. The total installed capacity rose by 23.3 per cent to 1,147.2 MW in 2000 over the 1999 capacity level of 930.2 MW, after remaining almost at the same level for the previous three years(see Table 10.8). Out of this total, 105 MW were from a temporally installation of emergency generators contracted by the Government under World Bank funding, hence the temporally generation capacity did not represent an increase in the sector's gross fixed capital formation. The share of hydro-based power generation capacity went up by 13.5 per cent after commissioning of the third unit at the Gitaru power station. This raised the station's total installed capacity to 225 MW. Geothermal-based installation recorded a 26.7 per cent increase from 45 MW in 1999 to 57 MW in 2000. This was made possible by an early commencement in generation by Olkaria III as stop gap emergency measure. Thermal-based capacity increased by 43.0 per cent from 290.7 MW in 1999 to 415.7 MW in 2000, as a result of 20MW capacity installation by various industrial establishments with generation capacity of over 100 KVA and 105 MW out of emergency generators.

Table 10.8 : Installed Capacity and Generation of Electricity* 1996 - 2000

	Installed Capacity MW **				Generation GWH ***					
	Hydro	Ther-mal Oil	Geo-ther-mal	Total	Hydro+	Thermal oil		Geo-thermal	Wind	Total
						Thermal	IPP			
1996	594.5	148.1	45.0	787.6	3,534.8	349.2	..	392.3	..	4,276.3
1997	598.5	216.7	45.0	860.2	3,373.4	459.9	186.8	369.0	..	4,389.1
1998	594.5	217.2	45.0	856.7	3,497.6	280.8	391.4	388.6	0.2	4,558.6
1999	594.5	290.7	45.0	930.2	3,062.5	716.0	420.1	383.0	0.2	4,581.8
2000++	674.5	415.7	57.0	1,147.2	1,793.8	1,201.1	816.7	367.1	0.2	4,178.9

* Figures revised to reflect calendar year

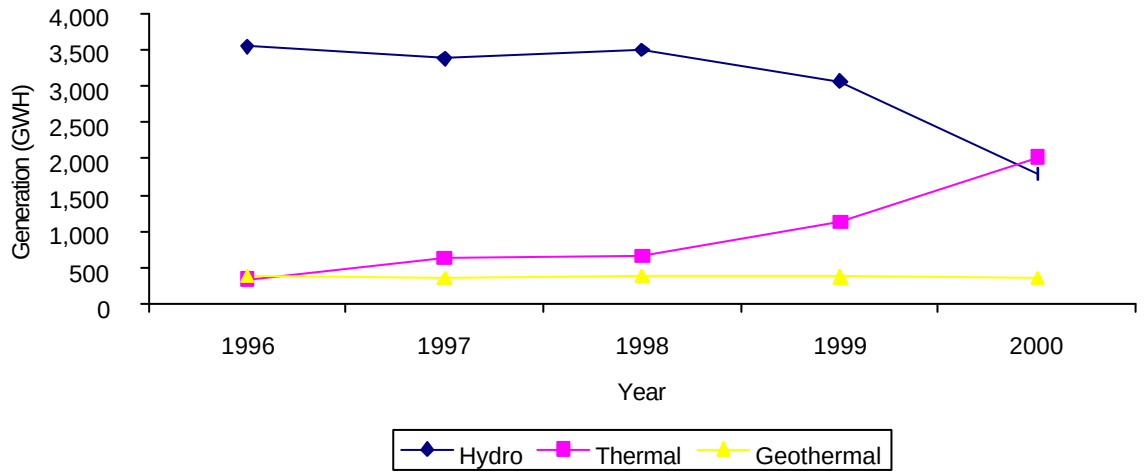
** 1 megawatt = million watts = 1,000 kilowatts.

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

\+ Includes import from Uganda

++ Includes generation for industrial establishment with generation capacity of over 100KVA plus emergency supply of 105 MW by contracted generators

Figure 10.4: Generation of Electricity by Source, 1996 - 2000



10.16. Total electricity generation fell by 8.8 per cent from 4,581.8 GWH in 1999 to 4,178.9 GWH in 2000. This decrease was attributed to drop in hydro-based generation which traditionally accounts for between 70 per cent and 80 per cent of overall electricity generation. Production of hydro-based generation dropped from 3,062.5 GWH in 1999 to 1,793.8 GWH in 2000, a significant 41.4 per cent. The total hydro-generation included import from Uganda which went up to 220.5 GWH from 149.6 GWH in 1999. This was the highest decline experienced in last five years attributable to the prolonged drought experienced during the period under review. Overall, thermal-based generation (KenGen and Independent Power Producers) registered 2,017.8 GWH in 2000 up from 1,136.1 GWH in 1999,a significant increase of 77.6 per cent. The increase in generation by KenGen may be related to hired emergency generators and steam turbine rehabilitation at Kipevu. Industrial establishments with generation capacity of over 100KVA produced 110 GWH during the second half of the year under review. Wind energy, which is an alternative type of enegy, has annually contributed 0.2 GWH to the grid for the last three years.

Table 10.9: Electricity Energy Supply and Demand Balance*, 1996 - 2000

Million KWH

	1996	1997	1998	1999	2000**
DEMAND-					
Domestic and Small Commercial	1,086.9	1,165.8	1,212.6	1,256.8	1,065.6
Large Commercial and Industrial***	2,146.9	2,261.4	2,137.3	2,180.8	2,061.8
Off-peak	94.7	89.2	86.7	84.9	59.8
Street Lighting	9.8	11.2	10.1	10.7	8.8
Rural Electrification	149.6	144.1	155.1	152.0	124.7
TOTAL	3,487.9	3,671.7	3,601.8	3,685.2	3,320.7
Transmission losses and unallocated demand	788.4	717.4	956.8	896.6	858.2
TOTAL DEMAND = TOTAL SUPPLY	4,276.3	4,389.1	4,558.6	4,581.8	4,178.9
of which imports from Uganda ..	136.8	149.5	138.9	149.6	220.5
Net generation	4,139.5	4,239.6	4,419.7	4,432.2	3,958.4

* Figures are in calendar year

** Provisional.

*** Includes generation of industrial establishment with generation capacity of over 100KVA

10.17. Electricity energy supply and demand balance for the period between 1996 and 2000 is shown in Table 10.9. Electricity sales recorded a significant decline of 9.9 per cent in 2000 from 3,685.2 GWH in 1999 to 3,320.7 GWH in 2000. This decline was partly due to reduced consumption by all categories of consumers as a result of power rationing that was occasioned by KPLC, starting from June to December 2000, and partly due to higher tariffs. Demand for electricity by domestic and small commercial consumers decreased by 15.2 per cent to record 1,065.6 GWH in 2000, compared with 1,256.0 GWH in 1999. The proportion of total sales accounted for by large commercial and industrial consumers was 62.1 per cent in 2000, compared to 59.2 per cent in 1999. Off-peak consumption fell by 25.1 GWH, while street lighting dropped by 1.9 GWH during the reference period compared with 1999. Rural electrification registered a drop of 18.0 per cent, from 152.0 GWH in 1999 to 124.7 GWH in 2000. Out of the 3320.7 GWH supplied to the economy, 220.5 GWH or 6.6 per cent was imported from Uganda compared with 4.1 per cent imported in 1999, an increase of 47.4 per cent in 2000 over the 1999 level.

10.18. Kenya's reliance on imported energy is shown in Table 10.10. Total energy consumption in 2000, went up to 2,700.1 thousand Tonnes of Oil equivalent, out of which net imports accounted for 81.5 per cent compared with 63.1 per cent in 1999. Consumption of hydro and geothermal based electricity fell significantly from 296.3 thousand tonnes of oil equivalent in 1999 to 185.9 thousand tonnes of oil equivalent in 2000, a drop of 37.3 per cent, owing to a drop in hydro-power generation. The consumption of coke and coal mainly used in cement production lines declined further by 7.6 per cent in 2000, after a decline of 2.4 per cent in 1999. This is attributable to fall in cement production. Energy consumption per capita expressed in kilograms of oil equivalent dropped by 1.3 per cent after remaining at the same level in 1999 and 1998.

Table 10.10 : Production, Trade and Consumption of Energy* Expressed in Terms of Primary Sources, 1996 - 2000

'000 Tonnes Oil Equivalent

	1996	1997	1998	1999	2000**
COAL AND COKE CONSUMPTION	89.2	91.5	73.2	71.5	66.1
Imports of crude oil	1,412.9	1,833.7	2,157.7	2,139.3	2,452.3
Net exports of petroleum	410.3	147.0	653.1	533.4	336.7
Stock changes and balancing item+	407.3	194.5	-611.7	-361.1	-340.9
TOTAL CONSUMPTION OF LIQUID FUELS	2,230.5	2,175.2	2,199.1	2,311.6	3,129.9
HYDRO AND GEOTHERMAL ENERGY:-					
Local production of hydro power***	292.2	277.3	288.8	250.5	135.3
Local production of geothermal power***	33.7	31.7	33.4	32.9	31.6
Imports of hydro power***	11.8	12.9	11.9	12.9	19.0
TOTAL CONSUMPTION OF HYDRO AND GEOTHERMAL ENERGY	337.7	321.9	334.1	296.3	185.9
TOTAL LOCAL ENERGY PRODUCTION	325.9	309.0	322.2	283.4	166.9
TOTAL NET IMPORTS	1,103.6	1,791.1	1,589.7	1,690.3	2,200.7
TOTAL ENERGY CONSUMPTION	2,657.4	2,588.6	2,606.4	2,679.4	3,381.9
LOCAL PRODUCTION AS PERCENTAGE OF TOTAL	12.3	11.9	12.4	10.6	4.9
PER CAPITA CONSUMPTION IN TERMS OF KILOGRAMS OF OIL EQUIVALENT	101.0	95.5	93.4	93.4	94.1

* Modern sector only; fuelwood and charcoal are excluded.

** Provisional.

*** Revised series

\+ Adjustment for inventory, Losses in production and inconsistency of data from Customs, Oil marketing firms and KPRL.

Rural Electrification.

10.19. During the year 1999/2000, a total of KSh 708 million was spent on the Rural Electrification Programme (REP). This brought the cumulative capital expenditure of the programme to about KSh 5,000 million, since its inception in 1973. The number of customers under the REP programme grew by 9.9 per cent from 61,436 in 1998/99 to 67,542 in 1999/2000. The units sold under the programme recorded a significant drop, of 18.0 per cent from 152 GWH in 1999 to 124.7 GWH in 2000. The drop in sales was caused by a decrease in consumption that followed power rationing.

10.20. Following an evaluation of the first stage of Phase I of the Coffee Factories Rural Electrification Programme (COFREP), which is financed from the Stabilization Exports (STABEX) Fund an additional 55 factories are earmarked for electrification

by June 2002. This will bring the total number of factories served with electricity under the Programme to 112 out of the targeted 168.

10.21. During the year 1999/2000, implementation of 32 projects commenced under Phase I of the Spanish Rural Electrification credit facility of US $ 10.6 million. The projects are expected to be completed by October 2001. Implementation of additional projects under Phase II of Spanish funding of US $ 10.3 million is expected to start towards the end of 2001.

Development and Future Prospects in Power Sub-sector

10.22. The persistent drought experienced in the country over the last two years, coupled with lack of adequate investments in new generation capacity, has severely affected power generation in the country. To augment electricity output from the national grid and reduce the negative impact associated with power shortages, the Government will facilitate private participation in power generation, transmission and distribution. Moreover completion of the projects identified in the Least Cost Development Plan, which includes Kipevu II, Olkaria III and Sondu Miriu, will boost the generation capacity by 318 MW plans have been put in place to upgrade the Kenya-Uganda transmission line from the present 132KV to 220 KV under funding from the Uganda Electricity Board (UEB). Kenya and Tanzania have also signed a Memoradum Of Understanding (MOU) for a study towards construction of a power inter-connector between Arusha and Nairobi.

Wood Fuel Resources

10.23. Wood fuel refers to both fuelwood and charcoal. According to the Ministry of Energy, approximately 80 per cent of Kenya's population is dependent on wood fuel for its domestic energy needs. In aggregate, wood fuel supplies over 70 per cent of Kenya's energy demand and provides over 93 per cent of rural household energy requirement. In urban areas, charcoal is more predominantly used than firewood. At least 80 per cent of urban households' wood fuel demands are met by charcoal. The current policy on wood fuel emphasises provision of adequate supplies of wood to satisfy demand through a sustained yield while, at the same time, conserving the environment. To achieve this objective, programmes aimed at promoting and developing efficient energy appliances like improvised varieties of stoves, have been adopted. Agro forestry is also encouraged for sustainable firewood supply.

Alternative Sources of Energy

10.24. Alternative sources of energy in Kenya include solar power, biogas and wind. These sources help to conserve and supplement, where appropriate, the three major sources of energy ; namely; wood fuel, petroleum and electricity.

10.25. **Solar energy:** Solar energy, as an alternative source, has been accepted as a viable source of energy because its technologies are environmentally friendly and do not contribute to the global warming phenomenon. It is particularly suitable for water heating and household lighting due to its minimal requirements. Solar Photo-voltaic (PV) system are proving very popular and appear to be an attractive option, especially for the rural households who are unlikely to be connected to the national grid in the foreseeable future. Some of the constraints hampering the use of solar energy include poor quality of local batteries, lack of adequate consumer information, high prices of PV systems and lack of qualified PV technical

manpower. To address this problem the Ministry of Energy in conjunction with World Bank is carrying out a study aimed at recommending an appropriate taxation regime for PV systems and quality standard for PV systems.

10.26. **Biogas:** A biogas is one of the sources of alternative energy adopted in Kenya. The use of biogas devices can help to lower household demand for wood fuel and commercial fuels. The operation of the units is suitable in the high potential agricultural zones, especially where farmers practice zero-grazing. To promote this source of energy, the Government will continue to strengthen biogas training and extension programmes through the Energy Centres, co-operate with NGOs and commercial sectors on dissemination of proven and cost-effective technologies.

10.27. **Wind:** A major advantage of wind energy is its cost-effectiveness. The major constraints hampering exploitation of this source of energy has been lack of appropriate technology, lack of reliable data on wind regimes in the country and poor promotion strategies, as well as initial cost of investment.

10.28. Kenya relies on electricity as one of the major factors for economic growth. The power rationing experienced last year as a result of prolonged drought coupled with high crude oil prices had adverse impact on the economy. In order to improve the situation, the Government has embarked on measures to implement power generation projects with total capacity of 373 MW intended to be commissioned by the year 2003/4. About 313 MW of this capacity is thermal, reflecting Government's deliberate policy of diversification away from a hydro-power.

CHAPTER 11

MANUFACTURING

Overview

In the year 2000, real output in the manufacturing sector declined by 1.5 per cent. The devastating effects of the power rationing, which was introduced as a consequence of the drought, compounded the existing structural weaknesses in the sector contributing to the poor performance. Metered power supply to the commercial and industrial sector declined by 5.4 per cent, leading to increased use of generators as an alternative source of power. Consequently, there was reduced plant capacity utilisation leading to decreased output, loss of jobs and increases in product prices. The effects of depressed local demand and restrictions in the European and American markets on manufactured products, were cushioned by increased volume of trade in favour of Kenya within the COMESA market as local manufactures took advantage of the favourable tax regime. The growth of the export market is set to meet competitiveness hurdles in the light of high domestic costs from high interest rates and poor infrastructure. On the other hand, local manufacturers have taken advantage of the tariff cuts initiative for raw materials not produced in the country and a removal of minor inspection fees as outlined in the 2000/2001 budget. The government had earlier put in place an anti-dumping and countervailing duty legislation to curb restrictive practices that disadvantage local manufacturers.

11.2. Agro-based industries were worst hit by the severe weather with output in the grain milling, sugar, tobacco, and bakery products industries declining by big margins. Output in the clothing and leather industries stabilized in 2000, while that in the textiles, chemicals and transport industries continued with the downward trend. Investment in the sector was at an all time low as indicated by the amount of credit advanced to manufacturing related ventures. On the positive front, output indicators at the Export Processing Zones (EPZ) recorded improved performance in 2000.

Employment

11.3. The slowdown in the manufacturing sector was reflected in the decline in employment from 219,600 persons in 1999 to 218,000 persons in 2000. The decline was partly attributed to the reduced number of working shifts in 2000 due to lower capacity utilisation. The worst affected industries were food processing, textiles and motor vehicle assembly.

Manufacturing Sales and Stocks

11.4. A combination of depressed effective demand coupled with the general poor economic environment in 2000 led to a further decline in total sales in nominal terms, in the manufacturing sector. During this period, total sales was KSh 202,900 million compared with KSh 220,100 million and KSh 267,000 million in 1999 and 1998 respectively. The value of stocks and work in progress as at 31st December, 2000 was KSh 235,000 million.

Industrial Output

11.5. Despite the decline in output and intermediate consumption by 10.9 per cent and 14.0 per cent respectively, value added in current prices grew by 12.1 per cent (See Table 11.1). Labour compensation to workers as provided by the annual Labour and Enumeration Survey grew by 10.0 per cent in 2000. Wage cost as a percentage of value added has averaged 34.7 per cent over the last five years.

Table 11.1: Manufacturing Sector - Output , Wage and Value Added, at Current Prices, 1996 - 2000

KSh Million

YEAR	Value of Output	Intermediate Consumption	Value Added	Total Wages Paid
1996	576,400	525,400	51,000	19,200
1997	675,200	616,900	58,300	20,200
1998	703,000	631,400	71,600	24,600
1999	742,500	656,800	85,700	29,000
2000*	661,200	565,100	96,100	31,900

* Provisional.

Quantum Indices

11.6. Physical output in several manufacturing industries in 2000 declined by large margins as detailed in Table 11.2. The agro-based industries recorded the worst performance. Output in the grain milling, tobacco, bakery products and sugar industries recorded declines of 21.5 per cent, 16.9 per cent, 14.4 per cent and 12.9 per cent respectively. Production of basic industrial chemicals, clay and glass products, non-metallic minerals, metal products and transport equipment industries recorded poor performance as well. However, output of plastic and petroleum products continued to record upward trend as a result of increased local demand. The beverages and leather and footwear industries registered growths of 7.2 per cent and 12.3 per cent respectively.

11.7. Increase in the volume of output of processed milk contributed to the marginal growth of the meat and dairy products sub-sector. In spite of the drought prevailing in 2000, processed milk reconstitution and increased capacity utilization of the milk processing plants boosted the industry by 8.2 per cent to 60.0 million litres to 55.4 million litres recorded in 1999. In addition production of processed chicken, baby foods and cheese, recorded a 22.4 per cent growth rate. Production of beef was 63,000 tonnes in 2000 down from 69,975 tonnes in 1999 while the production of butter maintained the downward trend from the 1995 production output of 3,985 tonnes to 113 tonnes in 2000.

Table 11.2: Quantum Index of Manufacturing Production, 1996 - 2000

1976 = 100

INDUSTRY	1996	1997	1998	1999	2000*	Percentage Change 2000/1999
Meat and Dairy Products	91.6	91.8	76.4	84.3	85.9	2.0
Canned Vegetables, Fish, Oils and Fats	279.2	310.1	325.2	372.9	391.8	5.1
Grain Mills Products	204.9	213.4	202.7	200.9	157.6	-21.6
Bakery Products	347.4	383.2	352.2	345.2	295.5	-14.4
Sugar and Confectionery	200.7	204.5	226.6	236.6	206.1	-12.9
Miscellaneous Foods	249.7	235.1	240.0	227.8	246.4	8.1
Food Manufacturing	194.2	195.3	200.1	204.9	199.4	-2.7
Beverages	206.3	199.4	204.7	155.2	166.4	7.2
Tobacco	224.7	237.0	202.5	192.7	160.2	-16.9
Beverages and Tobacco	207.5	203.0	203.7	159.7	166.1	4.0
Textiles	125.7	119.6	118.6	118.7	115.5	-2.7
Clothing	152.0	142.4	148.4	154.8	167.2	8.0
Leather and Footwear	68.8	61.6	57.9	48.6	54.6	12.3
Wood and Cork Products	74.8	74.9	73.4	82.3	75.1	-8.7
Furniture and Fixtures	54.5	54.7	55.9	55.9	56.1	0.4
Paper and Paper Products	192.1	196.5	222.3	238.1	258.5	8.6
Printing and Publishing	465.0	465.9	465.9	466.4	424.5	-9.0
Basic Industrial Chemicals	201.6	157.5	168.8	162.6	140.6	-13.6
Petroleum and Other Chemicals	531.7	591.7	594.8	616.8	659.4	6.9
Rubber Products	630.9	678.0	668.3	590.8	588.1	-0.4
Plastic Products	397.5	510.9	608.7	697.6	781.8	12.1
Clay and Glass Products	2,376.3	2,254.6	2,437.0	1,623.0	1,191.7	-26.6
Non-Metallic Mineral Products	219.5	230.6	216.7	216.9	153.8	-29.1
Metallic Products	246.4	298.6	252.9	270.1	238.1	-11.8
Non-Electrical Machinery	113.9	88.7	86.7	85.1	86.1	1.2
Electrical Equipment	266.9	213.3	221.9	188.4	188.7	0.2
Transport Equipment	713.7	594.9	433.3	360.1	241.5	-32.9
Miscellaneous Manufactures	569.1	661.6	765.2	917.5	1,149.6	25.3
TOTAL MANUFACTURING	272.9	278.2	282.2	285.6	281.4	-1.5

* Provisional

11.8. Output in the canned vegetables, fish, oils and fats industry recorded a modest expansion of 5.1 per cent in 2000 which is less than the 14.6 per cent growth realized in 1999. This sustained growth in the sub-sector was attributed to increased local and regional market demand occasioned by a fall in product prices. Production of edible fats and magarine was 142.0 thousand tonnes, up from the previous year's production of 129.7 thousand tonnes. The production of jams and marmalades rose in 2000 to stand at 761.1 tonnes, from 711.1 tonnes in 1999. Output of fruits and vegetable juices, squashes, edible oils and canned vegetables fell by various margins during this period while the production of canned fruits rose marginally.

11.9. The grain milling industry recorded the largest drop in output in the food-processing sub-sector in 2000. The industry was affected by shortage of grain as a result of drought as well as the instability at the National Irrigation Board. Consequently, the product prices shot up leading to sluggish demand. As shown in Table. 11.3, production of wheat flour declined by 15.9 per cent from 224.7 thousand tonnes in 1999 to 188.9 thousand tonnes in 2000. Export of wheat flour fell significantly from 21.3 thousand tonnes in 1999 to 11.0 thousand tonnes in

2000. Production of maize meal fell from 271.6 thousand tonnes to 154.1 thousand tonnes. Production of maize germ, wheat offal, maize offal and bran recorded declines by various margins. In the bakery products industry, production of bread fell by 12.9 per cent to 72.2 thousand tonnes from 83.1 thousand tonnes the previous year. Production of biscuits also fell during this period.

11.10. Sugar production fell to 402.0 thousand tonnes in 2000, contributing to the overall decline of the sugar and confectionery industry by 12.9 per cent. The decline was largely attributed to shortage of sugar cane supply in the year under review as a result of drought and management problems in the industry. To cater for the shortfall, a total of 118.0 thousand tonnes of sugar was imported compared with 57.7 thousand tonnes the previous year. This helped mitigate the acute sugar shortage that hit the country in the second half of 2000 and served to stabilize domestic sugar prices. Over the same period, sugar exports to the European Union (EU) under African Caribean and Pacific Countries-European Union (ACP-EU) sugar protocol, amounted to 2.1 thousand tonnes.

Table 11.3: Production of Grain Milling Products, 1996 - 2000

'000 tonnes

	Commodity		
YEAR	Sifted Maize meal	Wheat Flour	Rice
1996	266.7	227.2	10.9
1997	272.6	245.3	10.6
1998	265.9	230.1	9.4
1999	271.6	224.7	5.7
2000*	154.1	188.9	4.9

* Provisional

11.11. Output in the miscellaneous food sub-sector rose by 8.2 per cent in 2000. Milled coffee recorded a substantial growth of 52.5 per cent in 2000 to 98.0 thousand tonnes from 64.3 thousand tonnes produced in 1999. The increase in production of milled coffee for the second year in a row was attributed to increased delivery of coffee for milling by farmers. All other indicators in the miscellaneous food sub sectors either fell or stagnated. Even though tea prices were better in the year, production fell yet again after a record 294.3 thousand tonnes output in 1998 236.3 thousand tonnes in 2000. Tea production is however expected to pick up in 2001 due to good weather. Production of cocoa and milo fell by 15.5 per cent and 18.4 per cent respectively. Production of roasted coffee, ground spices and salt remained at the 1999 output levels in 2000.

11.12. In the beverages and tobacco sub-sector, output of beer and soft drinks rose by 7.7 per cent and 5.8 per cent, respectively, reversing the decline in 1999. Competitive commodity prices offered to consumers as well as a reduction in the volume of imported beer when Castle Breweries became fully operational contributed to the growth. Beer production was 202.9 million litres in 2000 up from 188.5 million litres in 1999. Similarly, output of soft drinks rose from 152.1 million litres in 1999 to 160.8 million litres in 2000. Production of spirits also grew by 9.2 per cent to reach 19,366.1 thousand litres. Anti-smoking campaigns and reduced smoking may attribute to decline in consumption of tobacco products.

11.13. Modest growth was recorded in the clothing industry, while that of textiles declined by 2.7 per cent in the year under review as two key textile firms closed operations. Since the virtual collapse of the cotton ginning industry in mid 1990s, the output of cotton woven fabrics has been declining. Output of cotton woven

materials declined further by 19.1 per cent in 2000 after a drop of 22.4 per cent and 9.3 per cent in 1998 and 1999 respectively. During this period, 16.5 million square metres of cotton woven fabrics was produced, down from 20.1 million square metres in 1999. Production of rayon woolen fabrics also fell, though at a slower rate, to 10.7 million square metres in 2000 from 11.5 million square metres the previous year. Output of blankets, bed sheets, toweling material, nylon fabrics and gunny bags fell by various margins, while that of canvas materials, pullovers, cardigans, rope and twine rose by 10.0 per cent, 10.0 per cent, 11.7 per cent and 12.7 per cent respectively, in 2000. There was no change in the production of knitted and nylon, fabrics. In the wearing apparel industry, most output indicators, recorded marked growth. Production of shirts, sport shirts and T- shirts was 122.2 thousand dozens in 2000 representing a 7.0 per cent increase over the 114.2 thousand dozens produced in 1999. Production of trousers, uniforms and overalls rose significantly by 17.1 per cent and 38.3 per cent, respectively. Production of vests, singlet, underwear and dresses fell while production of suits rose modestly.

11.14. The persistent decrease in output in the leather and footwear industry reversed in 2000 to record a remarkable 12.3 per cent growth. This was attributed to increased production of shoes in one of the leading shoe companies and a reduction in imports. In 2000, production of leather shoes rose by 14.8 per cent to 1,348.1 thousand pairs up from 1,174.4 thousand pairs produced in 1999. Production of sole leather was 75.7 tonnes in 2000 compared with 40.9 tonnes in 1999. Production of finished leather, unfinished leather and PVC leather cloth recorded marginal growth.

11.15. In 2000, output of the wood and cork sub-sector declined, a reflection of the effect of the ban on logging by the Government in an effort to conserve forests. Sawn timber, the major output indicator in this group, declined by 8.8 per cent from 93,757 cubic metres in 1999 to 85,844 cubic metres in 2000. The furniture and fixtures industry, which relies heavily on supply of timber, was adversely affected as shown by a reduction in formal employment from 4,386 persons in 1999 to 4,291 persons in 2000.

11.16. For the second year running output of paper and paper products recorded yet a further growth of 8.6 per cent. This trend has been sustained by a steady and growing market for its products. Production of exercise books has more than doubled from the 1995 output of 10.0 million dozens to 25.8 million dozens in 2000 and exports were 6.8 million dozens in 2000 compared with 2.2 million dozens the previous year. Production of wrapping paper rose by 17.1 per cent to 67.4 thousand tonnes in 2000 from 57.6 thousand tonnes in 1999. Output of other paper and paper products also on an upward trend included production of kraft paperboards, paper bags and sacks, corrugated paper containers and envelopes. Production of teleprinter rolls declined by 9.9 per cent while no change in output was realised in the production of toilet paper rolls.

11.17. Overall production of the basic industrial chemicals industry declined by 13.5 per cent in 2000. The significant drop was attributed to the fall in production of the two prime output indicators of the industry. Production of pyrethrum extract declined to 128 tonnes from 141 tonnes, while the production of wattle extract dropped by 34.3 per cent from 5,202 tonnes in 1999 to 3,420 tonnes. The decline was due to drought and closure of East African Tanning Extract Company in the review period. Production of oxygen, hydrogen and nitrogen was 2.5 million cubic metres in 2000 compared to 2.9 cubic metres in 1999. Production of acetylene and electrodes was 258.0 cubic metres and 325.9 tonnes, respectively.

11.18. The petroleum and other chemicals industry performed better in 2000 with growth of 6.9 per cent compared to 3.7 per cent in 1999. The increase in output was primarily attributed to the increased use of petroleum products in other sub-sectors of the manufacturing sector and the entire economy as a result of the electric power shortage experienced in the year. The slump in the construction industry contributed to a 15.5 per cent drop in output of the paints and vanishes products, while increased demand for the drugs and medicines, soap and perfumes products, contributed to marked rise in output of 24.4 per cent and 7.5 per cent, respectively.

11.19. Output in the rubber products industry contracted further, though more slowly in 2000. Production of new motor vehicle tyres was 388.7 thousand in 2000, far below the 1997 production of 574.6 thousand, which was partly attributed to depressed demand. This is evidenced by decline in the number of newly registered motor vehicles depicted in Table 14.3. Production of motor vehicle tubes, however, rose by 2.5 per cent to 438.6 thousand units in 2000 from 427.9 units in 1999. Production of new bicycle tyres rose by 8.5 per cent, while that of new bicycle tubes recorded no change.

11.20. The plastic industry is a steadily growing industry in the manufacturing sector. All output indicators in this group, recorded growth in 2000. Production of plastic crates was 3.7 million units, 25.7 per cent above the previous year's output of 3.0 million units. Production of plastic shoes, plastic plates, PVC pipes, and PVC floor tiles also rose by appreciable margins.

11.21. The industrial packaging industry is the largest consumer of glass bottles. Due to the high cost of bottles, industrialists now prefer the cheaper plastic packaging materials. This has led to a consistent drop in the production of glass bottles. In 2000, production of glass bottles fell further by 21.1 per cent to 15.7 thousand tonnes after a sharp drop by 41.9 per cent in 1999. Weak investment in the building and construction sector similarly contributed to lower demand for floor and wall tiles.

11.22. Cement production and use is shown in Table. 11.4. Production has been declining since 1996, reflecting low activities in the building and construction sector. Cement export to Uganda accounted for 60.1 per cent of total export in 2000, indicating high construction activity there, while the local absorption fell by 16.5 per cent.

Table 11.4: Cement Production and use, 1996 - 2000

000 Tonnes

Year	Production	Imports	Consumption and Consumption	Export to	
				Uganda and Tanzania	All other countries
1996……	1,598.5	5.4	1,161.5	115.6	326.8
1997…….	1,504.1	2.6	1,136.9	41.3	328.5
1998……	1,425.8	2.7	1,071.9	87.9	268.7
1999……	1,291.6	6.5	1,014.0	117.1	167.0
2000* ……	1,145.7	2.6	846.2	183.8	118.3

*Provisional.

11.23. The metal industry has forward linkages to the building and construction industry. Output declined sharply by 29.1 per cent in 2000, after a modest gain in 1999. Production of galvanized iron sheets, that contributed about 56.8 per cent of

the total output of the metal industry in 2000, was 105.3 thousand tonnes, significantly below output of 121.0 thousand tonnes in 1999. Production of metal cans and tins also recorded a significant drop of 56.7 per cent due to weak demand in the packaging industry. Production of tubular furniture, nails, barbed wire, welded mesh and water tanks fell by 23.2 per cent, 8.0 per cent, 28.3 per cent, 10.9 per cent and 43.2 per cent, respectively. Production of wheelbarrows in the non-electrical machinery rose by 1.2 per cent.

11.24. Imports of electrical machinery, apparatus and appliances, mainly from the Newly Industrialised Economies in the Far East, continued to curtail growth in the electrical machinery industry. After recording a decline of 15.1 per cent in 1999, the sub-sector registered a paltry 0.2 per cent growth in 2000. Production of dry cells was 92.0 million units in 2000, compared with 93.9 million units in 1999. Production of motor vehicle batteries rose significantly by 23.7 per cent to stand at 162.0 thousand units in 2000 from 130.9 thousand units in 1999 after a fall from the 1998 output of 148.1 thousand units. Production of battery plates edged up by 8.8 per cent while that of electrical lamps fell.

11.25. The motor vehicle industry recorded the biggest drop in production output in the manufacturing sector in 2000. This is a continuation of the declining trend since 1996. In 2000, 2,551 vehicles were assembled representing 19.6 per cent of the 1990 output of 13,000 units and 38.9 per cent of the 6,500 units output of 1995.

Manufacturing Labour Cost and Productivity

11.26. The implicit change in labour productivity declined by 0.7 per cent, depicting decreased capacity utilization and idle labour in 2000 as shown in Table 11.5. Wage cost, as a percentage of gross output was 4.8 per cent compared with 4.7 per cent in 1999.

Table 11.5: Indicators of Labour Productivity in Manufacturing, 1996 - 2000

Indicator	1996	1997	1998	1999	2000*
Change in the quantum index of manufacturing ..	+3.7	+1.9	+1.4	+1.2	-1.5
Change in numbers employed in manufacturing ..	+2.8	+1.9	+1.2	+1.2	-0.8
Implicit change in labour productivity	+0.9	0.0	+0.2	0.0	-0.7
Wage cost as percentage of gross output	3.3	3.5	4.1	4.7	4.8
Wage cost as percentage of value added	37.5	34.6	34.3	33.8	33.2

* Provisional.

Export Processing Zones

11.27. Key performance indicators at the Export Processing Zones (EPZ) show better performance in 2000 compared to 1999. Established in 1990, the number of gazetted zones now stands at 19, of which 17 are privately owned and operated while 2 are public. In 2000, 24 enterprises were operating compared with 18 enterprises and 22 enterprises in 1998 and 1999, respectively. During this period, six new enterprises became operational while four exited for various reasons. In 2000, about 14 per cent of the total investment was wholly Kenyan, an indication of a progressive interest generated in the programme by the local investors, while 33 per cent was joint ventures and 53 per cent was wholly foreign. Investments have diversified from the initial interest in garments to include electronics, pharmaceuticals, agro-processing and software development.

11.28. Table 11.6 presents important EPZ performance indicators between 1996 and 2000. Total private investment expanded from 4,370 million shillings in 1996 to 6,107 million shillings in 2000. Employment, export and turnover expanded by 15.6 per cent, 31.1 per cent and 21.9 per cent per year, respectively, over the same period. Total turnover in 2000 was KSh 4,390 million, representing 17.8 per cent rise over KSh 3,726 million in 1999. Export sales to turnover ratio in 2000 was 82.8 per cent, up from 81.1 per cent in 1999 and 73.5 in 1998. The most important export destination was United States of America, which accounted for approximately 70 per cent of the total export sales. With the emergence of the African Growth and Opportunity Act (AGOA), USA is expected to continue being a key market. Imports into EPZ stood at KSh 2,349 million in 2000 compared to KSh 2,126 million in 1999.

Table 11.6: Selected EPZ Performance Indicators 1996-2000

Ksh million

	1996	1997	1998	1999	2000*
Exports Sales	1,099	1,263	1,805	3,020	3,635
Domestic Sales	496	503	649	706	755
Total Sales	1,595	1,766	2,454	3,726	4,390
Foreign Imports	1,009	1,258	2,056	2,126	2,349
Local Purchases of Goods and Services	292	402	511	955	1,229
Investment	4,370	4,657	5,747	5,941	6,107

* Provissional

11.29. The total value of expenditure on salaries spent on employed Kenyans, utilities consumed purchases of local raw materials and other directly or indirectly linked expenditures constitute a net benefit to the economy. In 2000, this expenditure was KSh 1,229 million or 28.0 per cent of the total turnover, a slight improvement from the 1999 ratio of 25.6 per cent. Local purchase of local raw materials contracted by 7.1 per cent from KSh 301.0 million in 1999 to KSh 279.9 million in 2000. Export to the domestic market rose by 6.9 per cent.

11.30. Direct employment in the EPZ rose to 6,487 in 2000; together with an estimated 3,850 indirect job in subcontracting. Total employment attributed to EPZ was over 10,337 persons. The provision of on the job training of the Kenyan workers within EPZ enhances technological transfer. In 2000, a total of 14 EPZ companies were involved in various kinds of training including computer assembly and software development, garment making, weaving technology and quality control.

Industrial Credit

11.31. Table 11.7 shows industrial financing by the Government and by quasi-government development finance institutions. The decline in credit to the manufacturing sector since 1997 was attributed to high interest rates, low investor confidence, difficult business environment, poor infrastructure, and the general poor economic performance making investors shy away from investing in the manufacturing sector. In 2000, a total of 78 projects worth KSh 142 million were approved and financed compared to 78 projects worth KSh 282 million in 1999.

11.32. Kenya Industrial Estates approved 86.7 per cent of the total projects but accounted for only 5.6 per cent of total credit advanced. Activities at the institution have remained subdued since 1994, when donors especially the African

Development Bank, withdrew funding to the corporation. Consequently, the only source of funding for K.I.E. projects has been internally generated funds.

Table 11.7: Industrial Projects Approved by Selected Government or Quasi-Government 1996-2000

INSTITUTION	Number of Projects					Approved Expenditure KSh Million				
	1996	1997	1998	1999	2000*	1996	1997	1998	1999	2000*
Industrial Development Bank Limited (I.D.B.)	5	2	5	2	8	168.0	130.0	150.0	88.0	74.0
Development Bank of Kenya (DBK)	3	8	6	3	5	106.0	356.0	188.0	126.0	52.0
Kenya Industrial Estates Limited (K.I.E.)	4	12	11	70	65	1.4	8.0	4.0	6.0	8.0
Industrial and Commercial Development Corporation (I.C.D.C.)	7	4	3	3	0	15.8	62.0	66.0	62.0	8.5
TOTAL	19	26	25	78	78	291.2	556.0	408.0	282.0	142.5

* Provisional.

11.33. Credit advanced by the Industrial Development Bank totaled KSh 74 million in 2000 down from KSh 88 million in 1999 and represented 52.1 per cent of the total credit. Two of the projects were new, while the rest were expansion cum diversification. A total of 91 jobs will be created when the projects are complete

11.34. There was not much change in the Development Bank of Kenya performance in the year 2000 as compared to the year 1999. The bank approved loans to three projects that will be engaged in manufacture of PVC pipes, photographic studio and manufacture of batteries. However, the bank advanced credit to three more manufacturing concerns to purchase power generators. The total amount advanced to these enterprises was KSh 53.4 million, representing 33.5 per cent of total credit advanced by the bank in the year.

11.35. In 2000, the Industrial and Commercial Development Corporation (ICDC) engaged primarily on monitoring and implementation of previously approved projects while suspending new lending. Consequently, there were no new project approvals but equity loan disbursements to 2 earlier approved projects. The projects were engaged in meat and poultry processing and are still under implementation.

CHAPTER 12

BUILDING AND CONSTRUCTION

Overview

The year 2000 was marked by poor performance in the building and construction sector as shown by declines in the sector's key indicators. There was low level public sector investment in building and civil works. Similarly, private sector output declined largely due general slowdown in the economy coupled with increased construction costs. However, interest rates offered by the Building Societies for housing loans declined from 25.0 per cent to 19.0 per cent in the period 1997 to 2000. Commercial banks' loans and advances to building and construction private enterprises dropped from KSh 18,363 million in 1999 to KSh 16,850 million in 2000. Domestic consumption of cement, a key indicator in the building and construction sector, declined by 16.2 per cent. The sector recorded decreases in the values of building plans approved and buildings completed in Nairobi and other major towns.

12.2. Table 12.1 shows the trend of the key economic indicators in the building and construction sector for the last five years. Except for the estimated Government expenditure on roads, all the indicators maintained a downward trend. The index on reported private building work completed dropped by 4.0 per cent between 1998 and 1999 to stand at 29.8. During the period under review, the estimated index on Government expenditure on roads recorded a rise of 46.5 per cent to stand at 106.9. Cement consumption declined from 1,014.0 in 1999 to 846.2 tonnes. The decline in cement consumption is an indication of low investment in the building sector attributed to a slump in the property market.

Table 12.1: Trends of the selected key economic indicators in building and construction *, 1996-2000

Base 1982=100

	1996	1997	1998	1999	2000**
"Index" of reported private building work completed in main towns***	38.1	36.9	33.8	29.8	..
"Index" of reported public building work completed in main towns***	2.5	1.9	1.4	1.1	..
"Index" of government expenditure on roads	81.6	75.0	79.7	60.4	106.9
Cement consumption ('000 tonnes)	1,161.5	1,136.9	1,071.9	1,014.0	846.2
"Index" of Cement consumption	200.5	196.2	185.0	175.0	146.2
Employment ('000)	78.8	79.8	79.3	78.7	78.0
"Index" of Employment	130.5	132.1	131.3	130.3	129.1

* Actual deflated by various building or construction cost indices.

** Provisional.

*** The average of the actual of two consecutive years is taken in each case for reported completion of buildings

12.3. Wage employment in the building and construction sector declined marginally by 0.9 per cent from 78,700 persons in 1999 to 78,000 persons in 2000. Public sector employment maintained a downward trend, dropping from 26,500 persons to 25,700 persons in 1999 and 2000. Employment in the building sub sector declined by 5.9 per cent due to the slow down in building sector activities. There was a modest increase in private sector employment for electrical contractors and borehole drillers of 0.7 per cent and 0.8 per cent during the period under review.

12.4. Table 12.2 shows the annual percentage increase in prices of inputs for construction for the years 1998 to 2000. The total overall construction cost index recorded a modest growth of 7.0 per cent in 2000 compared with 8.2 per cent in 1999. The costs for materials rose by 7.1 per cent in 2000 compared with 6.6 per cent in 1999. The construction inputs that registered the highest increase in prices were: accessories 49.3 per cent; sand 25.0 per cent; hardcore filling 16.7 per cent and fuel, bitumen and lubricants 13.3 per cent. The increase in costs of sand and hardcore fillings was attributed to increases in transport costs necessitated by the higher fuel prices observed during the year.

Table 12.2: Annual percentage increase in building and construction cost indices*, 1998 - 2000

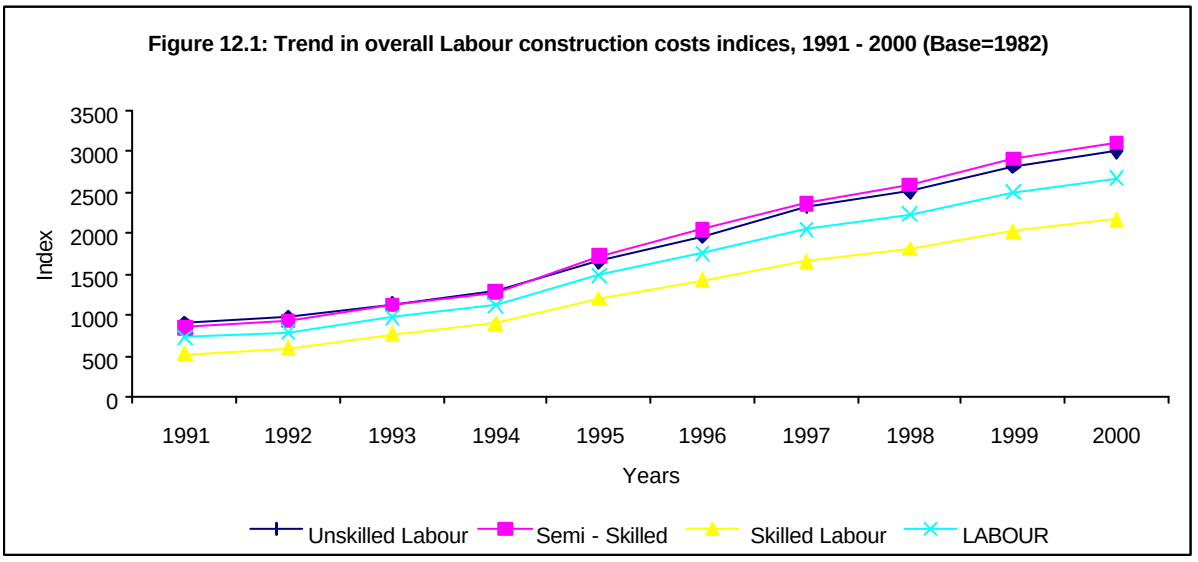
	MATERIALS			LABOUR			TOTAL COST		
	1998	1999	2000**	1998	1999	2000**	1998	1999	2000**
Residential Buildings ..	6.0	3.6	7.4	9.1	12.0	7.0	6.6	5.2	7.3
Non-Residential Buildings	1.0	7.1	7.2	9.1	12.0	7.0	3.0	8.4	7.1
All Buildings ..	3.7	7.9	6.9	9.1	12.0	7.0	4.9	8.8	5.2
"Other" Construction ..	0.7	3.4	9.2	9.1	12.0	7.0	4.1	7.1	8.2
OVERALL COST INDEX	2.8	6.6	7.1	9.1	12.0	7.0	4.6	8.2	7.0

* From December to December.

* * Provisional.

12.5. Labour costs recorded a slower growth of 7.0 per cent in 2000 compared with 12.0 per cent for 1999. The increase was higher for skilled labour, which went up by 7.2 per cent compared to 6.9 per cent and 6.8 per cent for semi-skilled and unskilled labour respectively. The change in the wage indices was a result of implementation of collective wage agreements in the year 2000. The uncertainties in the sector output are reflected in a lower increase in labour costs. As shown in Figure 12.1, the labour costs index in the construction sector has increased for the last ten years.

Figure 12.1: Trend in overall Labour construction costs indices, 1991 - 2000 (Base=1982)



12.6. Table 12.3 shows the value of building plans approved by Nairobi City Council (NCC) and other towns. In 2000, the total value of plans approved declined by 10.4 per cent to KSh 9,975.4 million from KSh 11,130.4 million in 1999. The value of plans approved by NCC maintained a downward trend from its peak of KSh 13,021.2 million in 1997, or a decline of 27.1 per cent to KSh 6,601.3 million in

2000. However, the value of plans approved for other towns rose by 62.8 per cent with significant increases in Mombasa and Eldoret.

Table 12.3: Value of building plans approved by Nairobi and other towns, 1996 - 2000

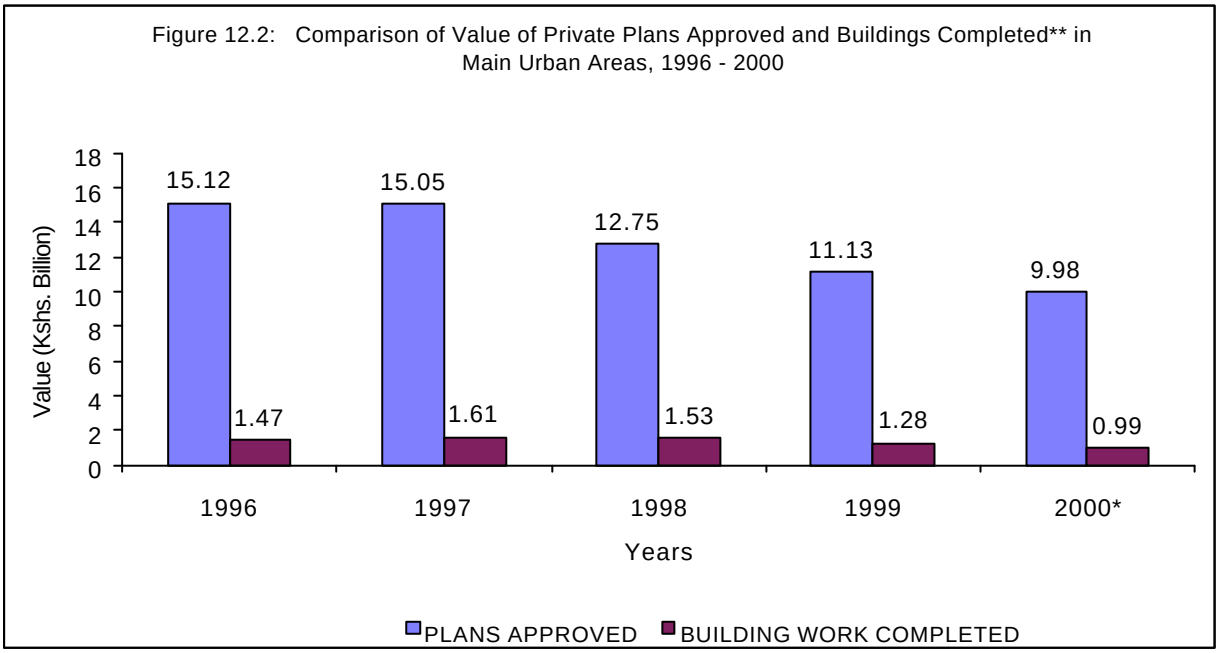
KSh million

YEAR	NAIROBI	OTHER TOWNS	TOTAL
1996	12,939.0	2,185.8	15,124.8
1997	13,021.2	2,030.8	15,052.0
1998	10,643.8	2,108.4	12,752.2
1999	9,058.4	2,072.0	11,130.4
2000*	6,601.3	3,374.1	9,975.4

* Provisional.

12.7. As shown in Figure 12.2, there has been a downward trend in the value of building plans approved and buildings completed in the main urban areas. In 2000, the proportion of building plans completed to building plans approved was only 9.9 per cent, which indicated low level of private investment in the building sector. The depressed demand coupled with high construction costs constrained the private sector investment in buildings.

Figure 12.2: Comparison of Value of Private Plans Approved and Buildings Completed** in Main Urban Areas, 1996 - 2000



12.8. Total value of reported building works completed in major towns as Table 12.4 declined by 15.4 per cent in 2000. Nairobi accounted for 55.6 per cent of the value of private buildings completed followed by Mombasa and Malindi with 21.7 per cent and 10.4 per cent respectively.

Table 12.4: Value of reported private building* works completed in selected main towns, 1996 - 2000

KSh Million

Year	Nairobi	Mombasa	Kisumu	Nakuru	Malindi	Total
1996	857.40	439.20	..	131.20	82.20	1,510.00
1997	852.40	484.80	96.00	141.40	97.60	1,672.20
1998	696.40	405.60	115.00	189.60	182.60	1,589.20
1999	628.40	366.80	42.00	117.00	170.00	1,324.20
2000**	622.39	243.26	33.87	103.18	116.96	1,119.66

* Including the value of extension.

** Provisional.

12.9. The trend of the reported completion of new private buildings by type is presented in Table 12.5. The number of residential units completed dropped by 8.6 per cent from 1,113 in 1999 to 1,017 in 2000, while the corresponding values of units declined by 3.1 per cent in 2000. There was a significant decline in the number of non-residential units completed and the corresponding costs by 68.2 per cent and 65.8 per cent, respectively.

Table 12.5: Reported completions of new private buildings* in selected main towns, 1996 - 2000

YEAR	NUMBER		ESTIMATED COST (KSh million)		
	Residential	Non-Residential	Residential	Non-Residential	Total
1996	1,434	58	1,032.80	432.60	1,465.40
1997	1,449	33	1,084.80	525.40	1,610.20
1998	1,446	26	1,102.00	428.00	1,530.00
1999..	1,113	22	890.20	384.80	1,275.00
2000**	1,017	7	862.81	131.65	994.46

* Excluding the value of extensions.

** Provisional

12.10. The number of reported new completed residential public buildings dropped from 46 to 11 between 1999 and 2000 as shown in Table 12.6, while that of non-residential units rose by 3 units. The estimated total cost of new public buildings declined from KSh 26.2 million to KSh 16.0 million during the same period. Over the years, public sector investment in new buildings has declined.

Table 12.6: Reported completions of new public buildings* in main towns, 1996 - 2000

YEAR	NUMBER		ESTIMATED COST KSh Million		
	Residential	Non-Residential	Residential	Non-Residential	Total
1996	99	10	33.60	12.20	45.80
1997	90	9	33.20	10.80	44.00
1998	68	5	25.00	6.20	31.20
1999	46	7	17.60	8.60	26.20
2000**	11	10	4.50	11.50	16.00

* Including the value of extensions.

** Provisional.

Housing

12.11. Housing is one of the basic human needs that provide security and shelter for socio-economic activities. The provision of housing in the public sector has been constrained by inadequate budgetary allocation. This has hampered the completion of various housing projects. The major constraint in meeting urban housing demand by the public sector has been inadequate funding.

12.12. Table 12.7 shows the trend of approved and actual expenditure on housing by the Central Government. Actual expenditure on housing declined from KSh 217.2 million in 1997/98 fiscal year to KSh 136.6 million in 1998/99 and further to KSh 108.2 million in 1999/2000. There was a sharp drop in approved expenditures by 90.7 per cent from KSh 108.2 million in 1999/2000 fiscal year to KSh 10.1 million in 2000/2001. Approved expenditure as a percentage of the total development expenditure dropped from 0.2 per cent in 1999/2000 to 0.03 per cent in 2000/2001. The decline in actual expenditure on housing over the last two financial years has negatively impacted on the provision of housing in the public sector.

Table 12.7: Approved and actual Central Government Expenditure on Housing, 1996/97 - 2000/2001

Year	Expenditure in KSh Million		Approved Expenditure as Percentage of Development Expenditure
	Approved	Actual	
1996/97	137.6	162.4	0.32
1997/98	120.6	217.2	0.26
1998/99	148.2	136.6	0.39
1999/2000	108.2	108.2	0.20
2000/2001*	10.1	..	0.03

* Provisional

12.13. The National Housing Corporation (NHC) is the main government agency charged with the responsibility of implementing Government-housing policies and programmes through tenant purchase, mortgage, rental and rural housing loan schemes. This has benefited low and medium income earners. As shown in Table 12.8 a total of 273 housing units were completed by NHC between 1996 and 2000. In the year 2000, a total of 184 residential units were completed in Thika (Kiboko Phase IV), Nairobi (Kibera Highrise Phase II) and Malindi (Sabaki Housing Scheme) at a cost of KSh 161 million. A total of 197 units were at various stages of construction comprising of 173 units for tenant purchase in Nairobi and 24 units for mortgage in Eldoret.

Table 12.8: Housing units completed by the National Housing Corporation, 1996-2000

	1996	1997	1998	1999	2000
Number of units completed					
PROVINCE-					
Nairobi	1	. .	53	. .	120
Coast	. .	. .	. .	. .	22
North-Eastern	. .	. .	. .	. .	. .
Eastern	. .	. .	. .	. .	. .
Central	. .	35	. .	. .	42
Rift valley	. .	. .	. .	. .	. .
Nyanza	. .	. .	. .	. .	. .
Western					
TOTAL NUMBER ..	1	35	53	. .	184
Value of units completed (KShs million)					
Nairobi	13	. .	34	. .	92
Coast	. .	. .	. .	. .	22
North-Eastern	. .	. .	. .	. .	. .
Eastern	. .	. .	. .	. .	. .
Central	. .	27	. .	. .	47
Rift valley	. .	. .	. .	. .	. .
Nyanza	. .	. .	. .	. .	. .
Western					
TOTAL VALUE	13	27	34		161

12.14. During the period under review, the Corporation through its Rural Housing Loans Scheme realized KSh 2.49 million that was extended to 15 beneficiaries as compared to KSh 1.85 million loaned to 12 beneficiaries in 1999.

Roads

12.15. A good road network promotes the country's economic growth by facilitating the movement of goods both for export and domestic trade. The road sub-sector also offers employment opportunities in the construction industry. The Ministry of Roads and Public Works estimates that 43 per cent of the total road network in the country was in poor condition as at the end of 2000. This has been

attributed to inadequate funding for road development and rehabilitation coupled with inefficient road maintenance delivery methods and overloading by heavy haulage vehicles.

12.16. During the period under review, a total of 399 kilometres of the road network were upgraded to bitumen standards, while another 234 kilometres was under re-construction. The roads that were upgraded to bitumen standards include; Narok-Amalo River, Busia-Mumias, Ziwa-Kitale, Sultan Hamud-Mtito Andei and Katumani-Wote-Makindu. During the same period a number of urban and rural roads were rehabilitated through the El-Nino Emergency Fund at a total cost of KSh 1,080 million. Under Kenya Urban Transport Infrastructure Programme (KUTIP), 145.2 kilometers of the road network was re-carpeted and rehabilitated at a cost of KSh 1,500 million. The International Development Agency (IDA) contributed KSh 1,510 million for reconstruction of roads, and improving on the drainage system.

12.17. Table 12.9 shows the lenghts in kilometres of classified road network. The government, through the Ministry of Roads and Public Works, maintains about 63,300 kilometres out of the 150,600 kilometres of the country's road network. In the last five years, total kilometres of the road network under the ministry rose marginnally. Kilometres of roads under bitumen increased by 3.1 per cent from 8,660 kilometers in 1996 to 8,940 kilometers in 2000 while earth/gravel roads declined by 1.6 per cent from 55,260 kilometers to 54,360 kilometers.

Table 12.9: Kilometres of road as at 1st july, 1996 and 1st july, 2000 by type and classification

'000Km

Type of Road	1996		2000	
	Bitumen	Earth/ Gravel	Bitumen	Earth/ Gravel
A- International Trunk ..	2.65	0.96	2.89	0.87
B- National Trunk	1.30	1.37	1.43	1.37
C- Primary	2.56	5.47	2.49	5.18
D- Secondary	1.18	10.16	1.17	10.05
E- Minor	0.75	26.30	0.75	25.80
F- Special Purpose*	0.22	11.00	0.21	11.09
TOTAL	8.66	55.26	8.94	54.36

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

12.18. The total government expenditure on roads is estimated to rise significantly from KSh 6,785.1 million in 1999/2000 to KSh 13,173.9 million in 2000/2001 as shown in Table 12.10. Similarly, development expenditure after recording a decline in 1999/2000 is estimated to rise by KSh 5,840.8 million. In the last three fiscal years, recurrent (maintenance and repair) expenditure maintained an upward trend rising by 9.2 per cent in 2000/2001. The increase in recurrent expenditure allocation reflects the importance given to improvement of the road network through regular maintenance and repair.

12.19. The Roads 2000 Programme was established with the objective of rehabilitating roads in various parts of the country. Currently, the programme is being implemented in 29 districts while additional 44 districts are to be incorporated into the programme during the period 2001 to 2006. These additional districts are to be funded by World Bank, USAID, African Development Bank (ADB) and German Bank for International Development Aid in collaboration with Government of Kenya at a total cost of about KSh 4,000 million. The Programme strategy involves use of local resources and labour intensive techniques. Several

donors including; SIDA, European Union (EU) and DANIDA in collaboration with GoK are funding the ongoing projects at a total cost of about KSh 4,100 million over the period 1997 to 2004.

Table 12.10: Total Expenditure on roads, 1998/99 - 2000/2001

KSh million

	1998/99	1999/2000	2000/2001*
DEVELOPMENT:			
Trunk Roads	1,422.00	714.30	2,688.40
Primary Roads	752.00	18.30	925.80
Secondary Roads	136.00	5.80	618.90
Miscellaneous Roads.. ..	376.00	124.60	2,470.70
TOTAL	2,686.00	863.00	6,703.80
RECURRENT (maintenance and repair)	5,074.00	5,922.10	6,470.10
TOTAL	7,760.00	6,785.10	13,173.90

* Provisional

Developments in Building and Construction Sector

12.20. **Housing:** The real estate industry contributes significantly to the development, expansion and improvement of human settlements. In this regard, the Department of Housing is to develop an appropriate mechanism that would facilitate the real estate industry to provide adequate housing that conforms to the required standards.

12.21. The formal sector is constrained in meeting demand for urban housing and hence a need for a visionary and comprehensive action. This has necessitated implementation of a housing policy on slum improvement to upgrade housing standards in informal settlements and slum areas. The ongoing Mathare 4A slum upgrading project has seen improvement of informal houses and infrastructure that includes provision of roads, street lights, wet cores, storm water drainage, sewer system and provision of clean drinking water.

12.22. To maintain affordable housing standards, the use of low cost building materials has been intensified through use of Stabilized Soil Block (SSB) and Fiber Concrete Roofing Tiles (FCR) to improve walling and roofing materials in both rural and urban areas. Also, in order to reduce overall construction cost the Pozzolana Rice Husks cement, a technology developed by Housing and Building Research Institute (HABRI), University of Nairobi (UON) is being promoted.

12.23. **Roads:** As part of Road sub sector reforms the Kenya Roads Board was launched in July 2000 with the objective of overseeing the maintenance of all major roads, rehabilitation and upgrading trunk roads. As a result, the Roads Department would be responsible for class A, B, and C roads while the District Roads Committees would be in charge of class D, E and special purpose roads. The Kenya Roads Board has a majority representation from the private sector stakeholders. It has already embarked on staff recruitment for efficient operations. The board is responsible for disbursing and monitoring of the fuel levy funds. Other road development prospects includes developing a criteria to incorporate the private sector in road funding for rehabilitation and maintenance through Build Operate and Transfer (BOT) or Turn-key projects.

CHAPTER 13

TOURISM

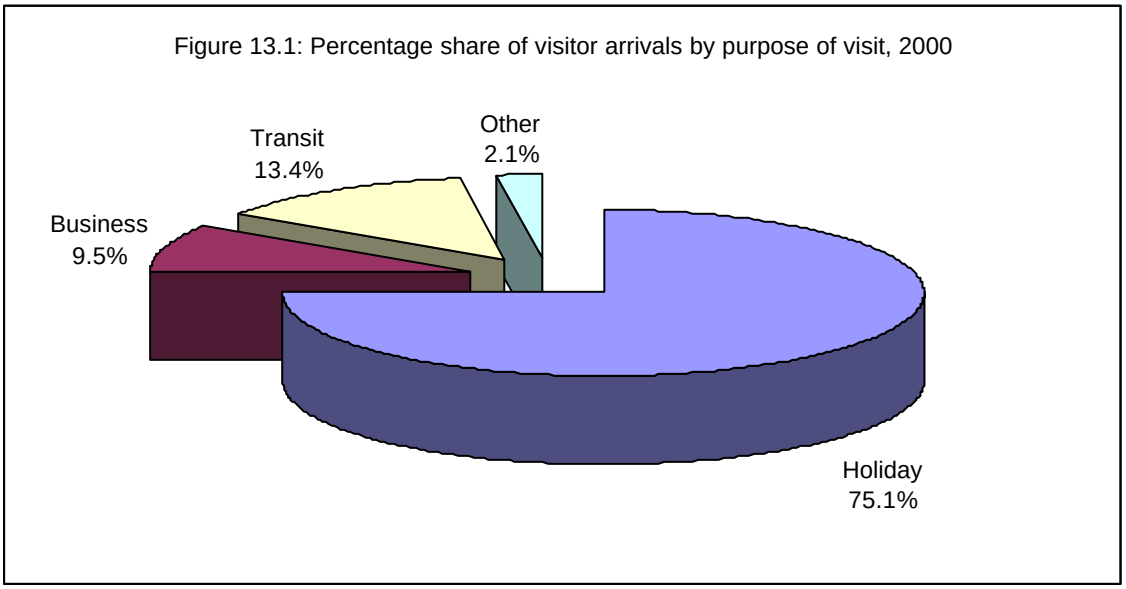
Overview

The tourism sector continued to improve in 2000 albeit at a slower pace compared to 1999. International visitor arrivals recorded a growth rate of 6.9 per cent in 2000 compared to 8.4 per cent recorded in the previous year. In absolute terms, the country received 67,200 more tourists in 2000 out of which 31,100 were visitors on transit. The growth in the number of departing visitors decelerated from 11.6 per cent in 1999 to 2.8 per cent in 2000. There was a significant improvement in hotel bed occupancy of 5.4 percentage points. The number of visitors to game parks as well as to the national museums and other historical sites rose by 7.3 per cent and 2.1 per cent respectively in 2000 compared to 1999. However, foreign exchange receipts from the sector declined by 8.3 per cent from KSh 21,367 million realised in 1999 to KSh 19,593 million in 2000. The reduction in tourism receipts may be associated with decline in the overall average length of stay from 9.4 days in 1999 to 8.7 days in 2000. Generally, the year 2000 was a satisfactory tourist year.

Arrivals and Departures

13.2. The number of arriving visitors went up by 6.9 per cent from 969.3 thousand recorded in 1999 to 1,036.5 thousand in 2000, representing an increase of 67,200 tourists (See Table 13.1). This growth was accounted for by the increase in the number of visitors on transit. There was an increase in the number of arriving visitors in all the four quarters of 2000 compared to 1999, with the highest increase of 14.7 per cent being registered in the fourth quarter. The third quarter had the lowest increase of 2.8 per cent. The continued recovery of the tourism industry was partly attributed to the aggressive tourism promotion during the year 2000 by the various stakeholders particularly the Kenya Tourist Board and the Ministry of Tourism, Trade and Industry.

Figure 13.1: Percentage share of visitor arrivals by purpose of visit, 2000



13.3. The number of arriving visitors on transit rose substantially by 29.0 per cent from 107.4 thousand in 1999 to 138.5 thousand in 2000. This was due to an expansion in the number of arriving visitors on transit through Jomo Kenyatta International Airport and the border control point of Malaba. The bulk of arriving

visitors to Kenya during the year who were on holiday constituted 75.1 per cent of total visitor arrivals. This represents a growth of 4.2 per cent from 746.9 thousand in 1999 to 778.2 thousand in 2000. Visitors on transit were 13.4 per cent of total visitor arrivals. Business visitors grew by 4.1 per cent from 94.4 thousand in 1999 to 98.3 thousand in 2000. This category of visitors made up 9.5 per cent of all arriving visitors (See Table 13.1).

Table 13.1: Quarterly Visitor Arrivals by Purpose of Visit, 1996 - 2000

'000

Quarter	Purpose	1996	1997	1998	1999	2000*
1st Qr.	Holiday	213.8	233.6	192.9	193.8	194.5
	Business	27.0	29.5	24.4	24.5	24.6
	Transit	12.1	14.2	34.1	27.6	41.2
	Other	5.8	6.3	5.2	5.5	5.5
	TOTAL	258.7	283.6	256.6	251.4	265.8
2nd Qr.	Holiday	175.3	176.4	149.6	163.7	165.5
	Business	22.1	22.3	18.9	20.7	20.9
	Transit	12.0	15.5	20.6	24.4	33.0
	Other	4.8	4.8	4.1	4.5	4.6
	TOTAL	214.2	219.0	193.2	213.3	224.0
3rd Qr.	Holiday	212.1	210.0	175.8	207.7	211.1
	Business	26.8	26.5	22.2	26.2	26.6
	Transit	17.2	20.4	23.1	29.1	32.6
	Other	5.8	5.7	4.8	5.7	5.8
	TOTAL	261.9	262.6	225.9	268.7	276.1
4th Qr.	Holiday	219.6	184.8	168.6	181.7	207.1
	Business	27.8	23.4	21.3	23.0	26.2
	Transit	14.9	22.2	24.1	26.3	31.7
	Other	5.9	5.0	4.6	4.9	5.6
	TOTAL	268.2	235.4	218.6	235.9	270.6
Year	Holiday	820.8	804.8	686.9	746.9	778.2
	Business	103.7	101.7	86.8	94.4	98.3
	Transit	56.2	72.3	101.9	107.4	138.5
	Other	22.3	21.8	18.7	20.6	21.5
	TOTAL	1,003.0	1,000.6	894.3	969.3	1,036.5

* Provisional.

13.4. The number of departing visitors by purpose rose by 2.8 per cent in 2000 when compared to 1999 to stand at 995.2 thousand (See Table 13.2), much of the growth was experienced in the third and fourth quarters. The increase represented a full recovery of visitors departing by purpose when compared to the previous four years.

13.5. The pattern of departing visitors by country of residence and purpose of visit in 2000 portrayed a similar trend to previous years as shown in Table 13.3. Visitors destined for Europe continued to dominate all other destinations, making up over 60 per cent of all departing visitors from Kenya. Holiday was the main purpose of visit for departing visitors destined for Europe. This category of departing visitors accounted for over 85 per cent of all departing visitors to Europe. Besides Europe, the African region was the second most important destination of departing visitors accounting for about 15 per cent of all departures. Over half of these were destined to the two East African countries of Uganda and Tanzania. However most departing visitors to Tanzania had come on holiday while most departing visitors to Uganda had come on business. The percentage shares of departing visitors by region are shown in Figure 13.2.

Table 13.2: Quarterly visitor departures by purpose of visit, 1996 - 2000

'000

Quarter	Purpose	1996	1997	1998	1999	2000*
1st Qr.	Holiday	214.4	221.6	181.2	196.0	204.3
	Business	27.1	28.0	22.9	24.8	25.9
	Transit	17.1	11.8	26.4	26.5	29.6
	Other	5.8	6.0	4.9	5.6	5.8
	TOTAL	264.4	267.4	235.4	252.9	265.6
2nd Qr.	Holiday	183.7	158.8	152.8	165.5	164.3
	Business	23.2	20.1	19.3	20.9	20.7
	Transit	12.6	15.3	17.7	23.2	22.8
	Other	5.0	4.3	4.2	4.5	4.5
	TOTAL	224.5	198.5	194.0	214.1	212.3
3rd Qr.	Holiday	196.4	195.3	166.7	203.0	199.0
	Business	24.8	24.6	21.0	25.0	24.5
	Transit	15.3	20.0	24.0	29.4	25.3
	Other	5.3	5.3	4.5	6.6	6.5
	TOTAL	241.8	245.2	216.2	264.0	255.3
4th Qr.	Holiday	206.0	168.6	172.2	182.0	204.6
	Business	26.0	21.3	21.8	23.0	25.9
	Transit	12.5	19.1	23.8	27.3	25.8
	Other	5.6	4.6	4.7	5.1	5.7
	TOTAL	250.1	213.6	222.5	237.4	262.0
Year	Holiday	800.5	744.3	672.9	746.5	772.2
	Business	101.1	94.0	85.0	93.7	97.0
	Transit	57.5	66.2	91.9	106.4	103.5
	Other	21.7	20.2	18.3	21.8	22.5
	TOTAL	980.8	924.7	868.1	968.4	995.2

* Provisional.

Figure 13.2: Percentage share of departing visitors by region of residence, 2000

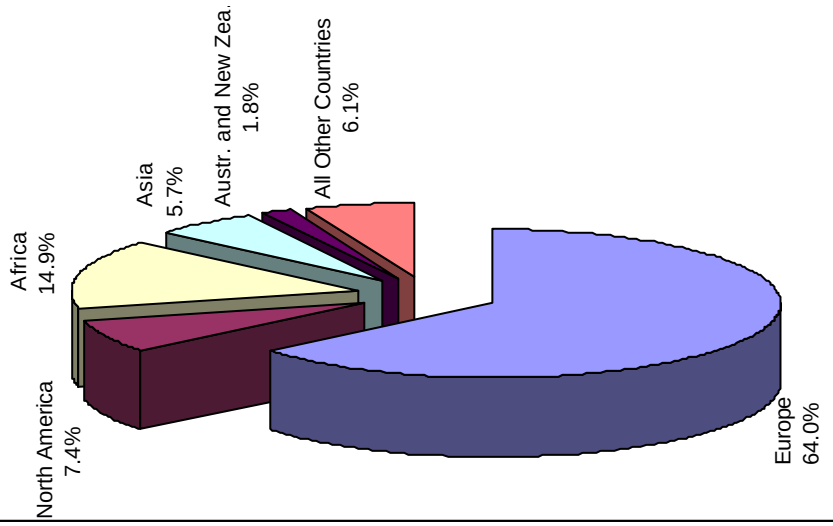


Table 13.3: Departing visitors by country of residence and purpose of visit, 1999- 2000

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Country of Residence	Holiday		Business		Transit		Total**	
	1999	2000	1999	2000	1999	2000	1999	2000*
Germany	180.8	187	4.3	4.5	15.2	14.8	200.3	206.3
United Kingdom	115.9	119.9	16.7	17.3	11.3	11	143.9	148.2
Switzerland	19.2	19.9	2.5	2.6	3.5	3.4	25.2	25.9
Italy	23.8	24.6	2.8	2.9	2.9	2.8	29.5	30.3
France	18.3	18.9	2.6	2.7	3.2	3.1	24.1	24.7
Scandinavia	15.6	16.1	2.1	2.2	2.8	2.7	20.5	21
Other Europe	142.7	147.6	3.2	3.3	15.8	15.4	161.7	166.3
TOTAL EUROPE	516.3	534.1	34.2	35.4	54.7	53.2	605.2	622.7
U.S.A.	43.2	44.7	4.9	5.1	4.4	4.3	52.5	54
Canada	13.7	14.2	1.8	1.9	2.3	2.2	17.8	18.3
TOTAL NORTH AMERICA ..	56.9	58.9	6.7	6.9	6.7	6.5	70.3	72.3
Uganda	13.8	14.3	20.5	21.2	4.5	4.4	38.8	39.9
Tanzania	24.4	25.2	5.5	5.7	12	11.7	41.9	42.6
Other Africa	29.8	30.8	16.9	17.5	14.7	14.3	61.4	62.6
TOTAL AFRICA	68	70.3	42.9	44.4	31.2	30.3	142.1	145.1
India	11.6	12	2.3	2.4	2.4	2.3	16.3	16.7
Japan	10.1	10.4	1.2	1.2	1.1	1.1	12.4	12.8
Israel	5.7	5.9	0.8	0.8	0.4	0.4	6.9	7.1
Other Asia	12.3	12.7	3.2	3.3	3.1	3	18.6	19.1
TOTAL ASIA	39.7	41.1	7.5	7.8	7	6.8	54.2	55.6
Australia and New Zealand	13.4	13.9	1.6	1.7	1.8	1.8	16.8	17.3
All Other Countries	52.2	54	0.8	0.8	5	4.9	58	59.7
TOTAL	746.5	772.2	93.7	97.0	106.4	103.5	946.6	972.7

* Provisional.

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

13.6. The total number of days stayed by departing visitors whose main purpose of visit was holiday, business or on transit declined by 4.8 per cent from 8,934.9 thousand days in 1999 to 8,507.4 thousand days in 2000. The number of days stayed by visitors who had come on holiday went down by 4.4 per cent from 7,754.6 thousand days in 1999 to 7,413.1 thousand days in 2000. During the same period there was a substantial drop of 40.3 per cent in the number of days stayed by departing visitors on transit from 468.2 thousand days to 279.5 thousand days. However, visitors who had come on business spent 14.4 per cent more days from 712.1 thousand in 1999 to 814.8 thousand in 2000.The average length of stay for holiday and transit visitors declined by 7.7 per cent and 38.4 per cent respectively in 2000. On the other hand, the average length of stay for business visitors went up by 10.5 per cent. The above scenario resulted in a reduction of 9.6 per cent in the overall average length of stay from 9.4 days in 1999 to 8.7 days in 2000. These details are presented in Table 13.4.

Table 13.4: Number of days stayed* by purpose of visit, 1996 - 2000

'000

Purpose	1996	1997	1998	1999	2000**
Holiday	12,087.6	9,603.0	7,132.7	7,754.6	7,413.1
Business	1,246.1	785.4	646.0	712.1	814.8
Transit	264.5	284.7	404.4	468.2	279.5
TOTAL	13,598.2	10,673.1	8,183.1	8,934.9	8,507.4
Average length of stay in days	14.2	11.8	9.8	9.4	8.7

* Excludes days stayed by "Other Visitors" Category.

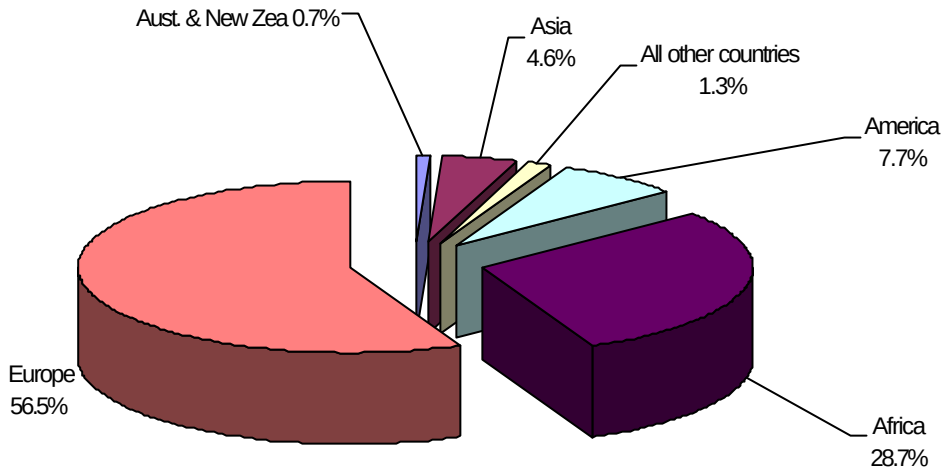
** Provisional.

Hotel Occupancy

13.7. The number of hotel bed-nights went up by 25.0 per cent from 2,951.0 thousand in 1999 to 3,687.7 thousand in 2000 (See Table 13.4). Bed capacity rose by

7.7 per cent from 8,711.4 thousand to 9,382.3 thousand, mainly due to internal re-organization of individual hotel establishments as opposed to new entrants into the hotel industry. This precipitated a rise of 5.4 percentage points in bed occupancy from 33.9 per cent in 1999 to 39.3 per cent in 2000. However, the hotel sub-sector is yet to fully recover to the level attained in 1996 in terms of bed capacity and the number of beds occupied. The growth in the overall number of bed-nights occupied was mainly attributed to the increased number of residents from Europe, particularly from Germany and the United Kingdom.

Figure 13.3: Percentage share of Hotel Bed-nights by region of residence, 2000



13.8. The number of bed-nights by residents of Europe origin remained dominant with 56.5 per cent of all hotel bed-nights in the country. Hotel bed-nights by European residents went up by 27.8 per cent from 1,629.7 thousand in 1999 to 2,082.9 thousand in 2000. The number of bed-nights by clients from Germany went up by 12.9 per cent from 536.1 thousand in 1999 to 605.0 thousand in 2000, while the number of bed-nights by residents of the United Kingdom went up by 40.0 per cent from 399.1 thousand to 558.6 thousand over the same period.

13.9. Africa was the second most important source market for the hotel sub-sector. The number of hotel bed-nights by persons from this region grew by 19.2 per cent to stand at 1,058.2 thousand in 2000. However, three quarters of this were Kenya residents reflecting the growth of domestic tourism. America, was the third largest contributor of bed-nights in Kenyan hotels. In 2000, the number of bed-nights by American clients went up significantly by 35.0 per cent from 209.9 thousand in 1999 to 283.4 thousand. Over 80 per cent of the bed-nights by residents of America in 2000 were by residents of the USA. The percentage shares of hotel bed-nights by region of residence are shown in Figure 13.3.

Table 13.5: Hotel Bed-nights by Country of Residence, 1996 - 2000

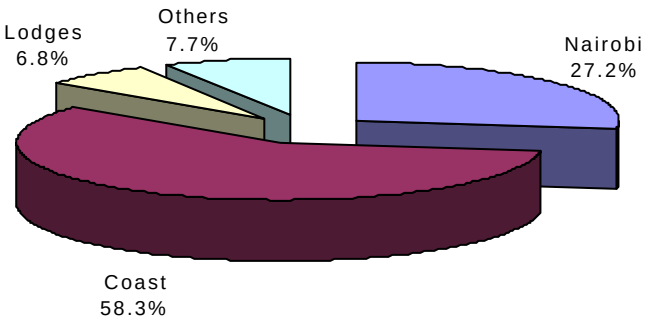
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Country Of Residence	1996	1997	1998	1999	2000*
Permanent Occupants**	41.8	28.3	11.6	15.2	20.4
Germany	1,275.6	1,135.1	418.8	536.1	605.1
Switzerland	301.9	272.6	129.8	164.0	174.8
United Kingdom	934.1	956.0	516.3	399.1	558.6
Italy	174.6	249.3	126.5	151.7	202.4
France	278.0	267.6	123.3	137.5	212.8
Scandinavia	135.4	152.1	54.1	50.6	69.9
Other Europe	360.9	321.9	145.6	190.7	259.3
EUROPE	3,460.5	3,354.6	1,514.4	1,629.7	2,082.9
Kenya Residents	782.6	776.8	696.9	653.8	794.1
Uganda	32.8	36.6	26.4	30.7	30.0
Tanzania	40.3	40.6	35.1	39.4	41.4
East and Central Africa ..	46.5	50.2	35.7	41.4	50.0
West Africa	18.3	21.7	13.5	18.8	22.6
North Africa	15.7	15.0	13.0	16.5	15.9
South Africa	32.3	43.6	36.8	36.4	38.7
Other Africa	69.5	64.4	41.1	50.9	65.5
AFRICA	1,038.0	1,048.9	898.5	887.9	1,058.2
U.S.A.	232.7	225.7	185.1	171.8	228.9
Canada	28.3	29.9	18.3	21.8	26.8
Other America	14.8	23.2	13.4	16.3	27.7
AMERICA	275.8	278.8	216.8	209.9	283.4
Japan	42.4	49.6	33.5	38.8	55.9
India	54.2	31.1	29.6	29.9	34.7
Middle East	45.3	34.6	48.4	46.9	50.5
Other Asia	37.7	26.2	17.8	17.0	27.2
ASIA	179.6	141.5	129.3	132.6	168.3
Australia and New Zealand	33.9	30.2	21.8	21.2	26.9
All Other Countries	31.6	28.0	20.6	54.5	47.7
TOTAL- OCCUPIED	5,061.2	4,910.3	2,813.0	2,951.0	3,687.8
TOTAL -AVAILABLE	11,354.5	9,516.6	7,975.7	8,711.4	9,382.3
Occupancy rate % ..	44.6	51.6	35.3	33.9	39.3

* Provisional.

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

Figure 13.4: Percentage share of hotel bed-nights by area, 2000.



13.10. The attractive beaches of the Kenyan coast and wild life sanctuaries continued to attract tourists. In 2000, the number of bed-nights by tourists in hotels located along the coastal beach accounted for 56 per cent of all hotel bed-nights in the country. This number went up by 27.1 per cent from 1,625.2 thousand in 1999 to 2,065.2 thousand in 2000. Hotels in Nairobi reported an increase of 16.9 per cent in bed-nights from 858.7 thousand in 1999 to 1,003.3 thousand in 2000. This was the second most preferred destination though most bed-nights in this zone were occupied by business visitors. All zones, with the exception of Nairobi "Other" and the "Nyanza Basin" reported increases in the number of bed-nights in 2000. These details are shown in Table 13.6.

Table 13.6: Hotel bed-nights by zone, 1996- 2000

'000

Zone	1996	1997	1998	1999	2000*
Coastal-Beach	3,144.9	3,074.4	1,505.3	1,625.2	2,065.2
- Other	70.9	71.5	109.1	73.9	85.8
Coast Hinterland	114.2	59.0	43.9	48.7	76.3
Nairobi-High Class	774.1	801.5	655.6	685.5	836.1
-Other	313.0	311.8	178.0	173.2	167.2
Central	253.4	218.1	92.9	77.5	145.7
Masailand	237.1	215.0	85.2	84.3	141.5
Nyanza Basin	114.3	88.2	110.8	110.1	87.3
Western	33.0	64.3	27.3	69.2	72.4
Northern	6.3	6.5	4.9	3.4	10.3
TOTAL-OCCUPIED	5,061.2	4,910.3	2,813.0	2,951.0	3,687.8
TOTAL-AVAILABLE	11,354.5	9,516.6	7,975.7	8,711.4	9,382.3

* Provisional.

13.11. The number of bed-nights by area and country of residence are presented in Table 13.7. In 2000 the number of bed-nights in all the areas showed an upward trend. Occupied bed-nights in Nairobi went up by 16.8 per cent from 858.7 thousand in 1999 to 1,003.3 thousand in 2000 while bed-nights in coast went up by 26.6 per cent from 1,699.1 thousand to 2,151.0 thousand over the same period. The highest increase in the number of bed-nights in 2000 compared to the previous year was for lodges. Occupied bed-nights in these establishments went up by over 70 per cent from 143.7 thousand to 250.1 thousand during the review period. Residents of Europe accounted for 74.6 per cent of all bed-nights at the coast in 2000 compared to 75.5 per cent observed in 1999. Residents of Germany and the United Kingdom accounted for 91.3 and 69.5 per cent respectively of their bed-nights at the coast in 2000. Close to 50 per cent of all bed-nights by residents of the USA were in Nairobi. Residents of Kenya were the largest source of bed-nights for both Nairobi and 'Others'. The number of bed-nights occupied in coast were 58.3 per cent of all bed-nights while Nairobi accounted for 27.2 per cent. Lodges and other areas accounted for 6.8 per cent and 7.7 per cent respectively. Figure 13.4 shows the percentage shares of hotel bed-nights by area.

13.12. In 2000, there was a sharp rise of 74.0 per cent in the number of occupied bed-nights in game lodges from 143.7 thousand in 1999 to 250.1 thousand in 2000 as shown in Table 13.8. This dramatic rise was attributed to two factors. First, there was a big increase in the overall number of occupied bed-nights by residents of the United Kingdom whose main preference is game safaris. Second, there was increased activity in terms of the number of visitors to the game parks particularly to Tsavo East and Tsavo West where most of these establishments are located. The number of bed-nights by foreign residents went up by 69.6 per cent while the number of bed-nights by East African residents more than doubled. Most visitors continued to prefer full catering to self-service.

Table 13.7: Hotel bed-nights by area and country of residence, 2000*

'000

Country of Residence	Nairobi	Coast	Lodges	Others	Total
Permanent Occupants**	7.3	6.9	0.6	5.6	20.4
Germany	28.0	552.4	21.5	3.2	605.1
Switzerland	9.9	156.9	6.6	1.4	174.8
United Kingdom	99.2	388.5	55.2	15.7	558.6
Italy	22.1	167.7	10.7	1.9	202.4
France	30.6	158.0	21.8	2.4	212.8
Scandinavia	26.5	31.7	8.3	3.4	69.9
Other Europe	83.5	149.5	19.5	6.8	259.3
Kenya	216.4	344.1	22.9	210.7	794.1
Uganda	18.4	7.0	0.7	3.9	30.0
Tanzania	25.6	11.3	0.8	3.7	41.4
East and Central Africa	41.3	6.8	0.2	1.7	50.0
West Africa	18.6	2.8	0.5	0.7	22.6
North Africa	13.6	1.5	0.3	0.5	15.9
South Africa	30.0	6.9	0.6	1.2	38.7
Other Africa	49.9	13.6	1.1	0.9	65.5
U.S.A.	113.1	55.8	50.3	9.7	228.9
Canada	16.7	6.1	2.8	1.2	26.8
Other America	17.2	6.7	2.6	1.2	27.7
Japan	42.2	5.0	6.6	2.1	55.9
India	18.0	12.6	2.6	1.5	34.7
Middle East	30.4	13.6	5.2	1.3	50.5
Other Asia	17.7	6.0	2.6	0.9	27.2
Australia and New Zealand	18.4	4.0	3.8	0.7	26.9
All Other Countries	8.7	35.6	2.3	1.1	47.7
TOTAL	1,003.3	2,151.0	250.1	283.4	3,687.8
PERCENTAGE SHARE	27.2	58.3	6.8	7.7	100.0

* Provisional.

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

Table 13.8: Game lodges* occupancy, 1998 - 2000

'000

Lodge locality/Type	BED-NIGHTS OCCUPIED					
	Foreign Residents			E.A. Residents		
	1998	1999	2000**	1998	1999	2000**
Game Reserves	77.7	74.4	126.2	16.2	6.1	14.0
National Parks	61.3	58.7	99.5	11.8	4.5	10.4
TOTAL	139.0	133.1	225.7	28.0	10.6	24.4
Of which full catering -	121.3	116.2	197.0	22.0	8.3	19.1
Self Service -	17.7	16.9	28.7	6.0	2.3	5.3

* Lodges in National Parks and Game Reserves only.

** Provisional.

Other Tourist Attractions

13.13. The growth in the number of visitors to the game parks and game reserves increased by 7.3 per cent from 1,533.4 in 1999 to 1,644.9 in 2000 compared to previous growth of 42.1 per cent. The number of visitors to the seven major parks increased by 7.0 per cent from 1,019.8 thousand in 1999 to 1,091.1 thousand in 2000. The major parks which registered growth in the number of visitors during the period were Animal Orphanage, Amboseli, Tsavo East, Tsavo West and Masai Mara. Over the same period there were significant drops in the number of visitors to Nairobi, Mount Kenya and Bamburi parks. The three marine parks at Mombasa, Malindi and Watamu recorded a combined modest increase of 1.7 per cent from 100.8 thousand visitors in 1999 to 102.5 thousand in 2000.

Table 13.9: Number of visitors to parks and game reserves, 1996 - 2000

'000

	1996	1997	1998	1999	2000*
Nairobi	158.3	149.6	122.3	139.2	130.3
Animal Orphanage ..	210.6	193.7	164.8	235.1	266.1
Amboseli	109.1	117.2	62.9	77.0	93.5
Tsavo (West)	93.6	88.6	54.9	61.0	78.6
Tsavo (East)	137.5	123.2	66.9	111.6	124.9
Aberdare	60.2	59.0	47.9	44.2	44.9
Lake Nakuru	156.9	132.1	111.0	189.1	193.3
Masai Mara	130.3	118.3	100.4	171.0	193.5
Bamburi Nature Park	107.0	86.8	77.9	96.4	92.6
Malindi Marine	39.3	27.0	13.7	23.9	35.7
Lake Bogoria	14.2	24.5	20.6	53.0	56.1
Meru	7.8	4.1	1.8	3.5	6.0
Shimba Hills	23.4	22.5	16.8	17.7	20.5
Mount Kenya	17.1	14.8	10.2	22.7	11.5
Samburu	9.1	8.3	7.0	7.0	8.2
Kisite/Mpunguti.. ..	39.9	35.1	29.2	34.2	37.9
Mombasa Marine	21.7	15.2	16.2	36.1	38.4
Watamu Marine	20.2	19.4	18.3	40.8	28.4
Hell's Gate	52.1	47.2	57.1	72.7	74.0
Impala Sanctuary (Kisumu)	65.6	62.4	65.6	77.4	90.4
Other**	14.8	15.5	13.9	19.8	20.1
TOTAL	1,488.7	1,364.5	1,079.4	1,533.4	1,644.9

* Provisional

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

13.14. Table 13.10 shows the number of visitors to museums, snake park and other historical sites. A total of 585.1 thousand visitors was recorded at these attractions compared to 573.1 thousand in 1999, representing an increase of 2.1 per cent. Increases of 7.4 per cent, 4.8 per cent and 5.2 per cent in the number of visitors were recorded for the National Museum (Main Gate), Snake Park and Karen Blixen museum respectively in 2000 compared to 1999. Similarly, there were increases of 4.8 per cent, 24.9 per cent and 9.0 per cent recorded for Kisumu, Kitale and Lamu respectively from 45.9 thousand, 22.5 thousand and 6.7 thousand in 1999 to 48.1 thousand, 28.1 thousand and 7.3 thousand in 2000. Visitors to Fort Jesus, Gedi, Jumba La Mtwala and Kilifi Mwarani declined by 10.5 per cent, 20.1 per cent, 7.3 percent and 73.5 per cent respectively in 2000.

Table 13.10: Visitors to museums, snake park and sites, 1996 - 2000

'000

	1996	1997	1998	1999	2000*
National Museum: (Main Gate)	218.0	184.5	173.4	196.4	210.9
National Museum: (Snake Park)	170.6	148.6	75.9	81.1	85.0
Fort Jesus	180.2	124.4	88.9	107.8	96.5
Kisumu Museum	49.5	18.2	34.7	45.9	48.1
Kitale Museum	29.0	16.1	27.3	22.5	28.1
Gedi	29.6	29.7	14.8	27.3	21.8
Meru Museum	12.4	9.4	15.8	16.6	18.1
Lamu	12.2	8.6	6.2	6.7	7.3
Jumba la Mtwala	8.5	4.9	4.0	5.5	5.1
Olorgessaile	..	2.2	1.9	2.2	2.4
Kariandusi	2.3	0.7	4.5	5.2	5.0
Hvrax Hills	1.9	1.5	2.8	2.5	3.3
Karen Blixen	43.7	38.6	41.1	50.0	52.6
Kilifi Mwarani	0.9	0.7	2.9	3.4	0.9
TOTAL	758.8	588.1	494.2	573.1	585.1

* Provisional.

Conference Tourism

13.15. The number of conferences held in 2000 went down in absolute terms from 1,213 in 1999 to 1,142. The average capacity in terms of delegate days available went up from 129,626 reported for the previous year to 130,387 for the year under review. There was an improvement in capacity utilization in 2000 for both local and international conferences which stood at 7.7 per cent and 4.5 per cent respectively from 2.6 per cent and 2.7 per cent in 1999. These details are depicted in Table 13.11.

Table 13.11 Reported conferences, 1999-2000

	1999		2000	
	Local	International	Local	International
Number of conferences	1,021	192	980	162
Number of delegates	41.004	27.800	65.329	36.810
Number of delegate days	119,631	126,371	312,655	66,404
Number of delegate days available	4.666.525	4.666.525	4.042.010	4.042.010
Percentage Occupancy	2.6	2.7	7.7	4.5

13.16. There has been renewed activity in terms of the number of international conferences held at the Kenyatta International Conference Centre (KICC) in 2000 as shown in Table 13.12. The number of conferences went up from 10 held in 1999 to 19 held in 2000. Similarly, the number of conference days rose from 39 in 1999 to 67 in 2000. The number of delegates attending these conferences also went up from 20,750 to 27,880. This scenario resulted in an improved occupancy rate of 18.4 per cent for the year 2000 compared to an occupancy rate of 10.7 per cent for 1999.

Table 13.12: Conferences held at Kenyatta International Conference Centre, 1996 - 2000*

	1996	1997	1998	1999	2000*
Number of conferences	8	1	7	10	19
Number of conferences days	24	3	26	39	67
Attendance (Number of Delegates)**	5,660	250	13,100	20,750	27,880
Percentage of occupancy	6.6	0.8	7.1	10.7	18.4

* Provisional.

** International conferences/delegates only.

Tourism Promotion

13.17. To revamp the Industry the Kenya Tourist Board (KTB), Kenya Tourism Development Co-operation (KTDC) and the Ministry of Tourism, Trade and Industry stepped up tourism promotion. These were involved in the promotion of Kenya as a good tourist destination. The country actively participated in a number of trade and travel fairs in Europe, USA, India, Russia and South Africa. The tourism industry continues to benefit from trained personnel from the Utalii College. By the end of 2000 the college had trained a total of 23,617 graduates (See Table 13.13).

Table 13.13: Kenya Utalii College graduates, 1996 - 2000

	In-Service	Professional			Grand Total
		Ordinary	Advanced	Total	
1996	1,104	411	32	443	1,547
1997	1,082	360	33	393	1,475
1998	1,322	302	32	334	1,656
1999	1,061	307	31	338	1,399
2000	886	270	24	294	1,180

Source: Kenya Utalii College.

CHAPTER 14

TRANSPORT, STORAGE AND COMMUNICATIONS

Overview

The transport, storage and communications sector recorded improved economic performance in 2000. Total value of output from the sector rose by 14.2 per cent during the period under review, which was slightly higher than the 11.3 per cent increase attained in 1999. Total number of newly registered vehicles during the period declined significantly by 27.4 per cent to 20,236 from 27,892 vehicles registered in 1999. This was mainly due to introduction of anti-dumping tax on imported second-hand motor vehicles, which are more than 8 years old. Issuance of licenses for carriage of passengers and goods registered a significant rise of 33.0 per cent in 2000 as a result of aggressive enforcement of the Transport Licensing Act. The volume of railway freight traffic transported rose by 9.1 per cent as a result of increased volume of transit goods to neighbouring countries, while rail passenger journeys undertaken fell by 10.6 per cent in 2000. The volume of export freight handled at the harbours declined by 11.7 per cent during the year while the volume of imports recorded a rise of 11.9 per cent.

14.2. The volume of white petroleum products pumped by the Kenya Pipeline Company during the period under review declined except for an increase of 11.8 per cent in diesel oil. The increase was attributable to the rise in demand for thermal generation of electricity during the year following the prolonged drought. Commercial traffic at the two main airports of Jomo Kenyatta (Nairobi) and Moi (Mombasa) Internationals Airports recorded substantial rises during the year with passenger arrivals and departures rising by 11.1 per cent and 13.0 per cent respectively, over the 1999 levels. The total volume of cargo and mail traffic by air recorded an increase of 11.3 per cent over the same period.

14.3. Key indicators of the postal and telecommunication services reveal that a total of 51 post offices were closed down as they were deemed uneconomical to operate while the telephone exchange capacity grew by 5.7 per cent in 2000. There was also an overwhelming subscription for mobile telephone service during the year following the commissioning of a second private mobile telephone service provider. A total of 85,000 mobile telephone subscribers had opened accounts. The number of new radio and TV sets sold and licensed rose marginally by 4.3 per cent and 7.6 per cent respectively. The average circulation of local newspapers recorded modest increases during the period under review.

Overall Results

14.4. Table 14.1 presents details of the total value of output at market prices from the transport and communications sector. Performance of the communications sub-sector continued to grow and realised a 17.2 per cent increase in the value of output from KSh 24,028.0 million in 1999 to KSh 28,166.0 million in 2000. The expansion of the sector was mainly due to the liberalisation of the airwaves, which made it possible for opening of private radio and television broadcasting stations. Further, positive gains have accrued to the sub-sector as a result of re-organising the now defunct Kenya Posts & Telecommunications Corporation (KP&TC), licensing of private courier and telecommunications service providers and use of new communication technology such as the Internet. Other sub-sectors that increased their value of output during the year included air transport, railway transport and

pipeline transport with growths of 15.1 per cent, 14.4 per cent and 3.0 per cent respectively. Value of output from the road transport sub-sector recorded an increase of 15.9 per cent in 2000 mainly due to increased transportation of relief cargo within and beyond the country. Growth in this sub-sector has in the recent past been constrained by the high operating costs due to the poor state of roads. However, the situation is expected to reverse once the exercise of rehabilitating major roads in the country is concluded.

Table 14.1: Transport and Communications - value of output, 1996 - 2000

KSh million

	1996	1997	1998	1999	2000*
Road Transport	18,528.0	18,994.0	17,414.0	18,552.0	21,503.0
Railway Transport**	3,672.0	3,000.0	4,096.0	5,206.0	5,954.0
Water Transport	7,346.0	7,868.0	7,784.0	7,432.0	7,608.0
Air Transport	10,812.0	11,858.0	14,026.0	20,002.0	23,025.0
Services Incidental to Transport	3,622.0	4,964.0	4,036.0	3,274.0	3,750.0
Pipeline Transport	4,614.0	4,802.0	5,282.0	5,728.0	6,194.0
Communications	19,922.0	21,304.0	23,012.0	24,028.0	28,166.0
TOTAL	68,516.0	72,790.0	75,650.0	84,222.0	96,200.0

* Provisional.

** Includes other revenue

14.5. Table 14.2 presents analysis of the earnings for the road and railway transport industry. Total earnings from road and rail sub-sectors rose by 15.2 per cent to stand at KSh 26,904.8 million in 2000 from KSh 23,354.3 million in 1999. Earnings from passenger traffic by road increased by only 2.6 per cent from KSh 9,764.0 million in 1999 to KSh 10,026.0 million in 2000. However, earnings accruing from the passenger traffic by rail declined significantly by 21.2 per cent from KSh 288.0 million in 1999 to KSh 227.0 million in 2000. Earnings from transportation of freight traffic by both road and rail increased by a significant 25.2 per cent from KSh 13,302.3 million in 1999 to KSh 16,651.8 million in 2000.

Table 14.2: Earnings from road and rail traffic, 1996 - 2000

KSh Million

	1996	1997	1998	1999	2000*
Passenger Traffic:					
Road	10,540.0	9,994.0	9,494.0	9,764.0	10,026.0
Rail	298.0	292.0	268.0	288.0	227.0
Total	10,838.0	10,286.0	9,762.0	10,052.0	10,253.0
Freight Traffic:					
Road	7,988.0	9,000.0	7,920.0	8,788.0	11,477.0
Rail	3,134.0	2,478.0	3,154.0	4,514.3	5,174.8
Total	11,122.0	11,478.0	11,074.0	13,302.3	16,651.8
Total Road Traffic	18,528.0	18,994.0	17,414.0	18,552.0	21,503.0
Total Rail Traffic	3,432.0	2,770.0	3,422.0	4,802.3	5,401.8
Total (Road and Rail)	21,960.0	21,764.0	20,836.0	23,354.3	26,904.8

* Provisional.

Road Transport

14.6. Table 14.3 presents details of the number of newly registered motor vehicles. Total number of newly registered vehicles declined significantly by 27.4 per cent from 27,892 in 1999 to 20,236 vehicles in 2000. The decline in vehicle registration is associated with the general economic slump experienced in the country during the year and introduction of anti- dumping tax by the Government on imported second-hand vehicles that are more than 8 years old.

Table 14.3: New registration of road vehicles, 1996 - 2000

Number

Type of Vehicle	1996	1997	1998	1999	2000*
Saloon Cars	8,625	8,995	11,126	8,917	6,510
Station Wagons	4,069	4,259	5,175	4,251	2,971
Panel Vans, Pick-ups, etc.	7,711	7,544	7,295	6,984	4,311
Lorries/Trucks	2,222	2,732	2,578	2,087	1,690
Buses and Coaches	888	931	887	866	779
Mini Buses	946	927	874	872	596
Special Purposes Vehicles	38	35	25	29	23
Trailers	674	680	539	567	450
Rollers, Graders, Cranes	104	102	63	70	78
Wheeled Tractors	1,047	1,263	1,160	1,112	977
Crawler Tractors	9	6	5	6	7
Motor and Auto Cycles	2,328	2,415	1,986	2,127	1,841
Three Wheelers	3	4	5	4	3
Total	28,664	29,893	31,718	27,892	20,236

* Provisional.

14.7. Table 14.4 presents details of the number of licenses issued by the Transport Licensing Board (TLB) to freight and passenger transport vehicles. The number of licenses issued in 2000 went up by 33.0 per cent. This increase was attributable to the aggressive enforcement of the Transport Licensing Act and inclusion of freight transport vehicles that were previously not required to have such licenses.

Table 14.4: Licences issued for freight and passenger transport vehicles,1996 - 2000

Number

	1996	1997	1998	1999	2000*
PSV Matatus	24,470	21,662	24,334	28,805	30,675
PSV Buses and Tourist Vehicles	2,042	1,996	1,952	3,359	4,673
Freight Transport Vehicles	6,517	9,031	7,157	7,706	17,697
Total	33,029	32,689	33,443	39,870	53,045

* Provisional.

14.8. Licenses issued to operators of passenger service vehicles (PSV) rose by 6.5 per cent from 28,805 in 1999 to 30,675 in 2000. Licenses issued to operators of buses and tourist vehicles increased by a significant 39.1 per cent from 3,359 in 1999 to 4,673 in 2000. Issuance of TLB licenses to freight transport vehicles more than doubled during the year to stand at 17,697 from 7,706 licenses issued in 1999.

Railway Transport

14.9. Performance indicators for railway traffic are presented in Table 14.5. Railway freight service recorded improved performance in 2000, while the passenger service remained depressed. A total of 2,400 thousand tonnes of freight were ferried along the railway network during the year compared to 2,200 thousand tonnes in 1999, representing a 9.1 per cent increase. Kenya Railway Corporation earned a total of KSh 5.2 billion through transportation of freight during the year against KSh 4.5 billion earned in 1999. The rise in the volume of cargo transported is associated with the major increase in the volume of cargo destined to Uganda, Northern Tanzania and the Great Lakes Region. It has now become possible for Kenya Railways to transport cargo much faster through the use of block trains. This has reduced the transit time for transporting goods to the neighbouring countries from 28 days to 4 days. Domestic cargo transport is growing very slowly due to market fragmentation and the stiff competition from road hauliers.

Table 14.5: Railway traffic, 1996 - 2000

	Unit	1996	1997	1998	1999	2000*
Freight:						
Tonnes	'000	1,826.5	1,620.6	1,688.0	2,200.0	2,400.0
Tonne-km	million	1,218.8	1,068.2	1,111.0	1,491.6	1,556.9
Revenue	Kshs. mill.	3,134.0	2,478.0	3,154.0	4,514.3	5,174.8
Revenue per tonne-Km	cts	257.1	232.0	283.9	302.6	332.4
Passenger:						
Journeys	'000	2,379.0	1,981.0	2,843.0	4,700.0	4,200.0
Passenger-Km	million	371.0	393.0	432.0	306.2	302.0
Revenue	Kshs. mill.	298.0	292.0	268.0	287.5	227.0
Revenue per passenger-Km	cts	80.3	74.3	62.0	93.9	75.2

* Provisional.

14.10. Passenger journeys made during the year declined by 10.6 per cent to 4.2 million journeys against 4.7 million made in 1999. Correspondingly, the revenue accruing from passenger transport fell by 21.0 per cent from KSh 287.5 million in 1999 to KSh 227.0 million in 2000. The reduction in the passenger transport business is attributed to slower rail movement. Passenger transport by road has proved both faster and more dependable and therefore has become the preferred mode of transport.

Harbours and Shipping

14.11. Details of the volume of imports and exports of cargo through Mombasa harbour are contained in Table 14.6. Total exports of dry cargo and bulk liquids declined by 11.7 per cent from 1,843 thousand tonnes handled in 1999 to 1,628 thousand tonnes in 2000. However, imports of dry cargo and bulk liquids increased by 11.9 per cent from 6,441 thousand tonnes in 1999 to 7,208 thousand tonnes in 2000. Total volume of freight handled at the port during the year increased by 6.7 per cent to 8,837 thousand tonnes from 8,284 thousand tonnes in 1999.

Table 14.6: Freight handled at Mombasa Harbour, 1996 - 2000

'000 Tonnes

	1996	1997	1998	1999	2000*
Loaded:					
Dry Cargo	2,103	1,647	1,755	1,607	1,523
Bulk Liquids	273	183	162	236	105
Total	2,376	1,830	1,917	1,843	1,628
Landed:					
Dry Cargo	3,538	5,096	4,242	3,667	3,704
Bulk Liquids	2,780	1,516	2,400	2,774	3,505
Total	6,318	6,612	6,642	6,441	7,209
Total Freight Handled	8,694	8,442	8,559	8,284	8,837

* Provisional.

Pipeline Transport

14.12. The economic slump experienced in the country during 2000 impacted negatively on the volume of white petroleum products pumped by the Kenya Pipeline Company (KPC). Table 14.7 presents details of throughput of white petroleum products. Total throughput of petroleum products transported along the pipeline network during the year remained at the 1999 levels. However, all products

pumped during the year declined by varying margins except light diesel oil, that increased by 11.8 per cent to 980.7 thousand cubic metres in 2000. Increased uplift of diesel oil was triggered by higher demand on thermal electric power generation to augment the nation's power demand.

Table 14.7: Pipeline throughput of white petroleum products, 1996 - 2000

'000 Cubic Metres

Year	Motor Spirit Premium	Motor Spirit Regular	Kerosene Illumin-ating Oil	Light Diesel Oil	Jet Fuel	Total
1996	512.6	187.4	303.0	766.9	607.0	2,376.9
1997	587.0	183.8	319.2	790.5	594.4	2,474.9
1998	615.0	185.6	373.0	821.5	579.8	2,574.9
1999	631.0	192.4	443.5	876.9	639.4	2,783.2
2000*	598.6	184.2	397.8	980.7	622.0	2,783.3

14.13. Despite the stagnation in the product uplift, the revenue base for KPC continued to expand, although this expansion was constrained by the weakening of the Kenya Shilling against the US dollar. The operating costs for KPC declined significantly during the year as a result of reduced maintenance costs and austere financial management measures. Plans are underway for KPC to embark on a programme which will include expanding its capacity to
satisfy the future demand for supply of petroleum products in the East and Central Africa region and also strengthen its competitiveness over other modes of transport and routes.

Air Transport

14.14. Details of the commercial traffic at the two major airports namely, Jomo Kenyatta International Airport (Nairobi) and Moi International Airport (Mombasa), are presented in Table 14.8. Passenger traffic through the two airports rose significantly by 12.2 per cent from 3,557.7 thousand persons in 1999 to 3,990.0 thousand persons in 2000. This is a consequence of rejuvenated tourists visitor arrivals and departures. A 13.6 per cent rise on the total number of passengers in transit at the two main airports was recorded during 2000. The volume of cargo and mail recorded 11.3 per cent growth from 130.6 thousand tonnes handled in 1999 to 145.4 thousand tonnes in 2000. The volume of cargo exported increased by 8.0 per cent from 95.4 thousand tonnes in 1999 to 103.0 thousand tonnes in 2000. This was mainly due to increased exports of fresh produce and cut flowers to foreign markets.

Table 14.8: Commercial traffic at Jomo Kenyatta and Moi International airports, 1996 - 2000

	1996	1997	1998	1999	2000*
Passengers- '000					
Landed	1,137.2	1,259.6	1,312.0	1,664.4	1,848.4
Embarked	1,158.0	1,275.1	1,306.4	1,628.8	1,841.2
In Transit**	395.8	300.5	255.0	264.5	300.4
Total	2,691.0	2,835.2	2,873.4	3,557.7	3,990.0
Freight - '000 tonnes:					
Cargo: Landed	23.8	23.9	24.0	32.5	39.4
Loaded	40.2	41.7	37.4	95.4	103.0
Mail: Landed	1.0	1.1	1.0	1.9	2.1
Loaded	0.5	0.5	0.5	0.8	0.9
Total	65.5	67.2	62.9	130.6	145.4

* Provisional.

** Passengers in transit are those continuing their journey in the same aircraft.

Postal and Telecommunications Services

14.15. Performance indicators for the postal and telecommunications network and traffic services are presented in Table 14.9. The overall number of post offices available in the country registered a 5.4 per cent decline from 941 in 1999 to 890 in 2000, as a result of continued closure of Sub-Post Offices that are deemed uneconomical to operate. However, the number of Head and Departmental Post Offices increased by one each during the year. A record 12.2 per cent increase in the number of private letterboxes available in the county was attained during 2000. The number of boxes went up from 345 thousand in 1999 to 387 thousand in 2000, mainly due to 29,060 boxes installed at the newly completed TelePosta Towers building in Nairobi. Total number of registered and insured items posted during the period under review remained at the 1999 levels. Significant declines of 33.3 per cent and 8.1 per cent were recorded for the total number of correspondence and parcels handled in 2000. The decline is attributed to the emerging stiff competition from private courier service providers against the public owned Postal Corporation of Kenya.

Table 14.9: Postal and telecommunication services, 1996 - 2000

	Unit	1996	1997	1998	1999	2000*
Post Offices	No	1,062	1,034	1,033	941	890
Private Letter Boxes	'000	318	326	340	345	387
Registered and Insured Items Posted	million	2.5	2.1	2.1	2.2	2.2
Total correspondence handled	million	506	431	409	153	102
Parcels handled	'000	290	263	175	161	148
Telephone Exchange connections	'000	261	272	280	296	313
Public Call boxes	No.	5,932	6,309	7,263	8,397	8,938
Card Phones	No.	48	49	212	876	1,061
Mobile Telephone	No.('000)	3	5	9	15	85
Manual Telephone Calls made	million	4.8	4.6	3.7	3.5	3.7
Telex Subscribers	'000	1.4	1.2	1.1	1.0	1.0
Money Orders	No.(million)	1.6	1.7	1.8	1.7	1.8
Postal Orders	No.('000)	48	77	71	68	32

* Provisional.

14.16. A 5.7 per cent growth in the available number of telephone exchange connections was recorded in 2000, with 296 thousand connections in 1999 to 313 thousand in 2000. Total number of available public call boxes and card phones increased by 6.4 and 21.1 per cent respectively during the year. There was an overwhelming subscription for mobile telephone services during the year after of commissioning of a second private mobile telephone service provider. This triggered a significant reduction of connection and utility tariffs thereby allowing more people to subscribe to the service.

14.17. Indicators of the external telecommunications traffic show that all services recorded reduction in activity in 2000 except for outgoing and incoming telephone services that recorded marginal increases. Details of the external telecommunications traffic are presented in Table 14.10.

Table 14.10: External telecommunications traffic, 1996 - 2000

	1996	1997	1998	1999	2000*
Telephone service-million paid minutes					
Outgoing	26.2	29.0	29.2	29.2	30.6
Incoming	57.6	69.5	71.5	67.1	70.4
Telex service-million paid minutes					
Outgoing	0.5	0.3	0.2	0.1	0.1
Incoming	0.5	0.4	0.3	0.4	0.3
Telegraph service-million paid words					
Outgoing	0.1	0.2	0.1	0.1	0.1
Incoming	0.2	0.2	0.2	0.2	0.1
Bureau fax outgoing					
Documents	18,250.0	13,593.0	6,191.0	10,271.0	5,506.0
Pages	21.326.0	16.671.0	7.621.0	13.140.0	7.189.0
Bureau fax incoming					
Documents	4,001.0	3,169.0	2,276.0	2,304.0	1,517.0
Pages	7,154.0	5,941.0	4,062.0	3,852.0	2,480.0

* Provisional.

The duration in minutes for paid outgoing telephone service increased by 4.8 per cent from 29.2 million in 1999 to 30.6 million in 2000. Similarly, the duration in minutes for the incoming telephone calls rose by 4.9 per cent to 70.4 million in 2000 from 67.1 million in 1999. Sending and receiving electronic mails through the Internet has significantly reduced use of telegraph and fax services during the period under review. A total of 30 Internet Service Providers are currently licensed to operate in Kenya. Despite the encouraging performance of the telecommunications sub-sector, there were a number of factors that inhibited achievement of the network targets as spelt out by the Communications Commission of Kenya (CCK). Chief among these were inadequate capital for investment in modern infrastructure necessary for network expansion, frequent vandalism of equipment and shortage of material especially for the line plant. The privatisation of Telkom (K) Ltd, through sale of 49 per cent of the Government shares in the company has not been concluded.

Information and Mass Media

14.18. Table 14.11 presents details of the number of new radio and TV sets sold and licensed. A total of 99,200 radios were sold and licensed in 2000 compared to 95,100 radios sold and licensed in 1999, which represented a 4.3 per cent increase. New TV sets sold and licensed in 2000 increased by 7.6 per cent to 38,100 from 35,400 sets sold and licensed in 1999. The table presents the number of new radios and TV sets sold and a valid permit issued as required by the law. Sales of such equipment without issuing permits are, therefore excluded.

Table 14.11: New Radios and T.V. Sets sold and licensed, 1996 - 2000

Number

	1996	1997	1998	1999	2000*
Radios - '000	163.1	172.1	74.6	95.1	99.2
Television Sets - '000.	35.8	44.3	28.4	35.4	38.1

* Provisional.

14.19. Table 14.12 presents the average number of daily and weekly local newspaper circulation copies. The average number has been rising steadily due to introduction of new newspapers in the market. There was a 3.4 per cent increase in the number of morning English newspapers from 262.5 thousand copies in 1999 to

271.6 thousand copies in 2000. The number of morning Swahili newspapers copies edged up by 6.1 per cent from 36.0 thousand copies in 1999 to 38.2 thousand copies in 2000. In the other category of newspapers, English weeklies rose by 3.0 per cent from 540.1 thousand copies in 1999 to 556.1 thousand copies in 2000. Average circulation of weekly Swahili newspapers rose by 3.9 per cent from 43.6 thousand copies in 1999 to 45.3 thousand copies in 2000.

Table 14.12: Daily/weekly average local newspaper circulation, 1996 - 2000

'000 Copies

	1996	1997	1998	1999	2000*
Morning Newspapers-					
English	231.5	263.3	257.1	262.5	271.6
Swahili	31.6	36.2	35.0	36.0	38.2
Other Newspapers-					
English Weeklies	506.4	582.1	528.6	540.1	556.1
Swahili	40.5	44.1	42.0	43.6	45.3

* Provisional.

CHAPTER 15

URBAN HOUSEHOLD EXPENDITURE PATTERNS

Introduction

This chapter presents the urban household expenditure patterns collected during the Urban Household Budget Survey (UHBS) carried out in 1993/94. The survey was carried out in 57 urban centres with population of 10,000 or more persons and in all district headquarters irrespective of their population size. The duration of the survey covered about 4,800 households randomly selected from 236 urban clusters. The survey was spread over a period of one year so as to eliminate seasonal variations, and was conducted in four cycles - with households in each cluster being grouped into three panels so as to moderate respondent fatigue. The overall response rate was 63 per cent.

15.2. The 1993/94 UHBS solicited data on household demographic characteristics and expenditures. In addition, it collected data on incomes, housing condition and educational characteristics of household members as well as employment profiles. The survey had three main objectives to provide information for use in updating some components of the consumer price indices. The second objective was to provide information on the patterns of expenditure and income distribution of different socio-economic groups, living conditions profiles for the urban population and to provide data on final household consumption for updating the National Accounts aggregates of the household sector.

15.3. Although the data contained in the 1993/94 UHBS, appear old and out-dated, it is the only data set that provides Household Budget survey since 1982/83. The series of Welfare Monitoring Surveys conducted in 1992, 1994 and 1997, as well as the 1998/99 Intergrated Labour Force Survey present some household expenditure data. The information is weak and cannot be used to revise the Consumer Price Index (CPI) primarily because they were not intended for that purpose.

Household Expenditures

15.4. Household expenditures are categorised into consumption and non-consumption expenditure. In this survey, consumption expenditures included goods and services purchased for household use (cash expenditures), imputed values of own stocks/produce consumed, imputed rent for owner-occupied dwelling units, and the imputed value of gifts received or given out in form of goods and services. Non-consumption expenditures analysed are: loan repayment, salary deductions, fines and lost money, land and house purchases, and gambling/lottery expenses. Although the survey was spread over a period of one year, expenditures presented in this chapter are deflated to April 1994 prices.

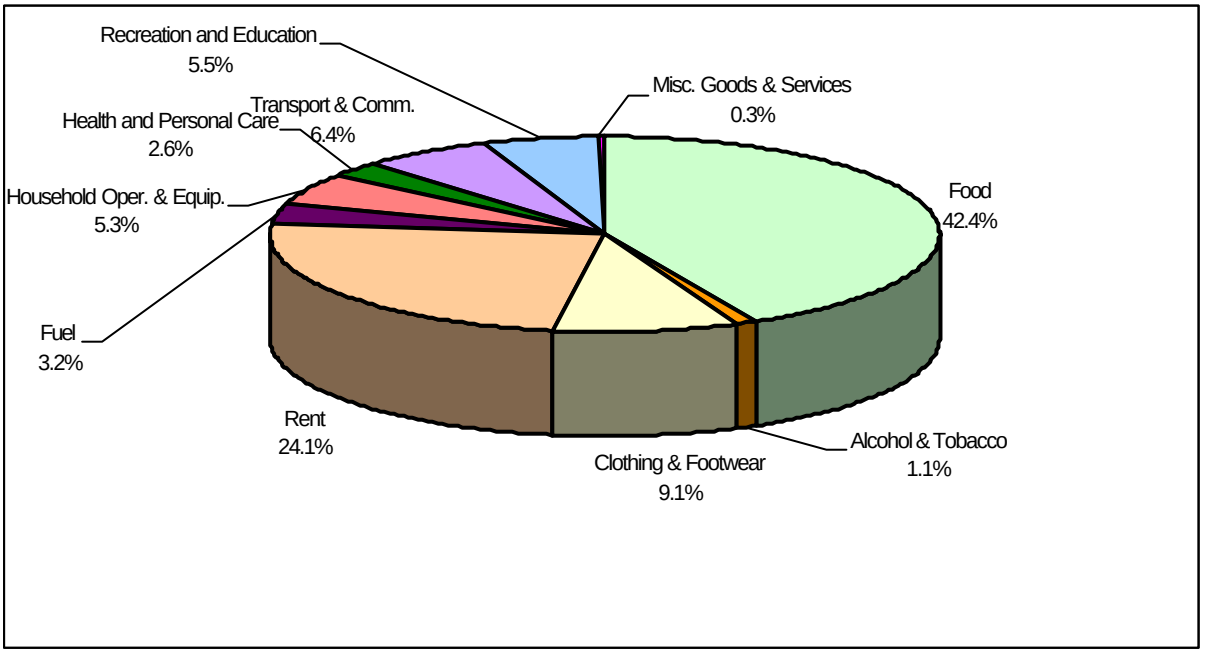
15.5. Table 15.1 and Figure 15.1 present annual household consumption expenditure by broad item groups. The total urban household consumption expenditure amounted to KSh 81,246 million in the course of the year (See Table 15.1). Food comprised the largest share of 42.4 per cent of total consumption expenditure, followed by rent and other housing costs, with a share of 24.1 per cent. The smallest proportions of consumption expenditure were on alcohol and tobacco with a share of 1.1 per cent.

Table 15.1: Urban consumption by broad expenditure groups

April 1994 Prices

Group	Annual Expenditure (KSh Million)	%
Food	34,463	42.4
Alcohol and Tobacco	909	1.1
Clothing and Footwear	7,391	9.1
Rent and Housing costs	19,580	24.1
Fuel and Water	2,560	3.2
Household Operations & Equipment	4,342	5.3
Health and Personal Care	2,071	2.6
Transport & Communications	5,213	6.4
Recreation and Education	4,453	5.5
Miscellaneous Goods & Services	264	0.3
TOTAL EXPENDITURE	81,246	100

Figure 15.1 Expenditure by Broad Item Category



15.6. Table 15.2 presents mean annual consumption expenditure by expenditure sub-group of items. The mean annual household consumption was valued at KSh 83,202, or monthly equivalent expenditure of KSh 6,934 per household (see Table 15.2). A typical urban household spent 42.4 per cent of its consumption expenditures on food items. Within the food items, the highest mean expenditure was on bread and cereals sub-group, which accounted for 12.0 per cent followed by meat, chicken and fish with a share of 6.9 per cent. The lowest expenditures within the food group was on soft drinks, whose share was 0.5 per cent.

Table 15.2: Mean household annual consumption expenditure by item subgroups

April 1994 Prices

SUB-GROUP	Mean Annual Exenditure (KSh)	% Share
Bread & Cereals	9,943	12.0
Meat, Chicken and Fish	5,703	6.9
Dairy Produce & Eggs	4,643	5.6
Vegetables	4,562	5.5
Sugars, Spices & Condiments	3,417	4.1
Oils & Fats	2,558	3.1
Meals Consumed Out	2,057	2.5
Fruits	1,053	1.3
Roots	936	1.1
Soft Drinks	420	0.5
FOOD ITEMS	35,293	42.4
Rent of tenants	10,108	12.2
Imputed rent	9,033	10.9
Transport & Communication	5,338	6.4
Education	3,086	3.7
Fuel & Water	2,621	3.2
Furnishings	1,885	2.3
Women's Clothes	1,556	1.9
Household Operation	1,477	1.8
Men's Clothes	1,442	1.7
Footwear	1,238	1.5
Medical Care	1,096	1.3
Personal Goods	1,088	1.3
Personal Care	1,025	1.2
Other Housing costs	910	1.1
Recreation	664	0.8
Girls Clothing	654	0.8
Boys Clothes	646	0.8
Clothing Materials	633	0.8
Tableware & Utensils	573	0.7
Other Entertainment	522	0.6
Alcohol	517	0.6
Tobacco	414	0.5
Durables & Electrical	366	0.4
Infants Clothing	311	0.4
Books, Stationery & paper	289	0.4
Miscellaneous Services	270	0.3
Domestic Services	145	0.2
NON-FOOD ITEMS	47,909	57.6
ALL ITEMS	83,202	100.0

15.7. Non-food consumption accounted for 57.6 per cent of total consumption expenditures. The major expenditures in the non-food sub-group were on house rents, imputed rent for those owning their own home or those living in rent free houses and other housing costs. All of these accounted for 24.1 per cent of overall mean consumption expenditure. This was followed by mean expenditures on transport and communications (6.4 per cent). A typical urban household spent the least on domestic services (0.2 per cent).

Spread of Consumption Expenditures

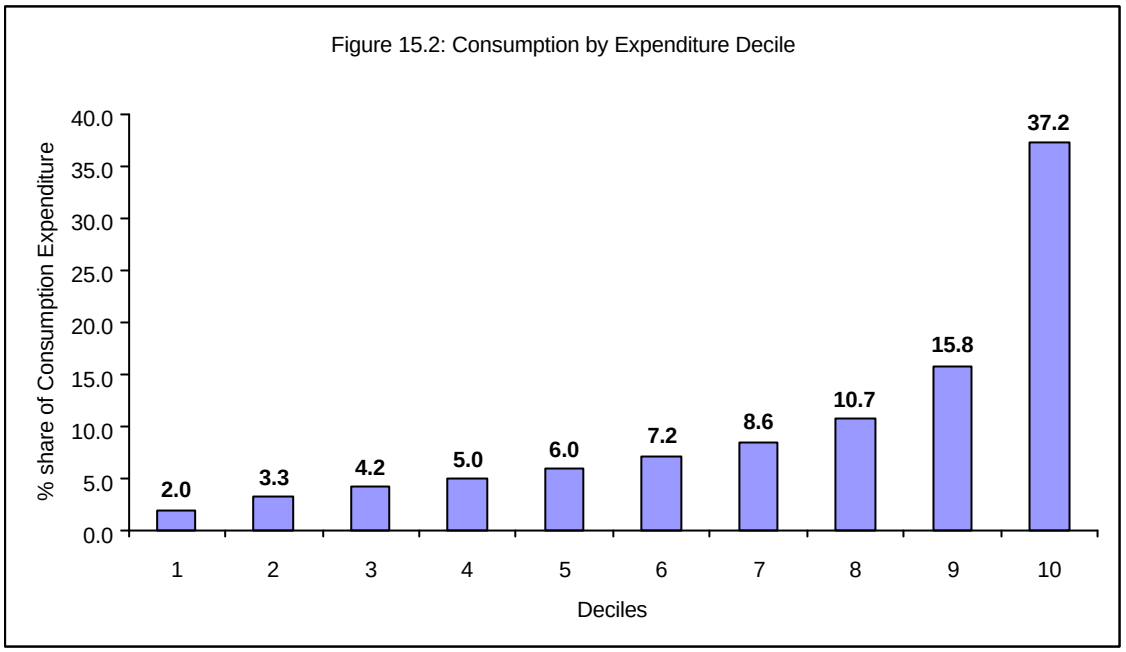
15.8. As shown in Tables 15.3 and 15.4, the top 10 per cent of the households spent an estimated KSh 30,213 million, representing a share of 37.2 per cent. On the other hand, the bottom 10 per cent spent an estimated KSh 1,660 million, commanding an expenditure share of only 2 per cent. The median annual expenditure was KSh 54,100, which is the maximum of the fifth decile.

15.9. Table 15.3 shows that the bottom 10 per cent of households spent 57.7 per cent on food and 16.7 per cent on rent. The top decile expenditure on food was 26.2 per cent, and that on rent was 43.0 per cent. Expenditure on food, housing and clothing and footwear was notable between the 2nd and 9th decile. Other notable expenditure ratios in the top decile include transport and communication (10.3 per cent), recreation and education (5.8 per cent) and household operations and equipment (4.7 per cent). In all the deciles, miscellaneous goods and services recorded the lowest average household expenditures followed by alcohol and tobacco. Richer households therefore spend a much lower proportion on food than poorer households do. The top 10 per cent spend a higher proportion on housing and transport than do the bottom 10 per cent.

Table 15.3: Consumption by Expenditure deciles in Kenya Shillings(millions)

April 1994 Prices

GROUP	Bottom 10%	2nd Decile	3rd Decile	4th Decile	5th Decile	6th Decile	7th Decile	8th Decile	9th Decile	Top 10%	Total
Food	957	1,628	2,018	2,386	2,716	3,119	3,751	4,360	5,601	7,929	34,463
Alcohol and Tobacco	55	42	36	45	91	95	63	119	224	138	909
Clothing and Footwear	111	186	387	343	452	646	793	1,093	1,634	1,745	7,391
Rent and Housing costs	277	257	408	490	568	735	860	1,085	1,901	13,000	19,580
Fuel and Water	86	151	172	193	219	222	253	326	410	528	2,560
Household Operations & Equipme	54	107	141	217	224	334	381	570	899	1,414	4,342
Health and Personal Care	43	72	82	97	110	152	199	288	442	587	2,071
Transport & Communications	52	102	138	162	213	316	275	327	523	3,103	5,213
Recreation and Education	23	92	50	159	240	248	411	508	984	1,737	4,453
MIscellenous Goods & Services	0	6	3	4	6	9	11	20	174	32	264
TOTAL	1,660	2,643	3,434	4,095	4,838	5,877	6,998	8,697	12,791	30,213	81,246



15.10. The bottom 10 per cent spent KSh 16,853 per household, while the 9th decile spent KSh 130,039 per household. The top decile accounted for more than a third of the total expenditure. The cumulative expenditure up to the 8th decile accounted for 47.2 per cent of all expenditure. Cumulative expenditure shows that more than 50 per cent of the expenditure fell within the 9th and 10th deciles.

Table 15.4: Mean Household Consumption Expenditure by Decile

April 1994 Prices

DECILES	MEAN PER HOUSEHOLD (KSh)	% OF TOTAL EXPENDITURE (%)	% CUMULATIVE EXPENDITURE (%)	RANGE	
				MINIMUM	MAXIMUM
Bottom 10%	16,853	2.0	2.0	0	22,999
2nd Decile	27,453	3.3	5.3	23,000	31,499
3rd Decile	36,787	4.2	9.5	31,500	38,499
4th Decile	42,364	5.0	14.5	38,500	45,699
5th Decile	49,553	6.0	20.5	45,700	54,099
6th Decile	60,435	7.2	27.7	54,100	66,199
7th Decile	72,570	8.6	36.3	66,200	78,199
8th Decile	89,930	10.7	47.0	78,200	102,299
9th Decile	130,039	15.8	62.8	102,300	161,599
Top 10%	318,290	37.2	100	161,600	3,506,000

15.11. As shown in Table 15.5, the bottom 10 per cent of Nairobi households had a mean annual expenditure of KSh 19,722 compared with a lower mean of KSh 15,163 for the rest of urban. The values represented 1.9 per cent and 2.3 per cent of the total expenditure, respectively. The analysis also shows that the top 10 per cent of the Nairobi households had a mean annual expenditure of KSh 412,835, while the respective group in other urban households had a lower mean annual expenditure of KSh 205,992.

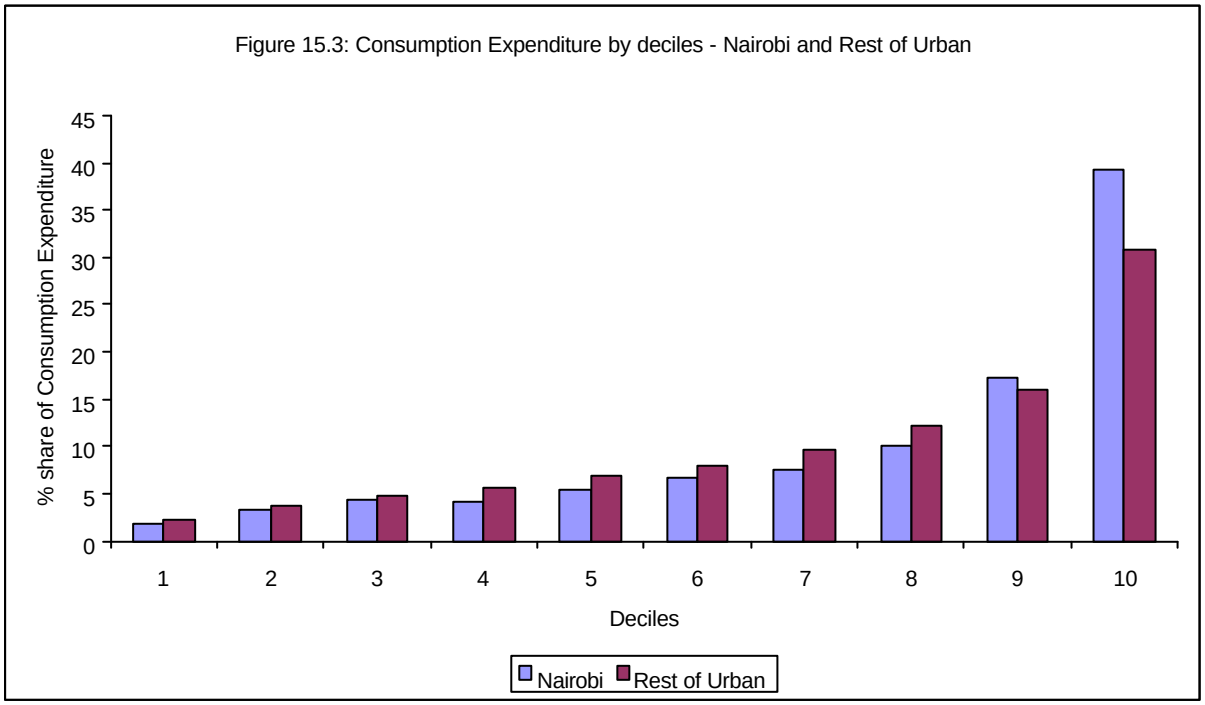
Table 15.5: Consumption Expenditure by Decile and Region

April 1994 Prices (Kshs)

	Bottom 10%	2nd Decile	3rd Decile	4th Decile	5th Decile	6th Decile	7th Decile	8th Decile	9th Decile	Top 10%
NAIROBI										
Expenditure (Million	913	1,491	1,999	1,975	2,568	3,125	3,562	4,750	8,091	18,397
Mean Expenditure	19,722	31,975	40,330	47,141	55,954	67,600	77,459	102,585	171,534	412,835
% Expenditure	1.9	3.2	4.3	4.2	5.5	6.7	7.6	10.1	17.3	39.2
Cumulative (%)	1.9	5.1	9.4	13.6	19.1	25.8	33.4	43.5	60.8	100
REST OF URBAN										
Expenditure (Million	783	1,261	1,614	1,945	2,326	2,742	3,335	4,234	5,512	10,622
Mean Expenditure	15,163	24,460	31,229	37,695	44,898	53,444	64,553	81,847	107,261	205,992
% Expenditure	2.3	3.7	4.7	5.7	6.8	8	9.7	12.2	16	30.9
Cumulative (%)	2.3	6	10.7	16.4	23.2	31.2	40.9	53.1	69.1	100

* The decile totals may not agree with sums of corresponding decile totals for Nairobi and Rest of Urban which are presented in Table 5.5. This is explained by the fact that Nairobi households had higher mean expenditure in each decile compared with corresponding households in the rest of urban centres.

Figure 15.3 is a graphical representation of consumption expenditure by decile in Nairobi and rest of urban towns. It shows that household expenditures rise steeply after the ninth decile. In both cases more than 30 per cent of the expenditure comes from the top decile.



Household Size and Consumption Expenditures

15.12. Mean annual household expenditure increased with household size, peaking at 4-member households before taking a gradual decline (SeeTable 15.6). The table shows that one member households had an annual per capita expenditure of KSh 52,391, whereas the average annual per capita expenditure was KSh 24,200. The trend shows that annual per capita consumption expenditure decreases with an increase in household size.

Table 15.6: Consumption expenditure by size of household

April 1994 Prices

H/HOLD SIZE	Annual Expenditure (Ksh Million)	No. of Households	Mean Annual Expenditure (Ksh)	Per Capita Annual Expenditure(Ksh)
1	12,918	246,572	52,391	52,391
2	14,176	187,112	75,761	37,880
3	13,437	154,031	87,234	29,078
4	14,769	126,434	116,811	29,203
5	8,667	83,067	104,343	20,869
6	6,238	72,385	86,174	14,362
7	3,622	42,344	85,531	12,219
8+	7,419	64,546	114,941	12,003
TOTAL	81,246	976,491	83,202	24,233

Expenditure Patterns with Relation to Incomes

15.13. Analysis of expenditure shares in Table 15.7 shows that the proportion of food expenditures declined as household incomes rose. Trend is reversed for expenditures on rents and other housing costs, which together with transport and communications tend to rise with incomes.

Table 15.7: Consumption expenditure shares by income groups and broad expenditure categories

Percentage

INCOME KSHS PER ANNUM	Food & Bever-ages.	Alcohol & Tobacco	Cloths & Footwar	Rent & Housing	H/Hold oper. & equip	Educat & Rec .	Fuel & Water	Health Perso. Care.	Transp & Comm..	Misc. goods & Services	Total
Under 24,000	58.1	3.2	6.6	15.7	3.5	1.4	5.3	2.7	3.4	0.1	100
24,000-47,999	58.6	1.4	9.5	11.8	4.4	2.9	4.8	2.4	4.0	0.1	100
48,000-71,999	54.3	1.3	10.5	11.2	5.6	5.3	4.2	2.6	4.8	0.2	100
72,000-95,999	50.7	1.5	12.2	13.4	6.4	5.6	3.6	2.9	3.7	0.2	100
96,000-131,999	46.0	1.5	14.1	12.7	5.6	8.0	3.4	3.5	3.5	1.6	100
132,000-167,999	42.0	1.6	10.3	17.8	9.3	7.3	2.9	3.6	4.6	0.5	100
168,000-263,999	37.2	0.5	5.6	37.6	3.7	4.5	2.3	1.8	6.8	0.0	100
264,000-359,999	36.9	0.8	6.1	37.1	5.3	4.2	1.6	2.0	5.8	0.1	100
360,000-599,999	31.7	0.5	4.9	45.5	4.3	4.1	2.0	1.2	5.8	0.0	100
600,000-799,999	15.7	0.4	4.0	48.6	2.7	5.2	1.4	2.4	19.5	0.1	100
Above 800,000	10.3	0.2	8.9	48.5	7.3	10.9	1.2	1.9	10.7	0.2	100
ALL URBAN	42.4	1.1	9.1	24.1	5.3	5.5	3.2	2.5	6.4	0.3	100

Expenditure Patterns by Major Towns

15.14. Table 15.8 depicts percentage shares of expenditure by town. Nairobi households' consumption accounted for 57.7 per cent of the KSh 81,246 million spent by urban households. Mombasa had a share of 12.9 per cent, while Kisumu and Nakuru accounted for 2.7 per cent and 2.5 per cent of the consumption expenditure respectively. The "Other Urban" category made up of 47 towns had an aggregate household expenditure of 18.5 per cent.

Table 15.8: Annual household expenditure by towns

April 1994 Prices

TOWN	Total Expenditure (KSh Million)	%
Nairobi	46,872	57.7
Other Urban	15,061	18.5
Mombasa	10,457	12.9
Kisumu	2,227	2.7
Nakuru	2,006	2.5
Eldoret	1,830	2.3
Thika	817	1.0
Nyeri	608	0.7
Meru	542	0.7
Machakos	482	0.6
Kakamega	343	0.4
ALL URBAN	81,246	100

15.15. The share of food expenditures was relatively high in all towns. In particular households in Thika, Eldoret, Kakamega, Nakuru and Machakos spent over 50 per cent of their expenditures on foodstuffs. Rental and housing costs were the other main consumption items, which absorbed a large portion of expenditures in all towns Nairobi had the highest share of 31.3 per cent.

Table 15.9: Consumption expenditure shares by broad item category and by towns

Percentage

Towns	Food & Bev.	Alco. & Tob.	Cloth & Foot.	Rent & Housing	Fuel & Water	H/hold Oper. & Equip.	Health Perso. Care	Trans & Comm.	Recr. & Educ.	Misc. Goods & Services	Total
Nairobi	38.8	0.7	7.9	31.3	2.4	4.4	2.1	7.4	4.9	0.3	100
Mombasa	46.6	0.8	11.7	16.4	4.7	5.6	3.2	5.2	5.5	0.3	100
Kisumu	47.7	1.0	10.3	14.4	5.3	8.3	2.5	2.9	7.4	0.2	100
Nakuru	53.1	1.0	8.9	15.2	4.3	4.8	5.1	3.2	3.9	0.5	100
Machakos	52.9	2.4	9.8	14.8	3.9	5.8	2.9	4.0	3.0	0.5	100
Eldoret	54.6	1.7	7.6	11.1	6.5	6.8	3.0	4.7	4.0	0.1	100
Meru	40.7	5.4	10.6	11.0	2.5	4.3	2.9	16.8	5.5	0.5	100
Nyeri	42.2	6.9	8.3	17.4	3.4	5.9	3.1	5.7	6.9	0.3	100
Kakamega	54.2	2.3	4.7	17.1	4.1	3.5	2.8	6.6	4.6	-	100
Thika	59.2	2.5	11.0	7.7	4.9	5.0	3.7	3.0	3.0	0.1	100
Other Urban	45.8	2.1	11.1	13.5	3.4	7.7	3.1	5.4	7.6	0.4	100
ALL URBAN	42.4	1.1	9.1	24.1	3.2	5.3	2.5	6.4	5.5	0.3	100

15.16. Table 15.10 shows mean annual household expenditure by town and broad item category. Mean annual expenditure was highest in Nairobi at KSh 101,775 followed by Mombasa with KSh 77,817 and Kakamega at KSh 75,952. Food and beverages accounted for the highest mean expenditure in all the urban towns at KSh 35,293 followed by rent and housing costs with KSh 20,052; and clothing and footwear at KSh 7,569. Mean annual household expenditure for Nairobi on rent and housing costs was KSh 31,809 more than double the expenditure in any of the other towns.

Table 15.10: Mean annual consumption expenditure by broad category and by town

April 1994 Prices(Kshs)

Towns	Food & Bev.	Alco. & Tob.	Cloth & Foot	Rent & Housing	Fuel & Water	H/hold Oper. & Equip.	Health & Per Care	Trans. & Comm.	Recr. & Educ.	Misc. Goods & serv.	Total
Nairobi	39,457	705	8,001	31,809	2,442	4,464	2,113	7,512	4,962	309	101,775
Mombasa	36,252	643	9,128	12,769	3,657	4,366	2,459	4,021	4,276	246	77,817
Kisumu	28,871	609	6,255	8,691	3,182	5,030	1,509	1,768	4,481	112	60,508
Nakuru	24,776	453	4,154	7,109	1,990	2,245	2,382	1,477	1,816	255	46,658
Machakos	33,465	1,528	6,214	9,394	2,452	3,647	1,828	2,555	1,869	313	63,265
Eldoret	25,595	781	3,574	5,215	3,041	3,176	1,404	2,190	1,876	38	46,889
Meru	23,353	3,085	6,075	6,300	1,417	2,450	1,663	9,611	3,136	282	57,372
Nyeri	31,264	5,125	6,122	12,918	2,496	4,359	2,324	4,242	5,093	226	74,168
Kakamega	41,199	1,753	3,592	13,022	3,105	2,653	2,143	4,982	3,477	27	75,952
Thika	29,289	1,214	5,453	3,802	2,410	2,461	1,854	1,480	1,490	33	49,488
Other Urban	31,839	1,457	7,715	9,367	2,383	5,332	2,153	3,726	5,319	296	69,587
ALL URBAN	**35,293**	**931**	**7,569**	**20,052**	**2,621**	**4,446**	**2,121**	**5,338**	**4,560**	**270**	**83,202**

Non-Consumption Expenditure

15.17 Total non-consumption expenditures amounted to KSh 14,229 million (See Table 15.11) of which KSh 7,222 million or 50.8 per cent was on loan repayment. Salary deductions accounted for 34.3 per cent of non-consumption expenditures. On the other extreme, gambling and lottery expenses were the smallest non-consumption expenditures.

Table 15.11: Annual non-consumption expenditure by item

April 1994 Prices

ITEMS (KSHS.)	Expenditure (KSh Million)	Mean	%
Loan repayment	7,222	7,396	50.8
Cash/Salary transfers And Salary deductions	4,878	4,995	34.3
Fines/Lost money	1,451	1,486	10.2
Land/House purchase	678	694	4.8
Gambling/lottery ticket	0	0	0.0
TOTAL	14,229	14,572	100

CHAPTER 16

CHILD LABOUR IN KENYA

Overview

The Kenya Government, other governments and international organisations have been concerned with elimination of child labour for a long time. In particular, the International Labour Organisation (ILO) has developed the International Programme for Elimination of Child Labour (IPEC) to address child labour issues. ILO has also adopted more than 15 Conventions and 5 recommendations on child labour, of which Convention (No. 138) and Recommendation (No. 146) adopted in 1973 concerning age of admission to employment, are especially important.

16.2. More recent conventions and declarations pertaining to child labour and other rights of the child include the United Nations 1989 Declaration of the Rights of the Child and the 1990 World Summit for Children concerning Children in Especially Difficult Circumstances (CEDC). The Kenya Government is concerned about the plight of children as stated in the National Development Plan 1997-2001 (p.169) and in its statement at the 1995 World Summit for Social Development.

16.3. Despite these efforts, child labour still persists. However, there is lack of comprehensive information on the size and structure of child labour in Kenya, leading to conflicting estimates. Consequently it has been difficult for policy makers to highlight the nature and magnitude of child labour, the causes, determinants and consequences of the problem. This lack of comprehensive information on the size and structure of child labour in Kenya results from many factors, such as lack of an appropriate survey methodology, clear concepts, definitions and classifications of the factors and variables relating to child labour.

16.4. In 1998/99 CBS conducted a labour force survey incorporating a child labour module. The survey was conducted in all administrative districts of Kenya as constituted in 1990, but excluding Turkana, Samburu and Marsabit. It covered 11,049 out of 12,814 randomly selected households. The child labour module was to provide adequate information on the magnitude of child labour and its characteristics with a view to formulating a coherent, holistic and orderly policy framework for its elimination. The child labour questionnaire was used to collect employment details from all children aged 5 – 17 years who were members of the randomly sampled households.

16.5. Results from the survey show that about 1.9 million children aged 5-17 years were working for pay, profit or family gain. These were classified as working children. However, not all work undertaken by the 1.9 million working children was child labour. Child labour was defined as work undertaken by children aged 5-17 years, which prevents them from attending school, and is exploitative, hazardous or inappropriate for their age. In arriving at child labour estimates, data on the working children was subjected to a filtering process by use of indicators that are in-built in the child labour concept.

Demographic Characteristics of the Working Children

16.6. Estimates from the survey show that there were 29 million persons of whom 10.9 million (37.6 per cent) were children aged 5 - 17 years. The results indicate that about 13.2 million persons worked either in the last week or at any other time

within the 12 months preceding the survey. Out of these 1.9 million were children aged 5 – 17 years. This represents 17.4 per cent of all children and 14.4 per cent of the estimated workforce. The working children comprised 984,168 boys and 909,596 girls. Table 16.1 shows that most of the working children (43.6 per cent) were in the age group 10 – 14 years, followed by those in the age group 15–17 years (30.1 per cent).

Table 16.1: Age-sex composition of working children

Age group (Yrs)	Schooling		Out of school		Total	
	Boys	Girls	Boys	Girls	Boys	Girls
5 - 9	89,542	69,801	197,160	142,157	286,702	211,958
10 - 14	150.963	141.560	269.911	262.528	420.874	404.088
15-17	70.450	66.080	206.142	227.470	276.592	293.550
TOTAL	**310,955**	**277,441**	**673,213**	**632,155**	**984,168**	**909,596**

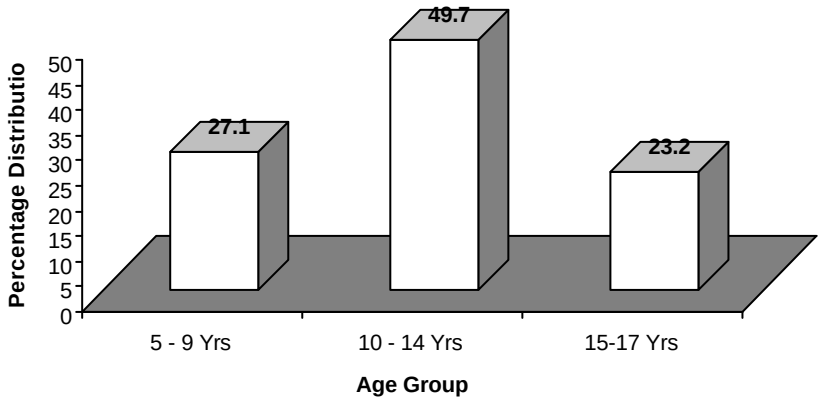
Educational Status of Working Children

16.7. About 7.4 million children were reported to be in school, representing 67.9 per cent enrolment rate. Out of 7.4 million schooling children, only 588,395 (8 per cent) worked either during the previous week or at any other time within the previous 12 months. Among the out-of-school children aged 5 – 17 years, 1.3 million (37.4 per cent) reported to have worked during the same period, while the rest (2.2 million) reported not to have done any work. Analysis by educational achievement given in Table 16.2 shows that majority (76.8 per cent) of working children had attained primary school education, while only 3.2 per cent had attained secondary school education. About 12.7 per cent had never attended any formal education.

Table 16.2: Highest educational level attained by working children

Highest level	At School	Out of School	Total
None	-	240,769	240,769
Nursery	48,942	79,254	115,376
Primary	5,511,277	942,720	1,453,997
Secondary	23,113	36,915	60,028
Post Secondary	-	668	668
Not Stated	5,057	5,042	10,100
TOTAL	**588,395**	**1,305,368**	**1,893,763**

Figure 16.1: AGE DISTRIBUTION OF WORKING SCHOOL CHILDREN 5-17 YEARS



16.8. Most of the schooling children who worked during the last twelve months (49.7 per cent) were aged 10-14 years, while those aged 5-9 years constituted about 27.1 per cent (See Figure 16.1). About 23.2 per cent of these children were aged 15 – 17 years.

Geographical Distribution of Working Children

16.9. About 8.6 million children aged 5 – 17 years were enumerated in rural areas, representing 78.8 per cent of the child population in the country. The proportion of working children to the total population of children aged 5-17 years was significantly higher in the rural (19.7 per cent) than in urban areas (9.0 per cent) areas (See Table 16.3). Rift Valley province, had the largest share of the 5-17 year-old children in Kenya (23.7 per cent) and the largest share of working children (26.9 per cent). North Eastern Province, which is sparsely populated, had the smallest share at 2.4 per cent. Nairobi, contributed 5.0 per cent of the total 5 –17 year-olds in the country, but only 3.3 per cent of working children. The highest proportions of working children to the total population aged 5-17 years were in the Coast, Eastern, Rift Valley and Western provinces (all above 19.0 per cent); while the lowest proportion were observed in North Eastern (9.1 per cent), Nairobi (11.4 per cent), Central (17.2 per cent) and Nyanza (13.4 per cent) provinces.

Table 16.3: Geographical distribution of working children

Area/Province	All Children aged 5-17 yrs	Working Children aged 5-17 yrs	Proportion working
Rural	8,580,048	1,687,341	19.7
Urban	2,306,105	206,422	9.0
TOTAL	10,886,153	1,893,763	17.4
Province:			
Nairobi	545,591	62,181	11.4
Central	1,422,339	244,544	17.2
Coast	803,139	152,950	19.0
Eastern	1,820,358	347,223	19.1
North Eastern	263,268	24,043	9.1
Nyanza	2,037,847	274,586	13.5
Rift Valley	2,583,835	508,684	19.7
Western	1,409,776	279,552	19.8
TOTAL	10,886,153	1,893,763	17.4

Status in Employment

16.10. The status in employment referred to the position of each working person with respect to type of employment and mode of remuneration, i.e. whether paid employee, self-employed (working employer and own-account worker), unpaid family worker, etc. It was captured only for persons who reported to have worked in the last week. The definition of "work" considered only persons who "either held a job or worked for pay, profit or family gain" during the survey's reference period. About half (928,881) of the 1.9 million working children reported having worked in the last week. Table 16.4 shows that majority (78.7 per cent) of the children worked as unpaid family workers in family farms or businesses. About 18.5 per cent of these children reported to have worked for pay, while only 1.6 per cent were running their own businesses.

Table 16.4: Number of children by employment status and actual hours worked last week

Employment	Schooling				Not Schooling				Total
Status	Under 25 Hours	25 – 41 Hours	Over 41 Hours	Total	Under 25 Hours	25 – 41 Hours	Over 41 Hours	Total	
Paid Employee	628	757	2,972	4,357	11,559	23,171	133,126	167,856	172,213
Self Employed	820	825	543	2,188	4415	1064	7319	12,798	14,986
Unpaid Family worker	154,562	102,978	109,637	367,177	158,704	106,290	99,045	364,039	731,216
Apprentice	-	-	616	616	847	180	1,839	2,866	3,482
Other	737	-	-	737	3,056	1,510	1,683	6,249	6,986
TOTAL	156,747	104,560	113,768	375,075	178,581	132,215	243,012	553,808	928,883

16.11. Most of the children were engaged in elementary occupations, with 34.0 per cent engaged as commercial agriculture, fishery and related workers, 23.6 per cent as subsistence agricultural and fishery workers, and 17.9 per cent were engaged as domestic and related helpers, cleaners and launders. Specialised occupations, such as building finishers and related workers, and mining plant operators were the least common occupations for working children (See Table 16.5).

16.12. Survey results shows that no girls reported working as fishermen, building finishers, metal moulders and welders, shoe cleaners, mining and construction labours and transport and freight handlers. On the other hand, there were more girls than boys working as domestic and related helpers (mainly as maids, and as personal care and related service workers. Only older girls aged 15 – 17 years were engaged in handcraft workers and food processing work. Similarly, only older boys worked as shop and sales persons, forestry and related workers, building finishers and related workers, transport labourers and freight handlers.

Table 16.5: Number of working children by sex, occupation and age, 1998/99

Occupation (ISCO 88)	Boys				Girls				Total
	5-9 yrs	10-14 yrs	15-17 yrs	Total	5-9 yrs	10-14 yrs	15-17 yrs	Total	
Housekeeping & restaurant servic	278	1,198	5,817	7,293	-	3,780	6,386	10,166	17,459
Personal care & related services	-	603	-	603	319	464	2,132	2,915	3,518
Other personal services workers	-	1,414	2,779	4,193	-	3,653	4,541	8,194	12,387
Shop & sales persons & demonst	-	-	105	105	-	675	849	1,524	1,629
Stall and market sales persons	790	790	1,111	2,691	669	671	1,543	2,883	5,574
Market gardeners & crop growers	2,513	6,619	11,986	21,118	1,848	6,450	9,285	17,583	38,701
Market-oriented livestock growers	5,337	5,405	3,199	13,941	3,053	4,784	1,606	9,443	23,384
Market-oriented crop & livestock grower	9,945	16,871	18,458	45,274	12,959	14,392	12,065	39,416	84,690
Forestry and related workers	-	-	730	730	-	350	-	350	1,080
Fishery worker, hunters & trapers	-	356	1,122	1,478	-	-	-	-	1,478
Subsistence agricultural & Fishery workers	27,076	52,732	47,314	127,122	12,828	31,003	48,281	92,112	219,234
Building Finishers & Related Work	-	-	292	292	-	-	-	-	292
Miners, shotfires, stone cutters and carves	-	-	-	-	-	-	1,216	1,216	1,216
Metal moulders, welders etc	-	-	931	931	-	-	-	-	931
Handcraft workers in wood, textile, leather etc	-	2,645	1,133	3,778	-	-	1,098	1,098	4,876
Food processing & related worker	-	297	325	622	-	-	262	262	884
Wood treaters, cabinet makers etc	-	1,261	-	1,261	376	376	376	1,128	2,389
Textile garment and related trades	-	-	638	638	-	-	-	-	638
Mining plant operators	-	692	-	692	-	-	-	-	692
Street vendors & related workers	-	348	3,735	4,083	-	1,929	2,442	4,371	8,454
Shoe cleaning & other street servi	-	258	-	258	-	-	-	-	258
Domestic & related helpers, Cleaners & launderers	12,479	23,201	10,148	45,828	10,651	44,624	64,913	120,188	166,016
Building caretakers, window and related cleaners	-	544	544	1,088	-	-	-	-	1,088
Messengers, potters, doorkeeper	158	158	763	1,079	-	-	1,331	1,331	2,410
Agriculture, fishery and related workers	40,982	68,018	72,938	181,938	36,298	54,119	42,693	133,110	315,048
Mining and construction labourers	-	502	1,163	1,665	-	-	-	-	1,665
Manufacturing labourers	1,951	2,187	354	4,492	-	650	454	1,104	5,596
Transport labourers and freight handlers	-	-	5,425	5,425	-	-	-	-	5,425
TOTAL	101,509	186,099	191,010	478,618	79,001	167,920	201,473	448,394	927,012

16.13. Most of the children who worked the previous week were engaged in agricultural activities, with 56.8 per cent were engaged in mixed crop and livestock farming, and 14.6 per cent were growing crops, market gardening and horticulture (See Table 16.6). The next important engagement involved provision of domestic services where 10.9 per cent of children were working in private households.

Table 16.6: Number of working children by sex, industry and age

Economic Activity (ISIC 1990)	Boys				Girls				Total
	5-9 yrs	10-14 yrs	15-17 yrs	Total	5-9 yrs	10-14 yrs	15-17 yrs	Total	
Growing of crops, market gardening & horticulture	7,679	28,909	37,884	74,472	5,375	22,838	32,866	61,079	135,551
Farming of animals	8,199	8,157	4,745	21,101	5,311	7,872	1,007	14,190	35,291
Mixed crop and animal farming	74,617	117,163	103,569	295,349	56,983	89,395	84,603	230,981	526,330
Agriculture & Animal husbandry Services excluding veterinary	884	4,976	10,290	16,150	1,230	-	538	1,768	17,918
Forestry, logging, etc	-	-	531	531	-	-	-	-	531
Fishing & fishing services	-	356	1,328	1,684	-	-	-	-	1,684
Quarrying of stones and clay	986	1,726	502	3,214	-	-	1,483	1,483	4,697
Manufacture of other food products	-	2,993	882	3,875	-	-	753	753	4,628
Manufacture of other textiles	-	539	-	539	-	-	334	334	873
Manufacture of products of wood, cork, e	-	2,186	199	2,385	-	650	804	1,454	3,839
Manufacture of man-made fibres	-	-	638	638	-	-	-	-	638
Manufacture of structural metal products	-	-	315	315	-	-	-	-	315
Manufacture nec	1,951	-	251	2,202	-	-	1,425	1,425	3,627
Building of complete constructions or parts thereof; Civil Engineering	-	-	358	358	-	-	-	-	358
Building completion	-	1,246	1,682	2,928	-	-	-	-	2,928
Wholesale of crops & livestock	-	-	318	318	-	-	321	321	639
Non-specialised retail trade in stores	-	-	1,933	1,933	-	-	688	688	2,621
Retail of food, beverages & tobacco in specialised stores	-	297	932	1,229	-	1,201	1,090	2,291	3,520
Retail of second hand goods in stores	-	-	600	600	-	-	-	-	600
Sale, maintenance and repair of motorcycles and related parts and accessories	-	-	616	616	-	-	-	-	616
Other retail trade of new goods in Stores	-	376	-	376	-	-	376	376	752
Retail trade not in stores	790	2,204	560	3,554	710	2,799	654	4,163	7,717
Hotels, camping sites & other provision of short-stay accommodation	-	403	1,063	1,466	-	336	1,540	1,876	3,342
Restaurants, bars and canteens	-	795	2,846	3,641	-	1,038	-	1,038	4,679
Other land transport -road transport	-	-	3,750	3,750	334	511	914	1,759	5,509
Activities of travel agents	212	-	358	570	-	-	-	-	570
Business activities not elsewhere stated	-	-	543	543	-	2,115	1,304	3,419	3,962
Activities of business, employers and professional organisations	-	-	-	-	-	-	267	267	267
Motion picture, radio, television and and other entertainment activities	-	264	395	659	-	-	-	-	659
Other service activities	3,941	6,306	5,044	15,291	6,704	15,283	13,435	35,422	50,713
Private households with employed persons	2,085	7,203	8,574	17,862	2,352	23,884	57,070	83,306	101,168
TOTAL	101,346	186,098	190,706	478,150	79,000	167,921	201,470	448,391	926,541

16.14. Girls comprised over three-quarters of child workers in “Oother Services” activities and private households. On the other hand, boys dominated the activities that are traditionally male dominated engagements, such as fishing and fishing services, forestry and logging, quarrying of stones and clay and building activities. Whereas employment in the agricultural activities was fairly represented by all the age cohorts, older children dominated employment in the more demanding activities. For instance, boys aged 15-17 years dominated employment in forestry, fishing, manufacturing of structural metal products, and road transport services. Similarly, girls aged 15-17 years dominated employment in manufacturing activities and in the hotel accommodation services.

Hours of Work

16.15. An estimated 38.5 per cent of the working children worked for more than 41 hours in a week while 25.6 per cent worked for between 25 and 41 hours in a week (See Table 16.2). On the other extreme, 36.0 per cent worked for less than 25 hours in a week (less than 4 hours in a day), mainly in unpaid work on family farms. Actual hours worked also varied by employment, schooling and industry status. Majority of the children (84.0 per cent) worked for more than 41 hours in a week in the private household domestic services. In addition, majority of those engaged in fishing and fishing services, mining of stones and clay, road transport, worked for more than 41 hours in a week.

Table 16.7: Number of Working children by Industry and Hours worked last week

Economic Activity (ISIC 1990)	Boys				Girls				Total
	Actual hours worked				Actual hours worked				
	Under 25	25 - 41	Over 41	Total	Under 25	25 - 41	Over 41	Total	
Growing of crops, market gardening & horticulture	38,470	16,629	19,373	74,472	35,722	14,891	10,465	61,078	135,550
Farming of animals	2,141	995	17,964	21,100	4,147	2,436	7,605	14,188	35,288
Mixed crop and animal farming	112,777	99,466	83,106	295,349	87,471	78,015	65,496	230,982	526,331
Agriculture & Animal husbandry services excluding veterinary	1,230	2,258	12,661	16,149	538	538	692	1,768	17,917
Forestry, logging, etc	531	-	-	531	-	-	-	-	531
Fishing & fishing services	-	-	1,684	1,684	-	-	-	-	1,684
Quarrying of stones and clay	986	-	2,228	3,214	-	1,216	267	1,483	4,697
Manufacture of other food products	-	-	3,874	3,874	-	753	-	753	4,627
Manufacture of other textiles	539	-	-	539	-	-	334	334	873
Manufacture of products of wood, cork, etc	199	-	2,186	2,385	804	-	650	1,454	3,839
Manufacture of man-made fibres	-	-	638	638	-	-	-	-	638
Manufacture of structural metal products	-	-	315	315	-	-	-	-	315
Manufacture n.e.c.	-	-	2,202	2,202	971	-	454	1,425	3,627
Building of complete constructions or parts thereof; Civil Engineering	-	-	358	358	-	-	-	-	358
Building completion	292	1,630	1,006	2,928	-	-	-	-	2,928
Wholesale of crops & livestock	-	318	-	318	-	321	-	321	639
Non specific retail trade in stores	105	-	1,827	1,932	-	370	318	688	2,620
Sale, maintenance and repair of motorcycles and related parts and accessories	-	-	616	616	-	-	-	-	616
Retail of food, beverages & tobacco in specialised stores	297	-	932	1,229	1,863	428	-	2,291	3,520
Retail of second hand goods in stores	600	-	-	600	-	-	-	-	600
Other retail trade of new goods in Specialised stores	-	-	376	376	-	-	376	376	752
Retail trade not in stores	2,488	-	1,067	3,555	2,743	-	1,421	4,164	7,719
Hotels, camping sites & other Provision Of short stay accommodation	-	-	1466	1466	867	689	319	1875	3341
Restaurants, bars and canteens	-	-	3,641	3,641	-	-	1,038	1,038	4,679
Other land transport 0road transport	511	1,098	2,142	3,751	1,297	461	-	1,758	5,509
Activities of travel agents	212	-	358	570	-	-	-	-	570
Business activities not elsewhere stated	-	-	543	543	996	350	2,072	3,418	3,961
Activities of business, employers And Professional organisations	-	-	-	-	-	-	267	267	267
Motion picture, radio, TV & other entertain	264	395	-	659	-	-	-	-	659
Other service activities	8,927	961	5,404	15,292	14,957	6,606	13,861	35,424	50,716
Private households with employed persons	4,279	2,981	10,603	17,863	6,285	2,969	74,052	83,306	101,169
TOTAL	174,847	126,730	176,573	478,150	158,659	110,043	179,689	448,391	926,541

Savings and Contributions to Household Income

16.16. Disposal of earnings by child workers included amount given to parents, amount saved, and the amount spent. Amounts saved referred to amount deposited with financial institutions plus amounts kept by children or their guardians for safe custody. Only 20 per cent of the children who worked in the last week provided information on savings. Table 16.8 shows that, relative to their low incomes, working children made substantial savings out of their earnings. About 13.4 per cent of working children saved 80 per cent or more of their earnings, whereas 53.6 per cent saved less than 20 per cent of their earnings. A large proportion of schooling children who worked part time or during vacations made lower savings (under 50 per cent of their earnings) compared to the corresponding proportion of non schooling children.

Table 16.8: Distribution of working children by per centage of savings

Number of Children

% of Earnings saved	Schooling	Out of School	Total
Under 20	5,501	94,280	99,781
20 – 49	516	43,299	43,815
50 – 79	-	17,709	17,709
80+	1,379	23,620	24,999
TOTAL	7,396	178,908	186,304
Not stated	367,509	375,068	742,577

16.17. Fifty three per cent of schooling children and 47.0 of the non schooling children contributed more than 50 per cent of household income hence pointing to a conclusion that most children work to augment household income.

Table 16.9: Contributions of children earnings to household income

Number of children

% of household Income	Schooling	Not Schooling	Total
Under 20	1,462	48,064	49,526
20 – 49	2,047	46,314	48,361
50 – 79	288	40,271	40,559
80+	3,599	43,520	47,119
TOTAL	7,396	178,169	185,565
Not stated	367,677	377,084	744,761

Working Conditions and Working Environment

16.18. Analysis of hours worked has shown that children work for long hours. It was also shown in Table 16.6 that a significant proportion of working children were engaged in the fishing, mining and quarrying, and building and road transport activities. Although they absorbed a small proportion of the working children, such activities are risky for young persons.

16.19. Working children reported three major problems with their current jobs. These were low pay (79.2 per cent), tiring or hard work (14.6 per cent), and long working hours (2.9 per cent). This may be interpreted that children are exploited in addition to performing work that is physically not meant to be undertaken by young persons.

Table 16.10: Number of working children by main type of problem with current job

Main Type of Problem	Schooling	Out of School	Total
Low Pay	129,631	103,250	232,881
Low earnings	-	2,039	2,039
Delayed salaries	-	3,082	3,082
Poor working environment	672	-	672
Tiring/hard work	20,417	22,575	42,992
Long Hours	5,570	3,026	8,596
Physical/verbal abuse	-	450	450
Too far	-	553	553
Other	698	1,930	2,628
TOTAL	156,988	136,905	293,893

16.20. Table 16.11 shows that about 18.9 per cent of the children who worked during the last week either fell sick or got injured in their places of work during the 12 months prior to the survey. Limb injuries and breathing problems were the most dominant. Agricultural and fishery child workers suffered more injuries and illnesses than workers in other occupations. It is, however, hard to tell from the survey results whether all reported illnesses were entirely work-related.

Table 16.11: Number of working children by main injuries and occupation

Occupation (ISCO 88)	Limb Injury	Eye/ear Infection	Skin infection	Back problem	Breathing Problem	Other	Not stated	Total
Housekeeping & restaurant services	-	-	1,448	-	318	2,078	-	3,844
Other personal services workers	-	-	-	-	-	930	932	1,862
Shop & sales persons & demonstrators	-	-	-	-	318	338	-	656
Stall and market sales persons	-	-	-	-	318	669	-	987
Market gardeners & crop growers	474	-	661	-	597	2,088	-	3,820
Market-oriented livestock growers	-	338	-	-	-	786	-	1,124
Market-oriented crop & livestock growers	1,266	-	-	-	-	4,834	-	6,100
Fishery worker, hunters & trappers	-	-	-	-	-	1,068	-	1,068
Subsistence agricultural & Fishery worke	564	-	-	-	553	18,561	2,102	21,780
Mines and stone cutters	-	-	-	-	-	1,216	-	1,216
Handcraft workers in wood. textile leathe	-	-	-	-	-	3,821	-	3,821
Street vendors & related workers	-	-	-	-	-	348	-	348
Shoe cleaning & other Street services	-	-	-	-	-	258	-	258
Domestic & related helpers, cleaners & launderers	-	426	330	1,134	8,404	17,874	-	28,168
Building caretakers	-	-	-	-	-	1,087	-	1,087
Messengers, potters, doorkeeper etc	-	-	-	-	-	321	-	321
Agriculture, fishery and related workers	26,963	-	-	-	1,324	73,687	15,281	117,255
Not Stated	-	-	-	-	-	614	-	614
TOTAL	29,267	764	2,439	1,134	11,832	130,578	18,315	194,329

16.21. As shown in Table 16.12, employers took 80.6 per cent of the sick or injured children to a medical facility either for in-patient or out-patient treatment. Nonetheless, there were some cases where no action was taken for the injured children (1.0 per cent) or where parents took the injured and sick children to health facilities (12.8 per cent).

Table 16.12: Number of working children by type of injuries/illnesses and action taken

Type of Injury	Action Taken						Not stated	Total
	No Action	Taken for Inpatient Treatment by		Taken for Outpatient Treatment by		Other Actions		
		Employer	Parent/self	Employer	Parent/self			
Limb Injury	1,251	-	1,266	26,385	365	-	-	29,267
Eye/Ear Infection	-	426	-	-	338	-	-	764
Skin Infection	-	1,448	-	-	-	991	-	2,439
Back Problem	-	909	-	225	-	-	-	1,134
Breathing Problem	-	267	-	1,222	9,148	1,194	-	11,831
Other Injuries/Diseases	553	5,681	1,144	104,435	10,236	8,530	18,315	148,894
TOTAL	1,804	8,731	2,410	132,267	20,087	10,715	18,315	194,329

Wages and other Benefits from Employment

16.22. Only 172 thousand (18.5 per cent) of the children who worked were in wage employment, with majority (63.6 per cent) earning less than KSh 900 per month. As shown in Table 16.13, there were gender differentials in wages, with relatively more girls in the low wage groups. Children in the urban areas were relatively under-paid, where 70.4 per cent received less than KSh 900 per month compared with 57.8 per cent of children in rural areas. Overall children were poorly paid since in most cases their wages fell below the statutory minimum wage of KSh 998 per month set for unskilled employees aged below 18 years who work in the agricultural sector (Regulations of Wages Order, 1998). The same regulations provide for monthly minimum wage of KSh 1,259 for unskilled agricultural workers aged 18 years and over.

Table 16.13: Distribution of working children by actual monthly pay

	0-899	900-1499	1500-1999	2000+	Total
Boys	41,200	18,184	5,582	5,907	70,873
Girls	68,308	21,595	6,980	4,456	101,339
Total	109,508	39,779	12,562	10,363	172,212
Rural	53,745	22,209	9,443	7,610	93,007
Urban	55,763	17,570	3,119	2,753	79,205
Total	109,508	39,779	12,562	10,363	172,212

16.23. The most frequently provided/subsidised facilities were meals, accommodation and medical facilities in that order (See table 16.14). Training had the lowest frequency of about 2.8 per cent of the total in the case of the out of school working children and 2.5 per cent in the case of schooling children.

Table 16.14: Number of working children provided with selected facilities by educational status

Facility	Schooling	Out of School	Total
Medical	185,298	329,696	514,994
Transport	81,151	88,569	169,720
Accommodation	198,943	383,685	582,628
Meals	279,175	466,797	745,972
Protective Clothing	41,325	147,243	188,568
Training	24,274	38,267	62,541
Other	71,739	49,548	121,287
TOTAL	881,905	1,503,805	2,385,710

Reasons for Working

16.24. About 30.1 per cent of parents with working children reported that they released their schooling children to work in order to help in either family business or family farm. Another 27.5 per cent gave the main reason as augmenting the household income. As shown in Table 16.15, only a very insignificant proportion (0.3 per cent) of the parents released their children for work because they thought their schooling or training was irrelevant.

Table 16.15: Number of households giving main reason for allowing children to work

Reason	Number of Households	Percentages
Augment household income	157,732	27.5
Help in family business/farm	172,277	30.1
Child to be self-reliant	27,424	4.8
Education/training environment not suitable	1,711	0.3
Other	205,456	35.9
Not stated	8,470	1.5
TOTAL	573,070	100

16.25. About 229,106 children (24.7 per cent of children who worked the previous week) said that they chose to work so as to help in housekeeping chores (See Table 16.16). Those who reported to have worked so as to augment household income accounted for 22.9 per cent of the working children. The third reason given for self-support, accounted for 22.2 per cent of the working children. Very few children reported that they were working because their age mates were working (0.3 per cent). While the most common reason given by out-of-school children was to augment household income followed by supporting themselves, more than a third of the schooling children worked in order to help in housekeeping chores. Schooling children who worked for less than 25 hours during the reference week were helping in household chores, while out-of school children who worked longest (for more than 41 hours during that week) were working to support themselves.

Table 16.16: Number of children giving main reason for working and actual hours worked last week

	Schooling				Not Schooling				Total
Main Reason for Working	Under 25	25 - 41	Over 41	Total	Under 25	25 - 41	Over 41	Total	
Augment h/hold income	33,006	17,997	10,579	61,582	53,288	43,114	54,371	150,774	212,356
Assist in family enterprises	7,211	3,878	5,331	16,419	14,828	6,508	18,481	39,817	56,236
Help in Housekeeping chores	52,952	25,788	47,720	126,460	35,337	29,558	37,752	102,646	229,106
Suggestion from parents	4,000	10,052	25,286	39,338	22,922	8,807	54,671	86,399	125,737
Support self	37,667	21,363	11,880	70,911	36,913	33,542	65,060	135,514	206,425
Copying agemates	-	-	-	-	2,479	-	701	3,180	3,180
Other	21,314	24,180	1,326	46,821	11,844	9,588	8,355	29,787	76,608
Not stated	595	1,301	11,646	13,542	971	1,098	3,622	5,690	19,232
TOTAL	156,746	104,559	113,768	375,073	178,581	132,215	243,011	553,808	928,881

16.26. Although the sample is very small, household income level appeared to have a bearing on child labour since majority of the working children (57.9 per cent) came from lower income families, i.e. households with monthly income below KSh 6,001. This was true for in-school working children (56.7 per cent) and out-of-school working children (58.4 per cent). This suggests that poverty is a contributor to child labour. Overall, 21.3 per cent of the working children were from very poor households with a monthly income of less than KSh 2,001.

Table 16.17: Distribution of working children by monthly household income

'000s

Income (Kshs.)	Schooling	Out-of-School	Total
0 - 2000	112	292	404
2001 - 4000	116	263	379
4001 - 6000	106	207	313
6001 - 8000	85	145	230
8001 – 10000	49	107	156
10001 – 15000	66	102	168
15001 – 20000	17	79	96
20001 – 25000	15	48	63
25001 – 30000	2	18	20
30001 – 35000	6	12	18
35001 – 40000	1	7	8
40001 – 45000	0	5	5
45001 – 50000	4	5	9
50001+	10	15	25
TOTAL	589	1,305	1,894

SUMMARY AND OUTLOOK

International Scene

The global economy recorded growth rate of 4.7 per cent in the year 2000, the highest in the last decade. Most developed and transition economies registered faster growths than in 1999. The Japanese economy had a better growth than anticipated while U.S.A. recorded the highest growth of real GDP since 1984. World unemployment rate edged downwards as a result of improved global economic performance. The year under review witnessed a rapid expansion of the world trade volume.

Despite conflicts, wars, drought and poor trading environments, African economy recorded an improved growth in 2000 compared to 1999. African countries are expected to benefit from improved regionalisation, as regional organisations within Africa such as East African Community (EAC), Common Market for Eastern and Southern Africa (COMESA), Southern Africa Development Cooperation, among others bring new trading and investment opportunities.

The world economic growth is expected to remain strong in 2001. However, it is estimated to grow at a slower rate than it did in 2000. Globally world trade is expected to contract moderately. The U.S.A. and the European Union economies are likely to slowdown in 2001 while that of Japan is projected to display a better performance during the same period.

Domestic Economy

Kenyan economy registered a dismal negative growth rate of 0.3 per cent. The decline was reflected in almost all the sectors of the Economy. Agriculture and Manufacturing, which contribute over one third of the GDP were mostly adversely affected recording negative growth of 2.4 per cent and 1.5 per cent respectively.

Inflation rose from 3.5 per cent to 6.2 per cent on account of increased food and fuel prices. Both trade deficit and current account further widened by KSh. 5,400 million. Export and import prices registered 5.0 per cent and 10.8 per cent rise respectively.

The financial sector was relatively stable, although with a great challenge on non-performing loans totalling to 39.3 per cent of loan portfolio. Loans to the construction sector contracted by KSh.2 billion while both consumption and production of cement declined by 16.5 per cent each. Total power generation fell by 8.8 per cent. Hydroelectric power generation alone fell by 41.4 per cent.

Per capita income declined by 2.6 per cent while resources available for consumption and investment expanded by KSh. 83,300 million.

Remuneration of employees increased by 14.1 per cent as a result of wage increases. Gross National Product grew by 6.8 per cent to a record of KSh.779 billion in 2000. Real Capital Formation declined for a third year in a row from KSh.18,133 million in 1999 to KSh. 17,706 million in 2000.

Social Scene

During the 2000/2001 financial year, total estimated Government expenditure on social services recorded an increase of 11.1 per cent. The estimated recurrent expenditure increased by 6.1 per cent from KSh. 59,130.6 million in 1999/2000 to KSh. 62,725.7 million in 2000/2001 while estimated development expenditure more than doubled to record KSh. 4,897.3 million during the year under review. Education took the largest share accounting for 77.7 per cent of recurrent expenditure estimates for social services during the 2000/2001 fiscal year. On the other hand, health sector received 58.0 per cent of the development expenditure estimates the same period.

Local government expenditure on social services also increased by 11.8 per cent from KSh. 1,822.6 million in 1999/2000 to KSh. 2,037.3 in 2000/2001 financial year. Health and Education sectors took 56.0 and 30.3 per cent of the total expenditure respectively during the period under review.

Enrolment in Pre-primary, primary and secondary schools went up marginally in the 2000 compared to 1999. Of the total enrolment, the proportion of girls in the same institutions stood at 49.1, 49.4 and 47.0 per cent respectively. The number of teachers in Pre-primary schools increased modestly by 5.8 per cent while that of primary and secondary schools dropped by 4.1 and 1.7 per cent respectively. The number of pupils/students per trained teacher remained constant at 26 in pre-primary schools but deteriorated slightly from 33 and 16 in 1999 to 34 and 17 in primary and secondary schools respectively in the year 2000.

Enrolment in the Technical Training Institutes and the Institutes of Technology increased by 15.4 and 5.2 per cent respectively while that of the national polytechnics declined by 5.8 per cent during the period under review. In public universities, enrolment went up by 1.6 per cent. Private universities recorded a marginal increase of 1.1 per cent in enrolment during the 2000/2001 academic year.

In the Health sub-sector, the number of health institutions rose marginally by 2.8 per cent to 4,355 in 2000. The number of registered doctors rose by 2.2 per cent to stand at 4,506 from 4,411 in 1999.

Employment, Earnings and Consumer Prices

Total employment outside small-scale farming and pastoralist activities rose from 5.5 million persons in 1999 to 5.9 million persons in 2000. The noted employment expansion was mainly in the informal and the private sectors. The informal sector created 412,100 additional jobs in 2000. Wage employment in the modern sector was adversely affected by the current recession and expanded by only 0.2 per cent to 1.7 million persons in 2000. As a result of the public sector reform programme, employment in the public declined further by 1.4 per cent to stand at 673,900 persons in 2000.

The overall wage bill increased from KSh 245,330.6 million in 1999 to KSh 274,642.8 million in 2000, an increase of 11.9 per cent. Average earnings per person increased from KSh 146,151.9 to KSh 163,790.0 per annum, decelerating from 13.0 per cent in 1999 to 12.1 per cent in 2000. Upward wage adjustment, led to improvement of real average earnings by 5.5 per cent from KSh 23,032.6 per annum in 1999 to KSh 24,296.0 per annum in 2000. The number of collective wage

agreements registered with industrial court declined from 328 in 1999 to 316 in 2000.

Inflation rate rose slowly in 2000 from 3.5 per cent in 1999 to 6.2 per cent in 2000. The increase in inflation was most pronounced in the lower income group, following short supply of agricultural produce occasioned by prolonged drought in 2000. Other factors included increase of Value Added Tax from 15 per cent to 18 per cent in 2000, weakening of Kenya Shilling against the US dollar and increase of petroleum prices in the course of the third quarter of 2000. However, reduced money supply and implementation of prudent fiscal policy helped to moderate the effects on inflation pressures.

Money, Banking and Finance

The banking sector was relatively stable in 2000 despite the apprehension that gripped the banking sector at the turn of the century due to the anticipated millennium bug problems. The banks also continued to grapple with non-performing loans, which as at December 2000 constituted 39.3 per cent of the total loan portfolio.

Money supply (M3) increased only by 0.8 per cent largely contributing to the single digit inflation rates of 6.2 per cent achieved in the year. The Net Foreign Assets (NFA) grew by 57.1 per cent while domestic credit expanded only by 2.7 per cent. Interest rates were generally low in 2000, which reflected a decline in the 91-day Treasury bill rates during the year. The demand for credit remained subdued due to the slow economic growth.

The Kenya's Stock Market was reorganised into four independent market segments namely: to enhance efficiency. Activities in the Nairobi Stock Exchange were depressed during the period in terms of share prices and foreign capital inflows due to low corporate earnings. The NSE 20-share index fell from 2,303 points in 1999 to 1,913 points in 2000. The insurance industry faced massive losses and fraudulent claims on PSV's policies, which necessitated the doubling of the premiums.

Public Finance

In financial year 2000/2001, the government expenditure as a percentage of the G.D.P at current prices increased to 41.4 from 30.2 from 30.6 in 1999/2000. This was due to high growth rate of both capital and current expenditures. Over the same period, the overall deficit as ratio of GDP at current market prices recorded a negative 3.3 from a surplus of 1.6 as the expenditure growth rate outweighed the revenue growth.

The total government expenditure and net lending increased from KSh 223,225.1 million in 1999/2000, to KSh 326,663.0 million in 2000/2001, while the total revenue increased from KSh 180,541.2 million to KSh 200,338.7 million over the same period. Although the government continued to implement its continued fiscal policy of reducing the budget deficit, the higher expenditure growth rate over revenue caused the deficit to increase.

Revenue generated from import duty and excise duty increased marginally from KSh 26,429.2 million to KSh 26,881.4 million and KSh 13,278.9 million to KSh 13,605.4 million respectively over the last fiscal year.

Total government debt was lower in 2000/2001 as compared to previous year. Unfunded debt decreased from KSh 325,463.1 million in 1999/2000 to KSh 303,689.2 million, while the funded debt dropped from KSh 3,430.1 million to 3,005.7 million over the same period.

The total expenditure for the local authorities increased from KSh 10,612.8 million in 1999/2000 to KSh 11,935.7 million in 2000/2001, as total revenue collected grew from KSh. 9,020.4 million to KSh 9,593.2 million.

International Trade and Balance of Payments

International trade and balance of payments performed poorly. The trade deficit widened further by 35.1 per cent in 2000 compared to 9.4 per cent in 1999. Both the current account and, capital and financial accounts deteriorated while reserves accumulated during the year under review.

Total export earnings covered 54.3 per cent of imports bill in 2000 compared to 59.4 per cent in 1999. The general rise in both import volumes and prices resulted in a much higher value of imports. The upshot of this was a widening of trade deficit to KSh 113,277 million in 2000 up from KSh 83,842 million in 1999.

Net service earnings recorded a surplus of KSh 8,379 million in 2000, a marginal decline when compared to a surplus of KSh 14,408 million in 1999 as a result of lower earnings from tourism. Net inflow of transfers rose by 46.8 per cent. Overall, the current account deficit deteriorated to KSh 18,145 million in 2000 from a deficit of KSh 6,875 million in 1999.

Agriculture

The continued poor performance in the agricultural sector is attributed to insufficient rainfall, poor world commodity prices, and poor rural access roads among others. The prices paid to farmers for coffee, sisal, wheat, seed cotton and milk declined in 2000. The decline in coffee prices was due to poor international prices as a result of a glut in the international market.

The prices of sugarcane, pyrethrum (extract equivalent), tea, and bacon pigs increased in the year under review. For a second consecutive year, maize production declined from 25.0 million bags in 1999 to 22.0 million bags in 2000, resulting in the importation of 409.4 thousand tonnes of maize for relief and commercial purposes. Wheat production increased from 55.4 thousand tonnes in 1999 to 73.8 thousand tonnes in 2000.

Despite management difficulties in the coffee co-operatives sub-sector, coffee production increased from 68.1 thousand tonnes in 1998/99 crop year to 100.7 thousand tonnes in 1999/2000 crop year. The tea production recorded a decline of 5.0 per cent from 248.7 thousand tonnes in 1999 to 236.3 thousand tonnes in 2000. The decline in tea production in 1999 is attributed to frost and low temperatures during the first quarter of the year 2000. The volume of marketed milk declined from 180 million litres in 1999 to 137 million litres in 2000. Horticulture exports remained at the 1999 levels.

Environment and Natural Resources

In the year 2000 expenditure on water supplies and related services went up from KSh 1,504.0 million in 1999/2000 to KSh 1,983.4 million in 2000/2001. The quantity of fresh and marine fish landed declined by 1.6 per cent to stand at 209,916 metric tonnes, compared to 213,396 metric tonnes in 1999 mainly as a result of total ban in fishing at Lake Naivasha. The area under forest plantation remained at 1999 level while the population of most wildlife animals decreased as a result of drought in year 2000 compared to 1999. Mineral production increased by 2.0 per cent to record 777,530 metric tonnes in 2000.

Energy

The instability of world oil prices during the period under review translated into erratic price movements of refined petroleum products in the domestic economy. The rapid price changes of petroleum products were attributed to the rise in import prices of crude oil coupled with weakening of the Kenya shilling against the US dollar. The volume of crude oil imports increased by 14.6 per cent while those of refined petroleum fuels declined substantially by 30.1 per cent. The import bill rose significantly by 60 per cent.

Total installed power generation capacity rose by 23.3 per cent. Out of the total 1,147 Megawatt (MW), 105 MW was a temporal installation of emergency generators contracted by the Government under World Bank funding of US$ 75 million. This notwithstanding, hydropower generation recorded a 41.4 per cent drop. The result was a prolonged period of power rationing which had a major negative impact in the overall performance of the national economy.

Manufacturing

In 2000, real output growth in the manufacturing sector recorded negative growth. The devastating effects of drought compounded the existing structural weaknesses in the sector contributing to the poor performance. Metered power supply to the commercial and industrial sector declined by 5.4 per cent, leading to increased use of generators as an alternative source of power. Consequently, there was reduced plant capacity utilization leading to less output, loss of jobs and increase in product prices. Real output growth declined by 1.5 per cent in 2000 reversing the optimistic targeted growth in the current National Development Plan. The growth of the COMESA export market is however set to meet competitive hurdles in light of high domestic costs from high interest rates and poor infrastructure. On the other hand, local manufacturers have taken advantage of the tariff cuts initiative for raw materials not produced in the country and a removal of minor inspection fees as outlined in the 2000/2001 budget. The government had earlier put in place an anti-dumping and countervailing duty legislation to curb practices that disadvantage local manufacturers.

The Agro-based Industries were worst hit by the severe weather phenomenon with output in the grain milling, sugar, tobacco, and bakery products industries dropping by big margins. Output in the textile, clothing and leather industries stabilized in 2000, while that in the chemicals and transport industries continued with the downward trend. Investment in the sector was at an all time low as indicated by the amount of credit advanced to manufacturing related ventures. On the positive front, output indicators at the Export Processing Zones (EPZ) recorded improved performance in 2000 when compared with 1999.

Building and Construction

The building and construction industry performed poorly during the period under review. Cement consumption declined by 16.5 per cent while value of building plans approved and buildings completed dropped by 10.4 per cent and 15.4 per cent respectively. Similarly, the employment level registered a decline from 78.7 thousand persons in 1999 to 78.0 thousand persons in 2000. Although the interest rates were lower as compared to 1999, the loans advanced by the Commercial Banks to the sector dropped by 8.2 per cent. The Building Societies also recorded a slow down in housing developments due to a slump in the property market.

Public sector involvement in housing, roads and other civil works dwindled in 2000. Increased construction costs further decelerated the sector's performance. Increases in material construction costs were attributed to higher fuel, bitumen and lubricant prices. Similarly, the labour costs increased by 7.0 per cent.

Tourism

The performance in tourism sector continued to pick up albeit at a slower pace than in 1999. The number of visitor arrivals, which had grown by 8.4 per cent in 1999 compared to 1998, grew by 6.9 per cent in year 2000 compared to 1999. Similarly, growth in the number of departing visitors decelerated from a high of 11.6 per cent observed in 1999 to 2.8 per cent in 2000. Tourism receipts dropped by 8.3 per cent from KSh 21,367 million to KSh 19,593 million over the same period attributed mainly to the fall in the average length of stay from 9.4 days in 1999 to 8.7 days in 2000.

The number of beds available as well as the number of beds occupied rose by 7.7 per cent and 25.0 per cent respectively in 2000 when compared to1999. This scenario resulted in an increase of 5.4 percentage points in bed occupancy from 33.9 per cent in 1999 to 39.3 per cent in 2000. The number of visitors to game parks and game reserves went up by 7.3 per cent while the number of visitors to museums, snake park and other historical sites went up by 2.1 per cent over the same period.

Transport, Storage and Communications

The transport and communications sector recorded improved performance in 2000. The total value of output from the sector rose by 14.2 per cent in the year, which was slightly higher than the 11.3 per cent increase attained in 1999. Total number of newly registered vehicles during the period declined by 27.4 per cent. The volume of freight carried along the railway network rose by 9.1 per cent while the number of passenger journeys undertaken during the year fell by 10.6 per cent. The volume of export freight handled at the harbours declined by 11.7 per cent during the period under review while that of imports rose by 11.9 per cent.

Total through put of petroleum products transported by the pipeline during the year remained at the 1999 levels. Commercial traffic at the two main airports of Jomo Kenyatta and Moi International Airports recorded substantial increases in 2000. In the postal and telecommunications sector, a total of 51 post offices were closed down during 2000, as they were deemed uneconomical to operate. The number of telephone exchange connections rose by 5.7 per cent to 313 thousand. There was a marked increase in the subscription for mobile telephone services after commissioning of the second private mobile telephone service provider.

Urban Household Budget Survey (UHBS)

The total annual urban household consumption expenditure was estimated at KSh.81,246 million. Food comprised the largest share of 42.4 per cent of total consumption expenditure, followed by Rent and Other Housing costs, with a percentage share of 24.1 per cent. The smallest proportions of consumption expenditure were on Alcohol and Tobacco with a share of 1.1 per cent. The mean annual household consumption was valued at KSh 83,202, or monthly equivalent expenditure of KSh 6,934 per household. The top decile households were the highest spenders with an estimated share of 37.2 per cent while the bottom decile were the lowest spenders with a share of only 2 per cent. The median annual expenditure was KSh 54,100, which is the maximum of the fifth decile.

Nairobi households' consumption expenditure accounted for 57.7 per cent of the total. Mombasa had a share of 12.9 per cent, while Kisumu and Nakuru accounted for 2.7 per cent and 2.5 per cent, respectively. The "other urban" category made up of 47 towns had an aggregate household expenditure of 18.5 per cent. Total non-consumption expenditures amounted to KSh 14.2 billion of which 50.8 per cent was on loan repayment.

Child Labour

About 7.4 million children out of 10.9 million children were reported to be in school representing an enrolment rate of 67.9 per cent. Some 3.5 million were recorded to be out of school. Of the children in school, 8 per cent worked either during the past week or at any other time during the past 12 months. Among the out- of- school children, 37.4 per cent reported to have worked during the same period. The proportion of working children to the total population of children aged 5-17 years was significantly higher in the rural (19.7 per cent) than the urban areas (9.0 per cent).

Based on the survey findings, majority (78.7 per cent) worked as unpaid family workers in family farms or businesses, 18.5 per cent worked for pay, while only 1.6 per cent were running their own businesses. Most of the children were engaged in elementary occupations, with 34.0 per cent in commercial agriculture, fishery and related workers, 23.6 per cent as subsistence agricultural and fishery workers and 17.9 per cent were domestic and related helpers, cleaners and launders. Most of the working children were engaged in agricultural activities, where 56.8 per cent were in mixed crop and livestock farming, and 14.6 per cent were growing crops, market gardening and horticulture.

An estimated 38.5 per cent of the working children worked for more than 41 hours in a week while 25.6 per cent worked for between 25 and 41 hours in a week. Survey finding also indicated that most children worked to augment household income. Generally, household income level has a bearing on child labour since majority of the working children (57.9 per cent) were from lower income families.

Outlook

The resumption of regular water supply and improved weather is expected to boost agriculture and hence food-processing manufacturing concerns. Better agricultural production will have sizeable forward linkages to other sectors of the economy. Tea production is expected to reach 262 thousand tonnes in 2001 coffee is expected to decline to around 68 thousand tonnes hopefully triggering prices.

A second and vital event is the resumption of bilateral and multilateral support. Mid year 2000, IMF and World Bank announced that support would resume for

Kenya, but subject to compliance to agreed conditions. The priority will therefore, be to get back the programme to ensure that the temporary suspension of disbursements is been lifted.

Inflation is projected to decline to around 3 per cent on account of higher food production. This may be offset, should VAT be revised upwards in the 2001/02 budget.

The future looks bleak for the horticulture sub sector. Export ban to the European Union is imminent on horticulture products unless efforts are made to beat the deadline of eliminating Maximum Pesticide Residue Levels (MRL). This will adversely affect forex earnings and the sector performance considerably.

The banking industry profits are threatened by the possible enactment of the Central Bank of Kenya Bill, which proposed to reduce the average interest rates. The bill specifically seeks to:

- control both lending and deposit interest rates
- limit the maximum amount of interest that banks charge on original; principal amount
- limit the type of charges that a bank can levy on a customer.

The domestic debt overhang in the economy needs to be dealt with urgently. In the medium term, the conversion of a proportion of domestic debt into long – term stocks strategy has been put in place. This strategy will be supported by pursuit of appropriate inflation targets. It will also help remove the distortion on interest rate and exchange rate to allow moderate inflation rate in the medium term to support growth.

Table 1: KEY ECONOMIC AND SOCIAL INDICATORS, 1996 - 2000*

DESCRIPTION		1996	1997	1998	1999	2000**	
1 Population	(million)	26.3	27.1	27.9	28.7	29.3	
2 Growth of GDP at constant prices ..	(per cent)	4.6	2.4	1.8	1.4	-0.3	
3 GDP at market prices..	(KSh. mn)	528,739.50	623,235.10	690,842.10	740,330.00	788,917.00	
4 Net cost of petroleum products ..	(KSh. mn)	16,001.00	18,703.60	21,008.60	29,954.80	53,667.00	
5 Trade balance	(KSh. mn)	-50,286.20	-70,228.40	-76,608.10	-83,841.60	-113,276.80	
6 Money Supply (M3)	(KSh. mn)	267,828.00	294,052.00	303,750.00	312,116.00	314,686.00	
7 Total domestic credit	(KSh. mn)	279,235.00	327,412.00	350,629.00	371,366.00	381,325.00	
8 Balance of payments (current account balance)	(KSh. mn)	-4,200.00	-26,829.00	-28,688.00	-6,875.00	-18,145.00	
9 Coffee marketed production	('000 tonnes)	103	68	51.3	64.3	98	
10 Tea marketed production	('000 tonnes)	257.2	220.7	294.2	248.8	236.3	
11 Maize marketed centrally	('000 tonnes)	295.5	204.6	218	223.5	201.2	
12 Wheat marketed centrally	('000 tonnes)	130	124.2	176.7	52.9	70.5	
13 Sugar-cane production	('000 tonnes)	3,870.00	4,278.00	4,661.00	4,416.00	3,942.00	
14 Milk sold centrally	(mn litres)	257	197	126	180	137	
15 Manufacturing output	(KSh. mn)	576,400.00	67,520.00	703,000.00	742,500.00	661,200.00	
16 Construction output	(KSh. mn)	32,220.00	33,140.00	37,800.00	43,214.00	47,103.40	
17 Cement Consumption	('000 tonnes)	1,161.50	1,136.90	1,071.90	1,014.00	846.2	
18 Petroleum Consumption	('000 tonnes)	2,230.50	2,175.20	2,199.10	2,311.50	2,448.10	
19 Electricity consumption	(GWH)	3,487.90	3,671.70	3,601.80	3,685.20	3,320.70	
20 Tourism earnings	(KShs. mn)	25,600.00	22,640.00	17,509.00	21,367.00	19,593.00	
21 New registration of vehicles ..	(number)	28,664.00	29,893.00	31,718.00	27,892.00	20,236.00	
22 Rail freight	(mn tonnes-Km)	1,218.80	1,068.20	1,111.00	1,491.60	1,556.90	
23 Air passengers handled	('000)	2,691.00	2,835.20	2,873.40	3,557.70	3,990.00	
24 Wage employment	('000)	1,618.80	1,647.40	1,664.60	1,673.60	1,676.80	
25 Education-primary enrolment ..	('000)	5,597.70	5,677.30	5,919.60	5,791.60	5,882.70	
26 Education-secondary enrolment ..	('000)	658.3	687.5	700.5	638.5	652.3	
27 Education-post secondary enrolment ..	('000)	86	89	76	77	90.1	
28 Hospital beds and cots	(number)	49,331.00	50,909.00	52,186.00	54,378.00	57,416.00	
29 Registered doctors and dentists ..	(number)	4,656.00	4,782.00	4,997.00	5,145.00	5,252.00	
30 GDP Per capita (Current)	(KSh.)	17,095.90	19,788.40	21,267.10	22,207.70	22,942.60	
31 GDP Per capita (Constant)	(KSh.)	3,732.00	3,707.50	3,665.00	3,613.30	3,527.50	
32 Government Budget Out-turn ++							
Overall Deficit (% of GDP) at Current Market Prices	(KSh.)	-0.8	-1.4	0.7	1.6	-3.3	
Overall Deficit (-)/Surplus(+)	(KSh.)	-4,403.60	-8,979.60	4,795.00	11,495.00	-26,316.80	
Recurrent Revenue and Grants	(KSh.)	152,866.80	172,417.80	184,871.80	184,788.20	221,472.20	
Total Expenditure	(KSh.)	183,741.60	315,139.00	242,736.00	223,643.40	327,410.10	
33 Debt Service Charge as % of GDP ++		5.7	4.3	4.2	4.2	4.4	
External Debt Service as % of Exports of Goods & Services		17.30	15.10	17.00	16.54	16.51	
INDEX NUMBERS: (1982=100)							1996 - 2000 Annual % Rate of change
Export volumes		200	174	173	186	191	-1.1
Import volumes		167	177	179	162	187	2.9
Terms of trade		93	102	100	86	84	-2.5
Consumer prices ***		517	575	613	635	674	6.9
Real wages		113	108	112	111	109	-0.9
Agricultural terms of trade ..		88	106	107	105	108	5.3

* More precise measures are given in individual chapters.

** Provisional.

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

++ Year ending 30th June

CHAPTER 1

INTERNATIONAL SCENE

Introduction

The global economy grew more strongly in the year 2000 than 1999. Output is estimated to have grown by 4.7 per cent in 2000, as a result of strong increase in the capital stocks, continued strength of US economy, robust upswing of growth in Europe, recovery in Japanese output and the rebound of growth in Dynamic Asian Economies (DAEs). The expansion also owes much to the concerted effort of policymakers across the globe. The outlook appears bright despite high oil prices and fluctuations in stock markets especially in USA and Europe.

1.2. A number of economic and financial imbalances continue to exist in the global arena. These include uneven pattern of GDP and demand growth among the three major currency areas (USA, Japan and the Euro area) and the associated imbalances in their external accounts; a record deficit in USA and a huge surplus in Japan. The Euro is also apparently misaligned against the US Dollar and the Yen.

1.3. High oil prices in the year 2000 emanated from supply constraints in producing countries and the continued expansion of global demand. If oil prices increase further, output growth is likely to be impacted negatively, accompanied by high inflation and interest rates particularly for those economies dependent on imported oil.

1.4. The remarkable strength in the US economy has been driven mainly by consistent pursuit of sound macroeconomic policies coupled with flexibility of the country's products and labour markets and also the willingness of policy makers to maintain large current account surpluses. In Japan, private consumption has remained weak as a result of declining households' earnings and high saving rates, while unemployment rate has remained high. In addition, Asian economies recovery from the 1997-98 crisis has been fueled by continued monetary and fiscal stimulus and increased external demand.

1.5. Economic growth in the European Union has to a large extent been due to increased exports, strong domestic demand and continued progress on structural reforms. During the year output growth rebounded in a number of African countries against a background of appropriate macroeconomic policies and reform efforts that have allowed these countries to benefit from stronger export market growth.

1.6. Underlying inflation rates in most advanced economies remained subdued although overall inflation rates in the year rose in response to jumps in oil prices. There are strong possibilities of inflation declining in most of the developing countries as well as in transition economies.

1.7. Overall, the world's unemployment rate edged down in year 2000 mainly on account of improved economic performance. In USA, unemployment rate fell from 4.2 per cent in 1999 to 4.0 per cent in 2000, while in the European union the rate improved to 8.2 per cent in 2000 from 9.1 per cent in 1999. Details of these developments are presented in Table 1.1.

1.8. A key occurrence in 2000 was the rise in world oil prices to nearly double the average prices. Brent crude averaged US$ 31 per barrel during the month of October. The rise affected the overall pace of economic activity in the Organization

for Economic Co-operation and Development (OECD) area through reduced purchasing power of households. The Euro depreciated by around 7.5 and 8 per cent against the US Dollar and Yen respectively. Stock Markets in the United States fluctuated, while equity markets in Japan softened.

Country/Regional Analysis

1.9. **USA:** Real GDP is estimated to have grown by 5.2 per cent in 2000 compared to 4.2 per cent in 1999. Among the contributing factors was the continued strong increase in capital stock and technological advancement particularly in the information and communication industries, which has boosted the economy's capacity. Inflationary pressures increased markedly on account of higher oil prices.

1.10. Aggregate demand remained high resulting to accelerated imports and further widening of the current account deficit. Unemployment rate stood at 4 per cent. Real household incomes continued to grow at a brisk rate while government consumption declined by 0.1 percentage point. Private consumption expanded by 0.1 percentage points from 5.3 in 1999 to 5.4 in 2000.

1.11. **Japan:** The economic recovery in 2000 was stronger than expected. Real GDP growth was 1.9 per cent in 2000 up from 0.2 per cent in 1999. The improvement may be accounted for by high business investment and increased exports. The recovery is expected to continue if more explicit monetary policy to contain long-term interest rates is pursued. Unemployment rate remained at 4.7 per cent.

1.12. **Germany:** Economic activities accelerated in the first half of 2000, underpinned by buoyant investment in machinery and equipment and a more rapid expansion of private consumption. Real GDP registered a growth of 3 per cent in 2000, up from 1.6 per cent in 1999. GDP growth, however, is expected to slow down to 2.5 per cent by 2002 as a result of declining world trade. There was also a remarkable increase in export volumes and prices, which improved the net contribution of the external sector to GDP. Private consumption improved strongly in the second quarter after stagnating in the early months of the year. Employment growth picked in the first half of 2000, to an annual rate of 1.8 per cent occasioned by new part-time entrants into the market. Consumer price inflation rose to around 2.5 per cent in 2000 from 0.6 per cent in 1999 while core inflation remained at half this level. Inflation was mainly influenced by acceleration in oil prices and depreciation of the Euro.

1.13. **The Euro Area**: Real GDP grew by 3.5 per cent in 2000 compared to 2.5 per cent in 1999. The trend in growth has mainly been as a result of the weakening Euro. Underlying inflation trends have been remarkably favourable in the face of the rising oil prices and the depreciation of the Euro. However, core inflation is likely to move up in 2001. The prospects for the Euro are highly uncertain, mainly due to the fact that the reasons for its sharp drop so far are not well understood. Foreign participation in the Euro bond markets and relative medium and long term growth prospects have been some of the factors contributing to the movement of the Euro against the US Dollar and the Yen.

1.14. **The Russian Federation**: The economy exhibited strong growth in the year 2000 due to high prices of key exports notably energy products and metals. Real GDP grew by 6.5 per cent and industrial output growth was 10 per cent higher than in 1999. Production of investment goods picked up, reflecting 17 per cent growth in fixed capital formation over 1999. High export prices, growth in export volumes and a modest recovery in import demand significantly increased Russia's current

account surplus. This had the effect of improving the credibility of the country's monetary policy and the Rouble.

1.15. In contrast to the chronic budget deficits of the past, the Federal budget experienced a surplus amounting to 4.0 per cent of GDP in the first half of 2000. The turnaround is attributable to improved tax collection, volume of exports and excise tax receipts. The outlook for the Russian economy is bright in the short term, but key structural reforms including taxation, corporate governance and competition are still needed.

1.16. **Central and South America:** The growth in this region seems to have picked up albeit unevenly. In Brazil, growth was spurred by increased export and domestic demand, while oil revenues helped economic activity in Venezuela. On the contrary there was a slight decline in the second quarter of 2000 in some countries, notably Argentina, Colombia and Chile. Inflation remained moderate and is likely to stay subdued if oil prices do not go up.

Table 1.1: Key Economic Indicators and Projections for selected Industrial Countries (OECD)*

	1999	2000	2001	2002
	(percentage changes from previous period)			
Real GDP -				
United States	4.2	5.2	3.5	3.3
Japan	0.2	1.9	2.3	2.0
European Union	2.4	3.4	3.0	2.7
Total OECD	3.0	4.3	3.3	3.1
Real total domestic demand -				
United States	5.2	5.8	3.6	3.4
Japan	0.5	1.3	2.4	1.8
European Union	3.1	2.9	2.7	2.7
Total OECD	3.8	4.2	3.2	3.0
Inflation (GDP deflators)				
United States	1.5	2.1	2.2	2.3
Japan	-0.9	-1.5	-0.4	-0.2
European Union	1.5	1.4	2.0	2.2
Total OECD	2.5	2.6	2.4	2.3
	(US $billion)			
Current balances-				
United States	-332.0	-433.0	-471.0	-483
Japan	107.0	128.0	127.0	143
European Union	21.0	-15.0	-13.0	1
Total OECD	-	-	-	-
	(Per cent of labour force)			
Unemployment-				
United States	4.2	4.0	4.2	4.5
Japan	4.7	4.7	4.6	4.6
European Union	9.1	8.2	7.6	7.2
Total OECD	6.7	6.2	6.0	5.9
	(Percentage changes from previous year)			
World Trade** ..	4.9	13.3	9.7	8.0

Source: OECD Economic Outlook no. 68 December, 2000.

* Assumptions underlying the projections include:
- no change in actual and announced fiscal policies;
- unchanged exchange rates from 30th October, 2000 '; in particular $1 = ¥ 108.80 and 1.190 euro

** Growth rate of the arithmetric average of the world import volumes and world export volumes.
- Cut off date for other information used in the compilation of the projections was 7th, November 2000

1.17. **Mexico:** The economy picked up mainly due to improved exports to USA and a boom in domestic demand. Real GDP grew by 7.0 per cent in 2000 compared to 3.7 per cent in 1999. The currency strengthened despite election related volatility earlier in the year, while tighter monetary conditions caused inflation to go down.

Real wage increased and job creation in the formal sector went up. Revenues earned from privatization fell short of budget projections, but these were more than offset by booming activity and oil related receipts. Real GDP growth could go down if oil prices continue to rise and if export demand from USA slows as is projected.

1.18. **Dynamic Asian Economies and China:** Economic growth in Dynamic Asian Economies (DAEs) and China has been stronger than projected. However, there were some differences among the countries with the leaders being Malaysia, Singapore and Hong Kong, China all of which recorded real GDP growth above potential in the first half of 2000. This growth is attributable to the very rapid export growth driven by the strong external demand, especially from USA and Asian OECD countries.

1.19. Imports have been rising rapidly spurred by sharply rising demand for inputs used by export industries inventory re-stocking. The recovery in Indonesia has been relatively weak, particularly in domestic demand. The dampening impact of higher oil prices is likely to be felt most by Thailand and the Philippines.

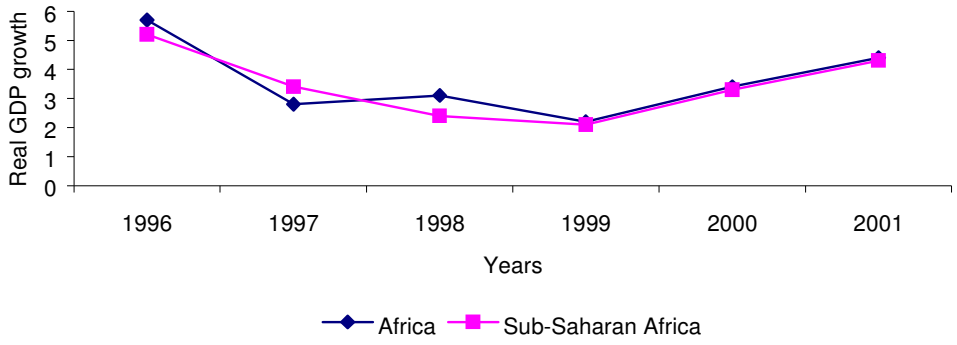
1.20. Private consumption, inventory accumulation and fiscal stimulus have been major contributors to the growth in domestic demand in the DAEs. Although posted inflation rates rose as a result of upward adjustment of oil prices, core inflation rates remained relatively low in 2000.

1.21. In China, strong export growth, recovery in urban consumption and investment contributed to a real GDP growth of 8.0 per cent in 2000 in comparison to 7.1 per cent in 1999. Construction industry grew rapidly thus, not only reversing weakened trends of 1999 but also compensating for the sluggish performance of the agricultural sector. The current recovery will, however, be pegged to macro-economic stimulus and external demand.

1.22. On the external front, export growth has remained robust, spurred by global and regional demand. Inflation edged up from –1.3 per cent in 1999 to 0.4 per cent in 2000 and is expected to reach 1.0 per cent in 2001 due to oversupply and increase in prices of services.

1.23. **Africa:** Economic developments in many African countries have significantly been shaped by external factors, including commodity prices and growths in export markets. In oil-producing countries of Africa, increases in OPEC oil production quotas and rebound in oil prices have boosted economic activity and resulted in stronger fiscal and external balances. On the contrary, non-oil-producing countries have suffered substantial terms-of-trade losses due to high oil import prices, and the generally depressed export prices of non-oil and other primary goods. Despite this, growth in a number of African countries' economies rebounded in 2000 as a result of appropriate macroeconomic policies and reform implementation. Weak performances were, however, witnessed in some war-ravaged countries and those that experienced drought.

Fig 1.1: Real GDP for Africa and Sub-Saharan Africa



Source: World Economic Outlook

Impact of HIV/AIDS on African Economies

1.24. HIV/AIDS pandemic has increasingly become a major source of development concern in Africa and needs to be addressed through effective education, health and other social programs. By the end of 1999, about 33.6 million people were living with HIV/AIDS, out of which, around 25 million were reported to be from Africa, the highest rate of infection being in the Southern Africa nations. If the spread of the disease is not curbed, there will be substantial effect across the spectrum of economic variables including GDP growth, poverty, labour supply, domestic savings and productivity. The burden has already been felt by most of the African countries especially in increased health care expenditure as well as loss of workers in the labour market. Due to the nature of HIV/AIDS its full effects are yet to be felt.

Commodity Prices

1.25. Table 1.2 shows world price indices for some selected commodities. There was a sharp increase in petroleum prices resulting from constrained supply by the producing countries. A substantial drop in coffee prices was witnessed for the third year running while tea prices improved by 6.9 per cent in 2000. Prices of non-fuel commodities recorded a slight increase.

Table 1.2: SELECTED WORLD COMMODITY PRICE INDICES, 1996-2000

(1995=100)

Year	``Other milds'' Coffee*	Tea**	Sisal***	Sugar+	Petroleum++	All+++ Commodities	World Bank LMIC's+
1996	80.5	107.9	122.2	99.8	118.4	98.8	94.1
1997	123.8	144.5	109.4	90.9	112	95.7	96.2
1998	88.6	145.3	115.6	86.9	76	81.6	81.1
1999	68.1	141.3	97.9	86	104.5	75.9	72.2
2000	56.9	151.1	--	80.6	164	77.2	71

Source: IMF, International Financial Statistics, (February ,2000).
Indices are based on prices in US dollar.
* Other milds (New York).
** Average Auction (London).
*** East African (Europe).
\+ E.U. Import Price.
++ Average crude price(Spot) (US $ per barrel).
+++ World (non-fuel commodities).
+ Low and Middle Income Countries(LMIC's)
-- data not available

Outlook

1.26. Broadly, the world economic outlook is favourable, particularly if oil prices ease from the present levels and if the equity markets gain some strength. However, there are some uncertainties as a result of continuing political tensions in the Middle East. Core inflation is expected to remain low in many OECD countries. Overall, employment is likely to grow but unemployment may remain at the present level.

1.27. The budget surplus experienced in USA in the recent years is expected to rise even after the takeover by the new administration. The economy may, however, slow down in the face of a decline in private demand in response to tightened monetary policy, decline in stock market prices and higher oil prices.

1.28. In the Euro area, output is likely to expand over the next two years while unemployment is expected to decline. Core inflation is projected to rise. Real GDP is likely to decelerate to 3.1 per cent in 2001 and further to 2.8 per cent in 2002, but total domestic demand is expected to remain fairly stable over the next two years. In most countries, further progress in public finances is required in view of large public indebtedness and future pension liabilities. A major uncertainty for the Euro area is the outlook for oil prices. Oil prices are higher now than were projected in 2000. If the financial conditions tighten further than projected, this could deal a negative blow to growth prospects.

1.29. The Japanese economy is likely to perform better this year with the growth estimated to reach 2.3 per cent. The focus for the economy has shifted from crisis to recovery management. Rising profits and increasing demand for information technology will continue to support business investment and to drive the expansion. Employment is expected to remain modest although unemployment might remain high as the labour force responds to the improved economic situation.

1.30. In Germany, the economy is expected to slow as a result of slowing expansion of world trade and the current high oil prices. GDP is estimated to drop from 3.0 per cent in 2000 to 2.7 per cent in 2001 and further to 2.5 per cent in 2002. As a result of tax reduction and better labour market conditions, private consumption may accelerate in 2001. A favourable investment climate is expected, against a background of tax cuts and wage moderation embodied in collective agreements that are fixed until 2002. Construction is expected to remain weak although it is expected to benefit from higher infrastructure investment. Unemployment rate is likely to decline from 8.3 per cent recorded in 1999 to around 6.3 per cent in 2002.

1.31. In Hong Kong, China, GDP growth is expected to drop from 9.0 per cent in 2000 to 7.1 per cent in 2001 while in Indonesia performance is expected to improve from 3.7 per cent registered in 2000 to 6.1 per cent in 2002. Despite the rapid growth witnessed in the recent past in Malaysia, performance is likely to slow down in the year. Core inflation is likely to be sustained at low level in most of the DAE countries, except possibly for Philippines due to dampening impact of oil prices.

1.32. China is likely to register fairly stable growth in the next three years. GDP is projected to be slightly below 8.0 per cent for each year within this period. Private consumption is expected to recover, although the speed of the recovery will be subdued by labour shedding effects from urban enterprises. Foreign direct

investment inflows have recorded growth, perhaps in anticipation of China's entry into the World Trade Organization. Impact of oil prices will be relatively mild, as net imports of oil are not substantial.

1.33. The growth witnessed in Russia in 2000 may spill over to early part of 2001. Real GDP is estimated to grow at a rate of 4 per cent in both 2001 and 2002, although the current account surplus is expected to contract. The outlook for the economy is bright in the short term, especially if key structural reforms are made. The current political and economic environment presents a major opportunity for Russia to make progress.

1.34. Growth is likely to strengthen further in South America, although it might not reach its estimated potential. Inflation may remain subdued although pressures may emerge from accelerating oil prices. The Brazilian economy is projected to grow by 4.0 per cent in 2001 from 3.5 per cent in 2000. This recovery is expected to spur the export sector.

1.35. In Mexico, with the presumed slow down in demand, stable oil prices and in the context of tight macro-economic policies, the real GDP is projected to grow at a moderate rate 5 per cent in 2001 and 2002. Inflation is expected to decline, based on an unchanged exchange rate.

1.36. In Argentina, domestic demand seems unlikely to recover in the short term and export prospects are also limited by a weak competitive position. Recovery in Argentina is, therefore, not assured. High interest rates, recession and loss of confidence continued to dog the economy. There are indications of economy slump.

CHAPTER 12

BUILDING AND CONSTRUCTION

Overview

The year 2000 was marked by poor performance by poor performance in the building and construction sector as shown by declines in the sector's key indicators. There was low level public sector investment in building and civil works. Similarly, private sector output declined largely due general slowdown in the economy coupled with increased construction costs. However, interest rates offered by the Building Societies for housing loans declined from 25.0 per cent to 19.0 per cent in the period 1997 to 2000. Commercial banks' loans and advances to building and construction private enterprises dropped from KSh 18,400 million in 1999 to KSh 16,900 million in 2000. Domestic consumption of cement, a key indicator in the building and construction sector, declined by 16.5 per cent. The sector recorded decreases in the values of building plans approved and buildings completed in Nairobi and other major towns.

12.2. Table 12.1 shows the trend of the key economic indicators in the building and construction sector for the last five years. Except for the estimated Government expenditure on roads, all the indicators maintained a downward trend. The index on reported private building work completed dropped by 4.0 per cent between 1998 and 1999 to stand at 29.8. During the period under review, the provisional index on Government expenditure on roads recorded a rise of 46.5 per cent to stand at 106.9. Cement consumption declined from 1,014.0 in 1999 to 846.2 tonnes in 2000 respectively. Decline in cement consumption is an indication of low investment in the building sector attributed to a slump in the property market.

Table 12.1: Trends of the selected key economic indicators in building and construction *, 1996-2000

Base 1982=100

	1996	1997	1998	1999	2000**
"Index" of reported private building work completed in main towns***	38.1	36.9	33.8	29.8	..
"Index" of reported public building work completed in main towns***	2.5	1.9	1.4	1.1	..
"Index" of government expenditure on roads	81.6	75.0	79.7	60.4	106.9
Cement consumption ('000 tonnes)	1,161.5	1,136.9	1,071.9	1,014.0	846.2
"Index" of Cement consumption	200.5	196.2	185.0	175.0	146.2
Employment ('000)	78.8	79.8	79.3	78.7	78.0
"Index" of Employment	130.5	132.1	131.3	130.3	129.1

* Actual deflated by various building or construction cost indices.

** Provisional.

*** The average of the actual of two consecutive years is taken in each case for reported completion of buildings

12.3. Wage employment in the building and construction sector declined marginally by 0.9 per cent from 78,700 persons in 1999 to 78,000 persons in 2000. Public sector employment maintained a downward trend, dropping from 26,500 persons to 25,700 persons in 1999 and 2000. Employment in the building subsector declined by 5.9 per cent. Due to the slow down in building sector activities. There was a modest increase in

private sector employment for electrical contractors and borehole drillers of 0.7 per cent and 0.8 per cent during the period under review.

12.4. Table 12.2 shows the annual percentage increase in prices of inputs for construction for the years 1998 to 2000. The total overall construction cost index recorded a modest growth of 7.0 per cent in 2000 compared with 8.2 per cent in 1999. The costs for materials rose by 7.1 per cent in 2000 compared with 6.6 per cent in 1999. The construction inputs that registered the highest increase in prices were: accessories 49.3 per cent, sand 25.0 per cent, hardcore filling 16.7 per cent and fuel, bitumen and lubricants 13.3 per cent. The increase in costs of sand and hardcore fillings was attributed to increases in transport costs necessitated by the higher fuel prices observed during the year.

Table 12.2: Annual percentage increase in building and construction cost indices*, 1998 - 2000

	MATERIALS			LABOUR			TOTAL COST		
	1998	1999	2000**	1998	1999	2000**	1998	1999	2000**
Residential Buildings ..	6.0	3.6	7.4	9.1	12.0	7.0	6.6	5.2	7.3
Non-Residential Buildings	1.0	7.1	7.2	9.1	12.0	7.0	3.0	8.4	7.1
All Buildings ..	3.7	7.9	6.9	9.1	12.0	7.0	4.9	8.8	5.2
"Other" Construction ..	0.7	3.4	9.2	9.1	12.0	7.0	4.1	7.1	8.2
OVERALL COST INDEX	2.8	6.6	7.1	9.1	12.0	7.0	4.6	8.2	7.0

* From December to December.

* * Provisional.

12.5. Labour costs recorded a slower growth of 7.0 per cent in 2000 compared with 12.0 per cent for 1999. The increase was higher for skilled labour, which went up by 7.2 per cent compared to 6.9 per cent and 6.8 per cent for semi-skilled and unskilled labour respectively. The change in the wage indices was a result of implementation of collective wage agreements in the year 2000. The uncertainties in the sector output are reflected in a lower increase in labour costs. As shown in Figure 12.1, the labour costs index in the construction sector has increased for the last ten years.

Figure 12.1: Trend in overall Labour construction costs indices, 1991 - 2000 (Base=1982)



12.6. Table 12.3 shows the value of building plans approved by Nairobi City Council (NCC) and other towns. In 2000, the total value of plans approved declined by 10.4 per cent to KSh 9,975.4 million from KSh 11,130.4 million in 1999. The value of plans approved by NCC maintained a downward trend from its peak of KSh 13,021.2 million in 1997, or a decline of 27.1 per cent to KSh 6,601.3 million in 2000. However, the value of plans approved for other towns rose by 62.8 per cent with significant increases in Mombasa and Eldoret.

Table 12.3: Value of building plans approved by Nairobi and other towns, 1996 - 2000

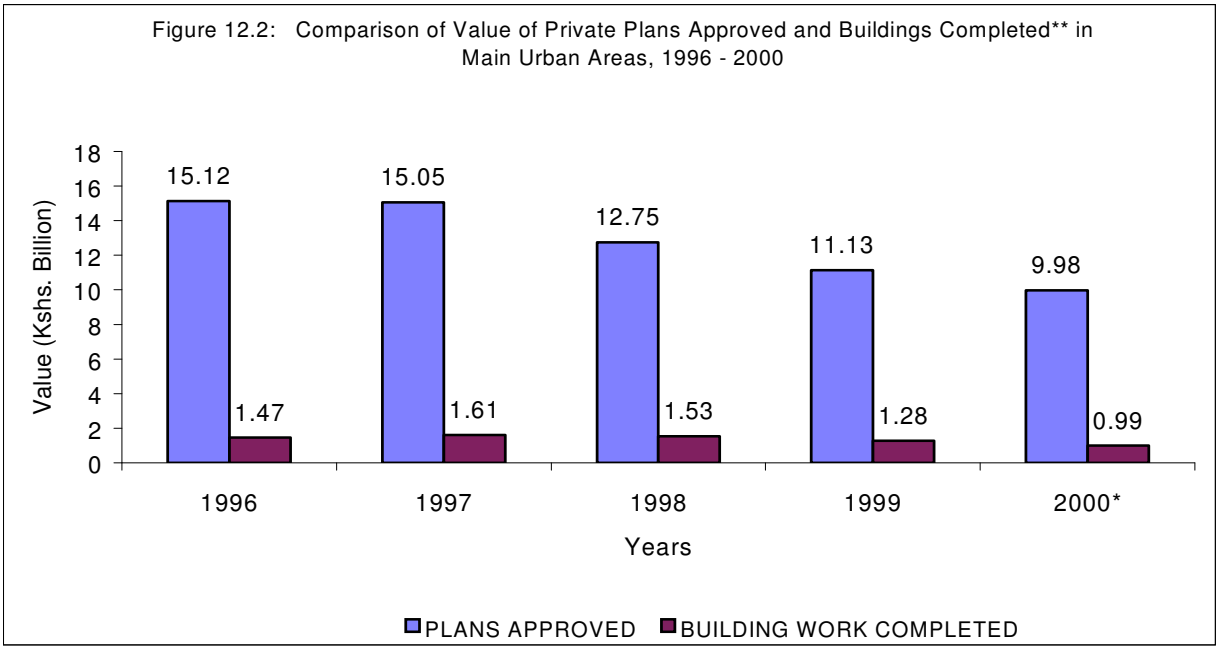
KSh million

YEAR	NAIROBI	OTHER TOWNS	TOTAL
1996	12,939.0	2,185.8	15,124.8
1997	13,021.2	2,030.8	15,052.0
1998	10,643.8	2,108.4	12,752.2
1999	9,058.4	2,072.0	11,130.4
2000*	6,601.3	3,374.1	9,975.4

* Provisional.

12.7. As shown in Figure 12.2, there has been a downward trend in the value of building plans approved and buildings completed in the main urban areas. In 2000, the proportion of building plans completed to building plans approved was only 9.9 per cent, which indicated low level of private investment in the building sector. The depressed demand coupled with high construction costs constrained the private sector investment in buildings.

Figure 12.2: Comparison of Value of Private Plans Approved and Buildings Completed** in Main Urban Areas, 1996 - 2000



12.8. Total value of reported building works completed in major towns as Table 12.4 declined by 15.4 per cent in 2000. Nairobi accounted for 55.6 per cent of the value of private buildings completed followed by Mombasa and Malindi with 21.7 per cent and 10.4 per cent respectively.

Table 12.4: Value of reported private building* works completed in selected main towns, 1996 - 2000

KSh Million

Year	Nairobi	Mombasa	Kisumu	Nakuru	Malindi	Total
1996	857.40	439.20	..	131.20	82.20	1,510.00
1997	852.40	484.80	96.00	141.40	97.60	1,672.20
1998	696.40	405.60	115.00	189.60	182.60	1,589.20
1999	628.40	366.80	42.00	117.00	170.00	1,324.20
2000**	622.39	243.26	33.87	103.18	116.96	1,119.66

* Including the value of extension.

** Provisional.

12.9. The trend of the reported completion of new private buildings by type is presented in Table 12.5. The number of residential units completed dropped by 8.6 per cent from 1,113 in 1999 to 1,017 in 2000, while the corresponding values of these units declined by 3.1 per cent in 2000. There was a significant decline in the number of non-residential units completed and the corresponding costs by 68.2 per cent and 65.8 per cent respectively.

Table 12.5: Reported completions of new private buildings* in selected main towns, 1996 - 2000

YEAR	NUMBER		ESTIMATED COST (KSh million)		
	Residential	Non-Residential	Residential	Non-Residential	Total
1996	1,434	58	1,032.80	432.60	1,465.40
1997	1,449	33	1,084.80	525.40	1,610.20
1998	1,446	26	1,102.00	428.00	1,530.00
1999..	1,113	22	890.20	384.80	1,275.00
2000**	1,017	7	862.81	131.65	994.46

* Excluding the value of extensions.

** Provisional

12.10. The number of reported new completed residential public buildings dropped from 46 to 11 between 1999 and 2000 as shown in Table 12.6, while that of non-residential units declined by 3 units. The estimated total cost of new public buildings declined from KSh 26.2 million to KSh 16.0 million during the same period. Over the years, public sector investment in new buildings has declined.

Table 12.6: Reported completions of new public buildings* in main towns, 1996 - 2000

YEAR	NUMBER		ESTIMATED COST KSh Million		
	Residential	Non-Residential	Residential	Non-Residential	Total
1996	99	10	33.60	12.20	45.80
1997	90	9	33.20	10.80	44.00
1998	68	5	25.00	6.20	31.20
1999	46	7	17.60	8.60	26.20
2000**	11	10	4.50	11.50	16.00

* Including the value of extensions.

** Provisional.

Housing

12.11. Housing is one of the basic human needs that provides security and shelter for socio-economic activities. The provision of housing in the public sector has been

constrained by inadequate budgetary allocation. This has hampered the completion of various housing projects. The major constraint in meeting urban housing demand by the public sector has been inadequate funding.

12.12. Table 12.7 shows the trend of approved and actual expenditure on housing by the Central Government. Actual expenditure on housing declined from KSh 217.2 million in 1997/98 fiscal year to KSh 136.6 million in 1998/99 and further to KSh 108.2 million in 1999/2000. There was a sharp drop in approved expenditures by 90.7 per cent from KSh 108.2 million in 1999/2000 fiscal year to KSh 10.1 million in 2000/2001. Approved expenditure as a percentage of the total development expenditure dropped from 0.2 per cent in 1999/2000 to 0.03 per cent in 2000/2001. The decline in actual expenditure on housing over the last two financial years has negatively impacted on the provision of housing in the public sector.

Table 12.7: Approved and actual Central Government Expenditure on Housing, 1996/97 - 2000/2001

Year	Expenditure in KSh Million		Approved Expenditure as Percentage of Development Expenditure
	Approved	Actual	
1996/97	137.6	162.4	0.32
1997/98	120.6	217.2	0.26
1998/99	148.2	136.6	0.39
1999/2000	108.2	108.2	0.20
2000/2001*	10.1	..	0.03

* Provisional

12.13. The National Housing Corporation (NHC) is the main government agency charged with the responsibility of implementing Government-housing policies and programmes through tenant purchase, mortgage, rental and rural housing loan schemes. This has benefited low and medium income earners. As shown in Table 12.8 a total of 273 housing units were completed by NHC between 1996 and 2000. In the year 2000, a total of 184 residential units were completed in Thika (Kiboko Phase IV), Nairobi (Kibera Highrise Phase II) and Malindi (Sabaki Housing Scheme) at a cost of KSh 161 million. A total of 197 units are at various stages of construction comprising of 173 units for tenant purchase in Nairobi and 24 units for mortgage in Eldoret.

Table 12.8: Housing units completed by the National Housing Corporation, 1996-2000

	1996	1997	1998	1999	2000
Number of units completed					
PROVINCE-					
Nairobi	1	. .	53	. .	120
Coast	. .	. .	. .	. .	22
North-Eastern	. .	. .	. .	. .	. .
Eastern	. .	. .	. .	. .	. .
Central	. .	35	. .	. .	42
Rift valley	. .	. .	. .	. .	. .
Nyanza	. .	. .	. .	. .	. .
Western	. .	. .	. .	. .	. .
TOTAL NUMBER ..	1	35	53	. .	184
Value of units completed (KShs million)					
Nairobi	13	. .	34	. .	92
Coast	. .	. .	. .	. .	22
North-Eastern	. .	. .	. .	. .	. .
Eastern	. .	. .	. .	. .	. .
Central	. .	27	. .	. .	47
Rift valley	. .	. .	. .	. .	. .
Nyanza	. .	. .	. .	. .	. .
Western	. .	. .	. .	. .	. .
TOTAL VALUE ..	13	27	34	. .	161

12.14. During the period under review, the Corporation through its Rural Housing Loans Scheme realized KSh 2.49 million that was extended to 15 beneficiaries in the year 2000 as compared to KSh 1.85 million loaned to 12 beneficiaries in 1999.

Roads

12.15. A good road network promotes the country's economic growth by facilitating the movement of goods both for export and domestic trade. The road sub-sector also offers employment opportunities in the construction industry. The Ministry of Roads and Public Works estimates that 43 per cent of the total road network in the country was in poor condition as at the end of 2000. This has been attributed to inadequate funding for road development and rehabilitation coupled with inefficient road maintenance delivery methods and overloading by heavy haulage vehicles.

12.16. During the period under review, a total of 399 kilometres of the road network were upgraded to bitumen standards, while another 234 kilometres was under re-construction. The roads that were upgraded to bitumen standards include; Narok-Amalo River, Busia-Mumias, Ziwa-Kitale, Sultan Hamud-Mtito Andei and Katumani-Wote-Makindu. During the same period a number of urban and rural roads were rehabilitated through the El-Nino Emergency Fund at a total cost of KSh 1,080 million. Under Kenya Urban Transport Infrastructure Programme (KUTIP), 145.2 kilometers of the road network was re-carpeted and rehabilitated at a cost of KSh 1,500 million. The International Development Agency (IDA) contributed KSh 1,510 million for reconstruction of roads, reinstating washed sections and improving on the drainage system.

12.17. Table 12.9 shows the lenghts in kilometres of classified road network. The government, through the Ministry of Roads and Public Works, maintains about 63,300 kilometres out of the 150,600 kilometres of the country's road network. In the last five years, total kilometres of the road network under the ministry rose marginnally. Kilometres of roads under bitumen increased by 3.1 per cent from 8,660 kilometers in

1996 to 8,940 kilometers in 2000 while earth/gravel roads declined by 1.6 per cent from 55,260 kilometers to 54,360 kilometers.

Table 12.9: Kilometres of road as at 1st july, 1996 and 1st july, 2000 by type and classification

'000Km

Type of Road	1996		2000	
	Bitumen	Earth/ Gravel	Bitumen	Earth/ Gravel
A- International Trunk ..	2.65	0.96	2.89	0.87
B- National Trunk	1.30	1.37	1.43	1.37
C- Primary	2.56	5.47	2.49	5.18
D- Secondary	1.18	10.16	1.17	10.05
E- Minor	0.75	26.30	0.75	25.80
F- Special Purpose*	0.22	11.00	0.21	11.09
TOTAL	8.66	55.26	8.94	54.36

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

12.18. The total government expenditure on roads is estimated to rise significantly from KSh 6,785.1 million in 1999/2000 to KSh 13,173.9 million in 2000/2001 as shown in Table 12.10. Similarly, development expenditure after recording a decline in 1999/2000 is estimated to rise by KSh 5,840.8 million. In the last three fiscal years, recurrent expenditure maintained an upward trend rising by 9.2 per cent in 2000/2001. The increase in recurrent expenditure allocation reflects the importance given to improvement of the road network through regular maintenance and repair.

Table 12.10: Total Expenditure on roads, 1998/99 - 2000/2001

KSh million

	1998/99	1999/2000	2000/2001*
DEVELOPMENT:			
Trunk Roads	1,422.00	714.30	2,688.40
Primary Roads	752.00	18.30	925.80
Secondary Roads	136.00	5.80	618.90
Miscellaneous Roads.. ..	376.00	124.60	2,470.70
TOTAL	2,686.00	863.00	6,703.80
RECURRENT (maintenance and repair)	5,074.00	5,922.10	6,470.10
TOTAL	7,760.00	6,785.10	13,173.90

* Provisional

12.19. The Roads 2000 Programme was established with the objective of rehabilitating roads in various parts of the country. Currently, the programme is being implemented in 29 districts while additional 44 districts are to be incorporated into the programme during the period 2001 to 2006. These additional districts are to be funded by World Bank, USAID, African Development Bank (ADB) and German Bank for International Development Aid in collaboration with Government of Kenya at a total cost of about KSh 4,000 million. The Programme strategy involves use of local resources and labour intensive techniques. Several donors including; SIDA, European Union (EU) and DANIDA in collaboration with GoK are funding the ongoing projects at a total cost of about KSh 4,100 million over the period 1997 to 2004.

Developments in Building and Construction Sector

12.20. **Housing:** The real estate industry contributes significantly to the development, expansion and improvement of human settlements. In this regard, the Department of Housing is to develop an appropriate mechanism that would facilitate the real estate industry to provide adequate housing that conforms to the required standards.

12.21. The formal sector is constrained in meeting demand for urban housing and hence a need for a visionary and comprehensive action. This has necessitated implementation of a housing policy on slum improvement to upgrade housing standards in informal settlements and slum areas. The ongoing Mathare 4A slum upgrading project has seen improvement of informal houses and infrastructure that includes provision of roads, street lights, wet cores, storm water drainage, sewer system and provision of clean drinking water.

12.22. To maintain affordable housing standards, the use of low cost building materials has been intensified through use of Stabilized Soil Block (SSB) and Fiber Concrete Roofing Tiles (FCR) to improve walling and roofing materials in both rural and urban areas. Also, in order to reduce overall construction cost the Pozzolana Rice Husks cement, a technology developed by Housing and Building Research Institute (HABRI), University of Nairobi (UON) is being promoted.

12.23. **Roads:** As part of Road sub sector reforms the Kenya Roads Board was launched in July 2000 with the objective of overseeing the maintenance of all major roads, rehabilitation and upgrading trunk roads. As a result, the Roads Department would be responsible for class A, B, and C roads while the District Roads Committees would be in charge of class D, E and special purpose roads. The Kenya Roads Board has a majority representation from the private sector stakeholders. It has already embarked on staff recruitment for efficient operations. The board is responsible for disbursing and monitoring of the fuel levy funds. Other road development prospects includes developing a criteria to incorporate the private sector in road funding for rehabilitation and maintenance through Build Operate and Transfer (BOT) or Turn-key projects.

CHAPTER 2

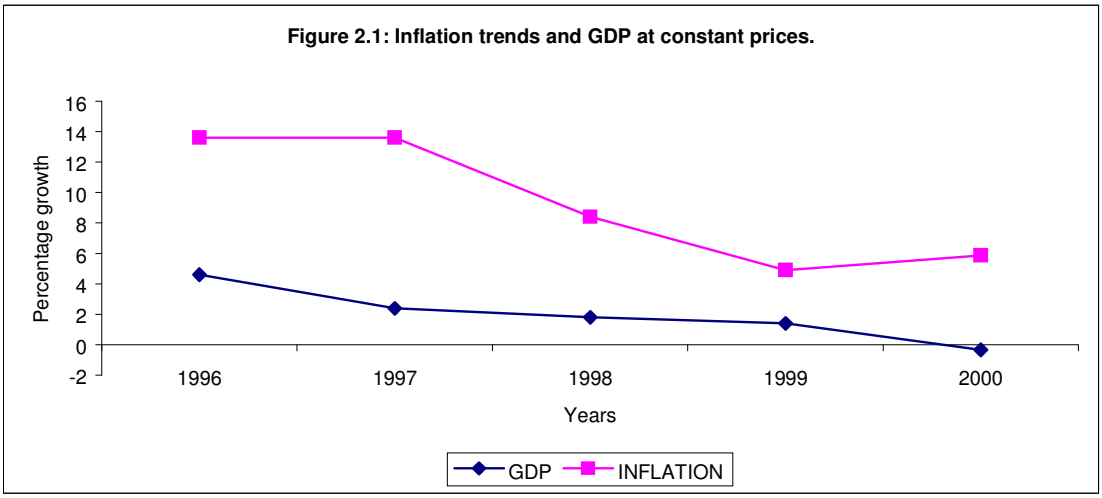
DOMESTIC ECONOMY

Overview

The year 2000 was the most difficult for the Kenyan economy in recent history. The rate of economic growth contracted for a fifth consecutive year, closing with a negative growth rate of 0.3 per cent. The deceleration was occasioned by a decline in almost all the key sectors of the economy and may be attributed to the prolonged drought (1999-2000), inadequate power supply, deterioration of infrastructure and low aggregate demand. Agriculture and manufacturing sectors, which contribute over one third of the Gross Domestic Product (GDP), were the most adversely affected. Trade deficit worsened considerably while the current account deteriorated. The growth rate of Kenya's GDP declined from 4.6 per cent in 1996 to negative 0.3 per cent in 2000. This trend is similar to that of Africa, which contracted from 5.8 per cent in 1996 to 2.2 per cent in 1999. Growth prospect for Africa is projected to grow at 4.4 per cent in 2001, while Kenyan GDP is projected to expand by 2.0 per cent in 2001.

2.2. The adverse weather in 2000, made it imperative for Kenya to seek food relief and assistance in energy generation. Development partners provided this support. World Food Programme (WFP) and World Bank provided food and funds for energy support respectively. In addition, under the Poverty Reduction and Growth Facility (PRGF), the economy benefited from KSh 2,000 million from IMF.

Figure 2.1: Inflation trends and GDP at constant prices.



2.3. Although revenue collection was on target, Government expenditure outstripped collection leading to increased government borrowing from domestic sources. The Government, however, continued with its efforts to ensure tighter fiscal control over expenditure. Central Bank of Kenya (CBK) also continued to exercise prudent monetary policy and despite cost-push pressures, contained average inflation to single digit level during the year.

2.4. Inflation increased from 3.5 per cent in 1999 to 6.2 per cent in 2000. This was due to increases in food and fuel prices, increased VAT and upward power price adjustments.

2.5. External trade performance deteriorated in the year 2000. The trade deficit widened by 35.1 per cent, while the current account deficit expanded by KSh 11,270

million. Slower growth in the value of domestic exports (9.8 per cent) and faster acceleration in imports (by 20.1 per cent) precipitated this outcome. There was however a strong growth in official capital inflows leading to overall balance of payments surplus of KSh 8,244 million in year 2000, compared to a surplus KSh 411 million in 1999.

2.6. Export and import prices registered 7.6 per cent and 10.8 per cent growth respectively. Crude petroleum import prices went up by 63.5 per cent, while prices of refined products increased by 19.3 per cent. These increases were as a result of the depreciation of the Kenya Shilling against the US dollar and the steep increases in oil prices in the world market.

Sectoral Analysis

Agriculture

2.7. During the year under review, agriculture sector GDP share declined marginally to about 24.0 per cent from 24.5 per cent in 1999. In real terms, sector growth rates declined from 1.2 per cent in 1999 to negative 2.4 per cent in 2000. The poor performance was attributed mainly to the drought that persisted from 1999 and 2000. This resulted in reduced crop production and pasture for livestock. Poor infrastructure and high cost of livestock and agricultural inputs also adversely affected agricultural production and marketing. Although coffee production experienced a tremendous growth, international prices fell drastically. Tea production on the other hand was 5.0 per cent lower than 1999.

2.8. **Maize**: Production of maize recorded a deficit of 11 million bags. This is attributed to insufficient rainfall in the maize growing regions during the crop season coupled with low supply of quality seeds, high cost of farm inputs, poor crop husbandry and weak extension services. Approximately 4 million bags were imported to offset this deficit. Prices of maize on average rose from KSh 14/kg to KSh 19/kg during the year.

2.9. **Coffee**: Production increased by 48 per cent from 68.1 thousand tonnes in the 1998/99 crop year to 100.7 thousand tonnes in the 1999/2000 season. This is because there are fewer coffee diseases in dry weather than in wet seasons, although the quality is compromised. However, the prices fell as a result of increased world production and stocks from previous seasons such that 100-Kg bag of coffee fetched KSh 11,500 in 2000, compared to KSh 15,632 in 1999.

2.10. **Tea**: Production of tea declined further from 248.7 thousand tonnes in 1999 to 236.3 thousand tonnes in 2000. The decline in the last two years was attributed to dry weather experienced in the years 1999 and 2000 as mentioned earlier. Overall, tea prices increased, recording about 22 per cent rise over the 1999 prices.

2.11. **Sugarcane**: The sugar industry in the recent past has been experiencing structural difficulties including stiff competition from cheaper imported sugar. Further more, local sugar attracts 18 per cent VAT and 7 per cent Sugar Development Levy which makes less competitive. Cane farmers have also not been remunerated on time. Consequently, sugarcane delivery declined by 11.3 per cent to 3.9 million tonnes while sugar imports more than doubled in 2000.

Table 2.1 Gross Domestic Product at Factor Cost, 1996 - 2000

KSh million

	Current Prices					Constant (1982) Prices				
	1996	1997	1998*	1999*	2000**	1996	1997	1998*	1999*	2000**
A. NON-MONETARY ECONOMY										
Forestry	1,688.0	1,724.2	1,800.4	1,831.6	1,874.2	722.6	742.0	751.8	762.3	770.7
Fishing	111.2	136.6	135.0	135.4	137.6	28.4	29.4	29.6	29.7	29.5
Building and Construction	2,431.4	2,492.0	2,528.0	2,599.8	2,667.4	1,598.2	1,617.4	1,619.0	1,620.4	1,628.5
Water Collection	1,354.4	1,437.8	1,518.4	1,612.0	1,711.0	573.8	594.6	619.0	634.4	650.3
Ownership of Dwellings	7,410.2	8,089.2	8,261.0	9,022.0	9,870.0	2,492.2	2,579.4	2,656.8	2,710.0	2,747.0
TOTAL NON-MONETARY ECONOMY	12,995.2	13,879.8	14,242.8	15,200.8	16,260.2	5,415.2	5,562.8	5,676.2	5,756.9	5,826.0
B. MONETARY ECONOMY										
1. Enterprises and Non-Profit Institutions										
Agriculture	124,660.0	137,999.0	148,018.0	139,936.0	124,411.0	24,507.0	24,751.0	25,121.6	25,425.0	24,813.0
Forestry	4,477.0	5,093.8	5,361.6	5,639.4	5,922.0	1,300.0	1,339.0	1,380.8	1,415.4	1,387.6
Fishing	1,367.4	1,688.8	1,638.2	1,636.4	1,664.8	284.8	304.0	309.0	312.4	305.8
Mining and Quarrying	741.2	815.4	823.2	993.8	1,142.9	240.2	243.4	246.8	252.0	254.2
Manufacturing	47,758.4	54,606.9	65,970.7	78,534.7	87,973.6	13,153.6	13,408.8	13,596.6	13,732.5	13,526.6
Building and Construction	17,583.2	18,771.0	21,404.8	24,470.0	26,466.2	2,429.4	2,475.6	2,507.7	2,530.3	2,492.0
Electricity and Water	4,400.0	4,840.0	5,443.6	5,755.8	5,912.9	974.4	1,013.8	1,038.8	1,054.4	1,011.2
Trade, Restaurants and Hotels	82,895.2	109,804.0	123,452.6	137,316.4	150,253.0	11,933.6	12,407.4	12,693.4	12,947.2	13,077.4
Transport, Storage& Communications	35,471.2	41,816.0	43,255.2	45,616.8	49,892.0	5,931.6	6,047.4	6,118.0	6,202.0	6,326.0
Finance, Insurance, Real Estate and Business Services	55,718.6	68,747.0	75,009.8	76,078.0	69,750.0	9,843.1	10,360.8	10,690.3	10,904.1	10,945.0
Ownership of Dwellings	18,722.0	20,968.6	22,352.6	24,368.8	27,177.6	5,406.4	5,593.8	5,705.6	5,796.6	5,877.8
Other Services	16,372.0	19,973.8	23,721.2	27,790.4	33,151.6	3,367.0	3,438.8	3,499.6	3,569.6	3,587.8
Less:Imputed Bank Service Charges	-36,107.2	-39,296.2	-47,126.6	-42,178.0	-30,758.0	-3,826.7	-3,972.1	-4,099.2	-4,195.1	-4,245.6
TOTAL	374,059.0	445,828.1	489,324.9	525,958.5	552,959.6	75,544.4	77,411.7	78,809.0	79,946.4	79,358.8
2. Private Households										
(Domestic Services)	5,683.4	6,174.8	6,710.2	7,293.6	7,928.6	2,496.4	2,641.2	2,793.0	2,920.4	2,990.0
3. Producer of Government Services										
Public Administration	13,515.6	15,635.8	17,897.6	14,792.6	15,929.4	. .	. .	. .	. .	. .
Defence	1,295.4	1,379.9	1,395.4	1,718.3	2,122.6	. .	. .	. .	. .	. .
Education	31,046.4	40,598.6	50,264.2	56,532.3	60,300.6	. .	. .	. .	. .	. .
Health	5,205.2	6,187.2	6,493.8	7,465.6	7,513.6	. .	. .	. .	. .	. .
Agricultural Services	2,010.8	2,236.4	2,026.8	2,950.6	3,851.0	. .	. .	. .	. .	. .
Other Services	3,810.4	4,343.6	4,997.0	5,449.3	5,353.6	. .	. .	. .	. .	. .
TOTAL	56,883.8	70,381.5	83,074.8	88,908.7	95,070.8	14,695.8	14,857.2	14,974.5	15,077.9	15,181.9
TOTAL MONETARY ECONOMY	436,626.2	522,384.4	579,109.9	622,160.9	655,959.1	92,736.6	94,910.0	96,576.5	97,944.6	97,530.7
TOTAL NON-MONETARY AND MONETARY ECONOMY	449,621.4	536,264.2	593,352.7	637,361.7	672,219.3	98,151.8	100,472.8	102,252.7	103,701.5	103,356.6
ESTIMATED POPULATION (million)	26.3	27.1	27.9	28.7	29.3	26.3	27.1	27.9	28.7	29.3
GROSS DOMESTIC PRODUCT PER CAPITA KS	17,095.9	19,788.3	21,267.1	22,207.7	22,942.6	3,732.0	3,707.5	3,665.0	3,613.3	3,527.5

* Revised

** Provisional

Table 2.2: Growth of Gross Domestic Product, 1996 - 2000

Percentages

	Current Prices					Constant (1982) Prices				
	1996-97	1997-98*	1998-99*	1999-00**	1996-00***	1996-97	1997-98*	1998-99*	1999-00**	1996-00***
A. NON-MONETARY ECONOMY										
Forestry	2.1	4.4	1.7	2.3	2.7	2.7	1.3	1.4	1.1	1.6
Fishing	22.8	-1.2	0.3	1.6	5.5	3.5	0.7	0.5	-0.9	0.9
Building and Construction	2.5	1.4	2.8	2.6	2.3	1.2	0.1	0.1	0.5	0.5
Water Collection	6.2	5.6	6.2	6.1	6.0	3.6	4.1	2.5	2.5	3.2
Ownership of Dwellings	9.2	2.1	9.2	9.4	7.4	3.5	3.0	2.0	1.4	2.5
TOTAL NON-MONETARY ECONOMY	6.8	2.6	6.7	7.0	5.8	2.7	2.0	1.4	1.2	1.8
B. MONETARY ECONOMY										
1.Enterprises and Non-Profit Institutions										
Agriculture	10.7	7.3	-5.5	-11.1	0.0	1.0	1.5	1.2	-2.4	0.3
Forestry	13.8	5.3	5.2	5.0	7.2	3.0	3.1	2.5	-2.0	1.6
Fishing	23.5	-3.0	-0.1	1.7	5.0	6.7	1.6	1.1	-2.1	1.8
Mining and Quarrying	10.0	1.0	20.7	15.0	11.4	1.3	1.4	2.1	0.9	1.4
Manufacturing	14.3	20.8	19.0	12.0	16.5	1.9	1.4	1.0	-1.5	0.7
Building and Construction	6.8	14.0	14.3	8.2	10.8	1.9	1.3	0.9	-1.5	0.6
Electricity and Water	10.0	12.5	5.7	2.7	7.7	4.0	2.5	1.5	-4.1	0.9
Trade, Restaurants and Hotels	32.5	12.4	11.2	9.4	16.0	4.0	2.3	2.0	1.0	2.3
Transport, Storage and Communications	17.9	3.4	5.5	9.4	8.9	2.0	1.2	1.4	2.0	1.6
Finance, Insurance, Real Estate and Business Services	23.4	9.1	1.4	-8.3	5.8	5.3	3.2	2.0	0.4	2.7
Ownership of Dwellings	12.0	6.6	9.0	11.5	9.8	3.5	2.0	1.6	1.4	2.1
Other Services	22.0	18.8	17.2	19.3	19.3	2.1	1.8	2.0	0.5	1.6
Less:Imputed bank service charges.	8.8	19.9	-10.5	-27.1	-3.9	3.8	3.2	2.3	1.2	2.6
TOTAL	19.2	9.8	7.5	5.1	10.3	2.5	1.8	1.4	-0.7	1.2
2.Private Households (Domestic Services)	8.6	8.7	8.7	8.7	8.7	5.8	5.7	4.6	2.4	4.6
3.Producers of Government Services						..	..	..	..	..
Public Administration	15.7	14.5	-17.3	7.7	4.2	..	..	..	..	..
Defence	6.5	1.1	23.1	23.5	13.1	..	..	..	..	..
Education	30.8	23.8	12.5	6.7	18.1	..	..	..	..	..
Health	18.9	5.0	15.0	0.6	9.6	..	..	..	..	..
Agricutural Services	11.2	-9.4	45.6	30.5	17.6	..	..	..	..	..
Other Services	14.0	15.0	9.1	-1.8	8.9					
TOTAL	23.7	18.0	7.0	6.9	13.7	1.1	0.8	0.7	0.7	0.8
TOTAL MONETARY ECONOMY	19.6	10.9	7.4	5.4	10.7	2.3	1.8	1.4	-0.4	1.3
TOTAL NON-MONETARY AND MONETARY ECONOMY	19.3	10.6	7.4	5.5	10.6	2.4	1.8	1.4	-0.3	1.3
GROSS DOMESTIC PRODUCT PER CAPITA	15.9	7.5	4.4	3.2	7.6	-0.6	-1.1	-1.5	-2.4	-1.4

* Revised

** Provisional

*** Average annual change

Table 2.3 Production Accounts, 1999 and 2000

KSh million

	1999*					2000**				
			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	18,836.00	3,635.20	15,200.80	121.20	15,079.60	20,573.99	4,313.79	16,260.20	130.42	16,129.78
B. MONETARY ECONOMY										
1.Enterprises and Non-Profit Institutions										
Agriculture	155,574.00	15,638.00	139,936.00	17,856.80	122,079.20	140,189.00	15,778.00	124,411.00	18,279.20	106,131.80
Forestry	6,428.00	788.60	5,639.40	3,450.00	2,189.40	6,683.25	761.25	5,922.00	4,504.73	1,417.27
Fishing	1,757.20	120.80	1,636.40	439.40	1,197.00	1,740.13	75.33	1,664.80	511.74	1,153.06
Mining and Quarrying	3,794.60	2,800.80	993.80	501.20	492.60	4,363.60	3,220.73	1,142.87	609.60	533.27
Manufacturing	742,492.00	663,957.26	78,534.74	32,348.00	46,186.74	661,200.00	573,226.38	87,973.62	37,700.00	50,273.62
Building and Construction	43,214.00	18,744.00	24,470.00	17,139.40	7,330.60	47,103.40	20,637.20	26,466.20	18,671.20	7,795.00
Electricity and Water	20,171.80	14,416.00	5,755.80	4,459.60	1,296.20	20,783.80	14,870.87	5,912.93	4,477.80	1,435.13
Trade, Restaurants and Hotels	271,859.80	134,543.40	137,316.40	51,647.80	85,668.60	297,471.60	147,218.60	150,253.00	62,267.40	87,985.60
Transport, Storage and Communications	84,222.00	38,605.20	45,616.80	14,253.00	31,363.80	96,203.00	46,311.00	49,892.00	16,269.60	33,622.40
Finance, Insurance, Real Estate and Business Services	97,057.00	20,979.00	76,078.00	30,131.00	45,947.00	92,772.00	23,022.00	69,750.00	33,328.00	36,422.00
Ownership of Dwellings	26,926.00	2,557.20	24,368.80	0.00	24,368.80	30,031.00	2,853.40	27,177.60	0.00	27,177.60
Other Services	60,430.60	32,640.20	27,790.40	20,344.60	7,445.80	71,912.41	38,760.81	33,151.60	23,961.14	9,190.46
Less: Imputed Bank Service Charges ..	0.00	42,178.00	-42,178.00	0.00	-42,178.00	0.00	30,758.00	-30,758.00	0.00	-30,758.00
TOTAL	1,513,927.00	987,968.46	525,958.54	192,570.80	333,387.74	1,470,453.19	917,493.57	552,959.62	220,580.41	332,379.21
2.Private Households (Domestic Services)..	7,293.60	0.00	7,293.60	7,293.60	0.00	7,928.60	0.00	7,928.60	7,928.60	0.00
3.Producers of Government Services	125,873.30	36,964.58	88,908.72	88,597.54	311.18	140,957.34	45,886.50	95,070.84	94,597.67	473.17
TOTAL MONETARY ECONOMY	1,647,093.90	1,024,933.04	622,160.86	288,461.94	333,698.92	1,619,339.13	963,380.07	655,959.06	323,106.68	332,852.38
TOTAL MONETARY AND NON-MONETARY ECONOMY	1,665,929.90	1,028,568.24	637,361.66	288,583.14	348,778.52	1,639,913.12	967,693.86	672,219.26	323,237.10	348,982.16

* Revised

** Provisional

**' Including consumption of fixed capital.

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

2.12. **Horticulture**: The volume of horticultural exports remained around the 1999 level of 99,000 tonnes. The stagnation was mainly as a result of a drop in output from small-scale producers due to drought as well as other effects of drought and poor infrastructure, especially the rural feeder roads and limited cargo capacity for cut flowers. The value of horticultural exports thus declined by 2.1 per cent.

Manufacturing

2.13. The drought severely affected the manufacturing sector which had to contend with reduced power supply, especially in the second half of 2000. In addition, the structural weaknesses did not augur well for the sector. The producers resorted to increased use of generators. This led to reduced plant capacity utilization, output, loss of jobs, increase in production costs which were passed on to consumers. As a result real output declined by 1.5 per cent.

2.14. Agro-based industries were worst-hit by the severe weather, experiencing heavy declines in grain milling, bakery products and sugar industry. However the output of plastic products and petroleum industries continued to expand as a result of increased domestic demand. Beverage and leather industries however recorded growth rates of 7.2 per cent and 12.3 per cent respectively.

Transport, Storage and Communications

2.15. This sector recorded growth in gross output of 14.2 per cent at current prices in 2000. The value of output in road transport sub-sector recorded a growth of 15.9 per cent in 2000. The expansion may be attributed to freight road transport, which was responsible for distribution of relief food. The number of newly registered motor vehicles declined for the second year running. This was due to economic decline and introduction of anti-dumping tax by the government in the 2000/2001 budget. Dealers in new motor vehicles also continued recording declining sales. This reflects continuing trend in reliance on used vehicles that are more affordable to the majority of the people.

2.16. Cargo landed at Mombasa harbour increased by 11.9 per cent. This is mainly attributable to food imports necessitated by drought. In addition, there was a 26 per cent increase in fuel imports, mostly as inputs for generating electrical power. Cargo loaded through the harbour, however, declined by 11.7 per cent. Kenya Railways recorded a 9.1 per cent increase in freight handled as a result of the rise of cargo destined to Uganda, Northern Tanzania and the Great Lakes Region.

2.17. The liberalization of the telecommunication sector encouraged tremendous expansion and growth in the industry. The entry of a second mobile phone operator resulted in the number of subscribers rising to 85,000 by the end of 2000. The year also witnessed tremendous reduction in tariffs. The value of output for the sub-sector expanded by KSh 4,138 million in 2000.

Trade, Restaurants and Hotels

2.18. The sector has increased its share of GDP from 12.2 per cent in 1996 to 12.7 per cent in 2000 as shown in Table 2.4. The economy has been experiencing a shift from high to low value-adding activities. This is further aggravated by high imports of finished products that are cheaper than domestically produced ones. In 2000, low aggregate demand, attributable to decline in wage employment constrained the sector. The sector benefits from tourism sector performance, which cuts across all other sectors. In addition growth in tourism implies positive forward and backward

linkages. In 2000 the foreign exchange receipts in tourism declined although the bed occupancy rate went up as a result of improvement in domestic tourism. In real terms, the Trade, Restaurants and Hotels sector grew by 1.0 per cent.

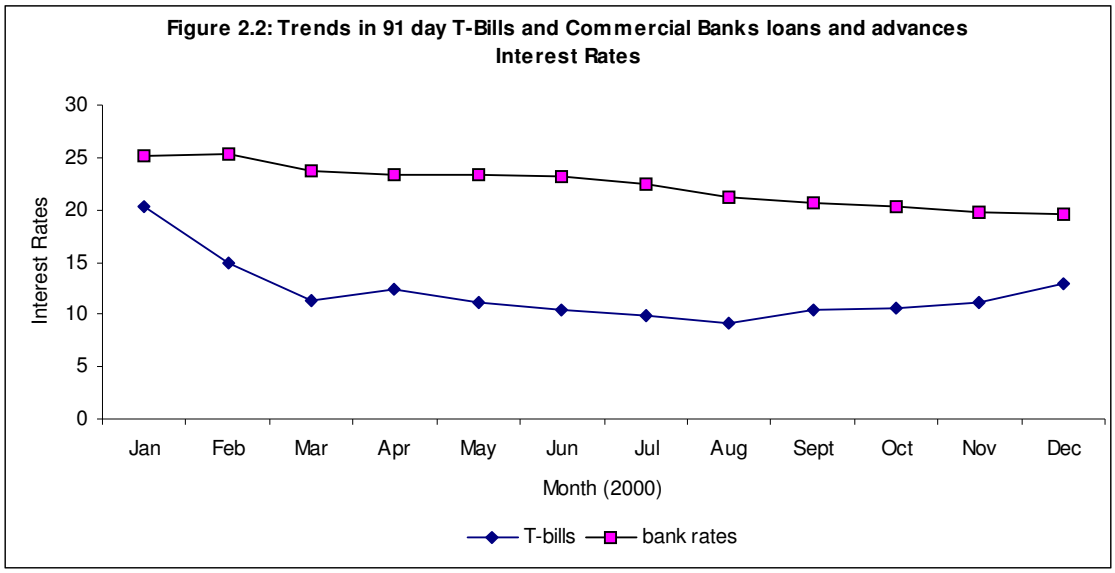
Producer of Government Services

2.19. The GDP growth generated by producers of Government services contracted from 23.7 per cent in 1996 to 6.9 per cent in 2000. This is in line with government's aim of reducing recurrent expenditure. The observed increase in expenditure in 2000 was attributed to the implementation of the Civil Service Reform Programme that enhanced house allowances for civil servants and took on board teachers' salary awards. Much of the public expenditure allocations continued to go to the Social Sector with education taking 63 per cent of the total expenditure.

Finance, Insurance, Real Estate and Business Services

2.20. The financial sector was relatively stable although one bank was placed under liquidation. The number of Non-Bank Financial Institutions fell from 11 to 7. The greatest challenge in the period for the banking institutions was non-performing loans that constituted 39 per cent of loan portfolio, amounting to approximately KSh 117,000 million in December 2000.

2.21. Domestic interest rates were on the decline for the better part of 2000. The 91 day T-Bill rate dropped from 20.3 per cent in January to 10.4 per cent in September although interest rates picked up in the fourth quarter to settle at 12.9 per cent at the close of the year. This upward trend was due to increased domestic borrowing by the government to meet its expenditure requirements as a consequence of revenue shortfall arising from among other factors, delays in realizing income from planned privatization activities and temporary suspension of IMF/WB disbursements to Kenya. Interest rates offered by commercial banks on saving deposits dropped from 6.2 per cent in 1999 to 4.5 per cent in 2000.



2.22. The shilling depreciated by 6.5 per cent to KSh 79 to the dollar by December 2000. The decline resulted from high demand to meet oil prices amid reduced export earnings. The average official forex reserves held by Central Bank of Kenya

marginally increased to 3.4 months imports cover in 2000 compared with 3.1 months cover in 1999.

2.23. The bond market was dominated by Government Bonds amounting to KSh 2,780 million. Corporate Bonds increased by two issues from the East African Development Bank and Shelter Afrique. Commercial paper worth KSh 600 million was also issued.

2.24. The insurance sub-sector had to contend with increased claims from clients in 2000. As a result, the industry revised its premiums upwards especially for the public service vehicles (matatus). The 2000/2001 Budget speech proposed amendments to the Insurance Act to raise paid up capital for brokers from KSh 500,000 to KSh 1,000,000 for general business insurance to KSh 100 million and KSh 50 million for the life business. This also added to the upward pressure on the premiums charged.

Building and Construction

2.25. This sector is mainly driven by infrastructure development. Except for the on going road repair and minor construction works, no major works were undertaken by the government. The sector was characterized by low level of investment in housing, roads and civil works. Loans to the sector contracted by about KSh 1,500 million in 2000, which worsened the sector performance. Private sector activities contracted, as these are dependent on government activities.

Table 2.4: Gross Domestic Product Sector Shares at Constant (1982) Prices, 1996 - 2000

Percentage

	1996	1997	1998*	1999*	2000**
A. NON-MONETARY ECONOMY					
Forestry	0.7	0.7	0.7	0.7	0.7
Fishing	0.0	0.0	0.0	0.0	0.0
Building and Construction	1.6	1.6	1.6	1.6	1.6
Water Collection	0.6	0.6	0.6	0.6	0.6
Ownership of Dwellings	2.5	2.6	2.6	2.6	2.7
TOTAL NON-MONETARY ECONOMY	5.5	5.5	5.6	5.6	5.6
B. MONETARY ECONOMY					
1. Enterprises and Non-Profit Institutions					
Agriculture	25.0	24.6	24.6	24.5	24.0
Forestry	1.3	1.3	1.4	1.4	1.3
Fishing	0.3	0.3	0.3	0.3	0.3
Mining and Quarrying	0.2	0.2	0.2	0.2	0.2
Manufacturing	13.4	13.3	13.3	13.2	13.1
Building and Construction	2.5	2.5	2.5	2.4	2.4
Electricity and Water	1.0	1.0	1.0	1.0	1.0
Trade, Restaurants and Hotels	12.2	12.3	12.4	12.5	12.7
Transport, Storage and Communications	6.0	6.0	6.0	6.0	6.1
Finance, Insurance, Real Estate and Business Services	10.0	10.3	10.5	10.5	10.6
Ownership of Dwellings	5.5	5.6	5.6	5.6	5.7
Other Services	3.4	3.4	3.4	3.4	3.5
Less: Imputed Bank Service Charges	-3.9	-4.0	-4.0	-4.0	-4.1
TOTAL	77.0	77.0	77.1	77.1	76.8
2. Private Households (Domestic Services)	2.5	2.6	2.7	2.8	2.9
3. Producers of Government Services	15.0	14.8	14.9	14.5	14.7
TOTAL MONETARY ECONOMY	94.5	94.5	94.4	94.4	94.4
TOTAL MONETARY & NON-MONETARY ECONOMY	100.0	100.0	100.0	100.0	100.0

* Revised.

** Provisional.

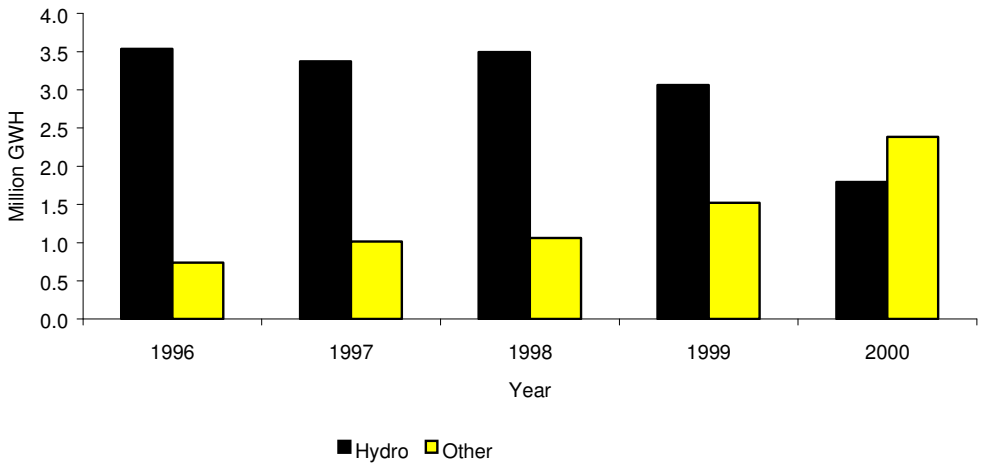
2.26. With limited building and construction activities, cement consumption was depressed resulting in production and consumption declines of 16.2 per cent each. The value of building plans approved fell further to KSh 9,975 million in 2000 from KSh 11,130 million in 1999. Completed building works by the private sector fell from KSh 1,465 million in 1996 to KSh 994 million in 2000. The real value added of the sector declined by 1.5 per cent.

Electricity and Water

2.27. The sector experienced an extremely difficult year. Hydro electricity power generation has declined since 1998. The drought that began in 1999 aggravated the situation and to a large extent the power generation stations operated below capacity.

2.28. In light of the problems facing the electricity generation, transmission and distribution, the government took several measures to meet national demand. These included installation of emergency generators acquired through World Bank funding. Independent power producers increased generation by nearly double from 420 GWH to 817 GWH in 2000. Other measures included the diversification of power generation and a review of electricity regulations. Work continued with on-going construction of electricity production plants, which include Kipevu II, Olkaria III and Sondu Miriu whose completion is expected to significantly boost the total power supply.

Figure 2.3: Generation of Electric Power, 1996 – 2000



2.29. Total generation fell by 8.8 per cent. This was mainly due to a drop in hydro-electric power of 41.4 per cent. This was the highest fall in the last 5 years. Other sources of power generation i.e. Independent Power Producers (IPP) and Emergency Generators stepped up generation to meet the deficit, albeit at a higher cost . See Figure 2.3 above .

2.30. Power outages, which were experienced in 1999, shifted to rationing especially in major towns. Consequently, the sector recorded a negative 4.1 per cent contraction in 2000.

Terms of Trade Impact on Per Capita Income

2.31. Real per capita incomes have continued to decline in the last 2 years as shown in Table 2.5. The aggregate measure is largely affected by the relative prices of imports and exports. In 2000, the adjusted terms of trade declined further by KSh 154.7 million. This was largely due to the higher growth in import prices especially petroleum prices and sharp fall in coffee prices. Adjusting GDP for the effects of terms of trade, the per capita income declined further by 2.5 per cent in 2000.

Table 2.5: Impact of Commodity Terms of Trade on Per Capita GDP, 1996 - 2000

		1996	1997	1998*	1999*	2000**
1	Unadjusted GDP at constant Factor Cost (KSh Million)	98,151.8	100,472.8	102,252.7	103,701.5	103,356.6
2	Adjustment for changes in terms of trade (KSh Million)	-2,432.8	480.9	45.5	-5,500.7	-5,655.4
3	Adjusted GDP (KSh Million)	95,719.0	100,953.7	102,298.2	98,200.8	97,701.2
4	Population (millions)	26.3	27.1	27.9	28.7	29.3
5	Unadjusted per capita GDP (KSh)	3,732.0	3,707.5	3,665.0	3,613.3	3,527.5
6	Adjusted per capita GDP (KSh)	3,639.5	3,725.2	3,666.6	3,421.6	3,334.5
7	Growth in unadjusted per capita GDP*** ..	0.5	-0.6	-1.1	-1.5	-2.4
8	Growth in adjusted per capita GDP***	-0.5	2.4	-1.6	-6.7	-2.5

* Revised.

** Provisional.

*** Revised on account of new population projection figures.

Use of Resources

2.32. Total resources available for domestic consumption and investment expanded by KSh 83,314 million, equivalent to 10.6 per cent growth in 2000 (see Table 2.6). Indirect tax collections recorded a total of KSh 116,897 million compared to KSh 103,088 million in 1999. The continuous efforts to enhance audit capacity, tightening policies and procedures for tax exemption by KRA has improved on tax collection, as has the expansion in the tax base. The GDP at market prices recorded a slow growth of 6.6 per cent in 2000. Similarly the total share of GDP at market prices to total resources available declined from 95.8 per cent in 1995 to 91.6 per cent in 2000.

2.33. The import surplus nearly doubled from KSh 43,539 million to KSh 78,267 million largely on account of drought related imports of food and electrical power generators. Other major imports included sugar and wheat, which went up by 101.4 per cent and 89 per cent respectively.

Table 2.6: Total use of Resources at Current Prices, 1996 - 2000

KSh million

	1996	1997	1998*	1999*	2000**
G.D.P. at Factor Cost	449,621.4	536,264.3	593,352.7	637,361.7	672,219.3
Of which:					
Non-Monetary	12,995.2	13,879.8	14,242.8	15,200.8	16,260.2
Monetary	436,626.2	522,384.5	579,109.9	622,160.9	655,959.1
Indirect Taxes ..	79,118.9	87,001.5	97,539.2	103,087.7	116,897.8
Subsidies ..	0.8	30.7	49.8	119.4	200.1
G.D.P. at Market Prices ..	528,739.5	623,235.1	690,842.1	740,330.0	788,917.0
+ Import of goods and non-factor services ..	195,154.6	220,768.6	224,771.9	232,232.6	287,066.7
- Export of goods and non-factor services ..	172,459.2	174,846.2	171,894.7	188,693.1	208,799.8
= Import Surplus ..	22,695.4	45,922.4	52,877.1	43,539.5	78,267.0
Total Resources available for Domestic Investment and Consumption ..	551,434.9	669,157.5	743,719.2	783,869.5	867,183.9
Gross Fixed Capital Formation ..	104,469.6	109,869.9	113,858.0	112,923.1	116,555.2
Change in Stocks	3,000.0	5,400.0	6,210.0	7,141.5	6,141.7
Gross Investment	107,469.6	115,269.9	120,068.0	120,064.6	122,696.9
Public Consumption	84,523.4	100,711.6	113,568.4	125,943.0	142,133.6
Private Consumption	359,441.9	453,176.0	510,082.8	537,861.9	602,353.4
Total Consumption	443,965.3	553,887.6	623,651.2	663,804.9	744,487.0

* Revised.

** Provisional.

2.34. Consumption trends portrayed a worrying picture. Per capita consumption has generally over the years been growing faster than per capita incomes, which implies rapid disinvestments, leading to lower growth in the long run. In the year 2000, per capita consumption grew by 9.1 per cent while unadjusted per capita GDP grew by 3.2 per cent. Public consumption expanded by KSh 16,190 million. This expansion was recorded in education and defence sub sectors. Private consumption increased by 12.0 per cent; a much faster growth than that recorded in 1999.

Financing of Capital Formation

2.35. Gross Fixed Capital Formation (GFCF) recorded a 2.2 per cent growth. Financing of fixed capital formation is supported by three components; grants from abroad, net borrowing and domestic savings. Domestic savings drastically fell from KSh 79,617 million to KSh 61,935 million in 2000 and the contribution of domestic savings to financing of capital formation declined from 66.3 per cent in 1999 to 50.5 per cent in 2000 as shown in Table 2.7. Grants from Multilateral and Bilateral partners accounted for 39.5 per cent of the financing. Grants expanded by KSh 15,457 million in 2000.

Table 2.7: Financing of Capital Formation, 1996 - 2000

KSh million

	1996	1997	1998*	1999*	2000**
GROSS CAPITAL FORMATION:					
Gross Fixed Capital Formation	104,469.6	109,869.9	113,858.0	112,923.1	116,555.2
Changes in Stocks	3,000.0	5,400.0	6,210.0	7,141.5	6,141.7
TOTAL	107,469.6	115,269.9	120,068.0	120,064.6	122,696.9
FINANCING:					
Grants from Abroad	1,104.9	23,202.2	23,913.3	33,023.4	48,480.5
Net borrowing from Abroad	209.9	26,829.2	28,688.0	7,424.0	12,281.0
Domestic Saving	106,154.7	65,238.5	67,466.7	79,617.2	61,935.4
TOTAL	107,469.6	115,269.9	120,068.0	120,064.6	122,696.9

* Revised.

** Provisional.

Factor Incomes and Gross National Product (GNP)

2.36. Remuneration of employees expanded by 12.0 per cent in 2000. Employees in the public service received a 6.8 per cent growth in factor incomes. The share of total remuneration to Gross National Product (GNP) has grown from 35.2 per cent in 1996 to 41.5 per cent in 2000 (see in Table 2.8). The share of other operating surplus (including depreciation) has declined from 45.8 per cent in 1996 to 39.3 per cent in 2000, implying reduced corporate profits in the same period. Factor incomes paid abroad rose marginally from KSh 13,426 million to KSh 13,566 million. This was 1.0 per cent growth compared to 3.6 per cent in 1999. Investment abroad impacted positively on factor incomes received which grew by 53.6 per cent.

2.37. The overall recession that has plagued the Kenyan economy since 1995 is also reflected in the trend of Gross National Product. In 2000, GNP recorded a slow growth of 6.8 per cent.

Table 2.8: Gross National Product at Current Prices 1996- 2000

KSh million

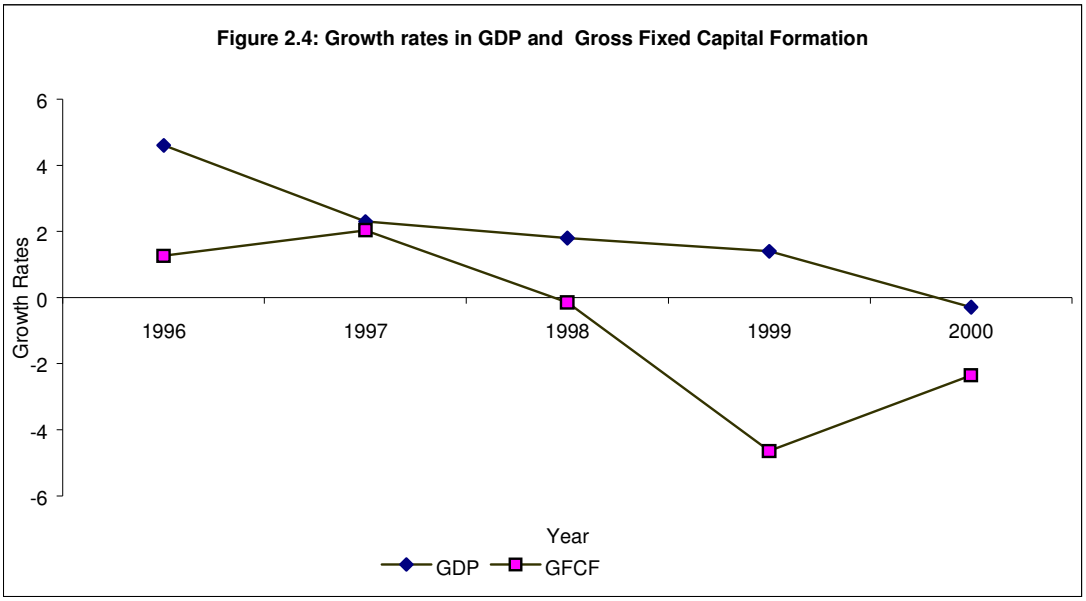
	1996	1997	1998*	1999*	2000**
FACTOR INCOMES:					
A. Non-Monetary Economy ..	12,995.2	13,879.8	14,242.8	15,200.8	16,260.2
B. 1. Remuneration of Employees :					
Enterprises	118,949.2	146,503.2	170,611.3	192,570.8	220,580.4
Private Households	5,683.4	6,174.8	6,710.2	7,293.6	7,928.6
Producers of Government Services	57,023.8	68,989.0	82,190.2	88,597.5	94,597.7
TOTAL	181,656.4	221,667.0	259,511.7	288,461.9	323,106.7
2. Rental Surplus (excluding depreciation)	18,722.0	20,968.6	22,352.6	24,368.8	27,177.6
3. Other Operating Surplus (including depreciation)	236,247.8	279,748.8	297,245.5	309,330.1	305,674.8
TOTAL MONETARY ECONOMY	436,626.2	522,384.5	579,109.9	622,160.9	655,959.1
TOTAL FACTOR INCOMES = GROSS DOMESTIC PRODUCT (AT FACTOR COST)	449,621.4	536,264.3	593,352.7	637,361.7	672,219.3
Add:Indirect Taxes	79,118.9	87,001.5	97,539.2	103,087.7	116,897.8
Deduct:Subsidies	0.8	30.7	49.8	119.4	200.1
GROSS DOMESTIC PRODUCT AT MARKET PRICES	528,739.5	623,235.1	690,842.1	740,330.0	788,917.0
Add: Factor Incomes Received From Abroad	1,224.8	1,350.0	2,490.4	2,230.0	3,426.0
Deduct: Factor Incomes Paid Abroad	13,834.4	14,973.2	12,958.4	13,425.8	13,565.7
GROSS NATIONAL PRODUCT ..	516,129.9	609,611.9	680,374.1	729,134.2	778,777.3

* Revised.

** Provisional.

Gross Fixed Capital Formation

2.38. Real capital formation declined for the third year in a row. Private sector fixed capital formation declined by 4.6 per cent as a result of dampened domestic economy and reduced government expenditure on development projects. There were significant imports of machinery and transport equipment. The transport and communication sector benefited greatly from investments of the mobile telephone industry sector that is estimated to have invested at least KSh 13,000 million (see Table 2.9 and 2.10).



2.39. Apart from "Plant Machinery and Equipment" and "Other Construction", investment in all other assets recorded declines. Importation of equipment for power generation was the main factor contributing to the growth in "Plant Machinery and Equipment". While on-going road rehabilitation contributed to growth in "Other Construction".

Table 2.9 Gross Fixed Capital Formation by Type of Asset, 1996 - 2000

KSh million

	Current Prices					Constant (1982) Prices				
	1996	1997	1998*	1999*	2000**	1996	1997	1998*	1999*	2000**
DWELLINGS:										
PRIVATE:										
Non-Monetary	2,987.20	3,083.60	3,146.88	3,178.26	3,159.20	583.00	581.80	572.16	564.52	533.56
Monetary	594.20	774.60	670.20	594.10	653.52	112.20	146.20	121.86	105.52	110.38
TOTAL	3,581.40	3,858.20	3,817.08	3,772.36	3,812.72	695.20	728.00	694.02	670.04	643.94
PUBLIC	1,870.00	1,670.00	1,403.00	1,496.06	1,547.18	352.80	315.20	255.10	265.74	261.30
TOTAL	5,451.40	5,528.20	5,220.08	5,268.42	5,359.90	1,048.00	1,043.20	949.12	935.78	905.24
NON-RESIDENTIAL BUILDINGS:										
PRIVATE	912.20	988.00	1,045.40	1,482.60	1,488.92	149.60	173.20	180.24	249.60	239.76
PUBLIC	8,777.60	9,389.86	8,675.55	8,055.16	7,455.16	1,439.40	1,647.34	1,495.80	1,356.08	1,200.50
TOTAL	9,689.80	10,377.86	9,720.95	9,537.76	8,944.08	1,589.00	1,820.54	1,676.04	1,605.68	1,440.26
OTHER CONSTRUCTION WORKS:										
PRIVATE	8,572.00	8,052.40	8,780.42	9,580.46	9,215.72	1,577.20	1,610.40	1,656.70	1,716.92	1,521.76
PUBLIC	17,157.60	17,246.02	17,080.92	18,114.60	20,877.86	3,157.00	3,449.20	3,222.82	3,246.34	3,447.46
TOTAL	25,729.60	25,298.42	25,861.34	27,695.06	30,093.58	4,734.20	5,059.60	4,879.52	4,963.26	4,969.22
LAND IMPROVEMENT AND PLANTATION DEVELOPMENT										
PRIVATE	367.20	452.60	538.34	467.14	485.82	66.40	80.54	92.02	76.08	73.38
PUBLIC	80.60	66.40	26.92	3.16	0.24	14.56	11.82	4.60	0.52	0.04
TOTAL	447.80	519.00	565.26	470.30	486.06	80.96	92.36	96.62	76.60	73.42
TRANSPORT EQUIPMENT:										
PRIVATE	11,331.60	11,798.68	14,222.42	13,965.58	13,982.38	2,012.59	1,966.45	2,293.93	2,185.55	2,086.61
PUBLIC	2,685.20	3,241.42	3,561.22	2,989.14	2,602.20	477.00	540.24	574.40	467.78	388.34
TOTAL	14,016.80	15,040.10	17,783.66	16,954.72	16,584.58	2,489.60	2,506.68	2,868.34	2,653.32	2,474.96
MACHINERY AND OTHER EQUIPMENT:										
PRIVATE	40,029.40	42,818.40	43,707.41	42,476.02	43,204.08	7,109.39	6,872.95	6,829.27	6,330.27	6,150.91
PUBLIC	9,064.80	10,247.94	10,959.32	10,480.86	11,842.90	1,610.00	1,644.94	1,712.40	1,561.98	1,686.06
TOTAL	49,094.20	53,066.34	54,666.73	52,956.88	55,046.98	8,719.40	8,517.88	8,541.68	7,892.24	7,836.98
BREEDING STOCK AND DAIRY CATTLE:										
PRIVATE	40.00	40.00	40.00	40.00	40.00	40.00	6.75	6.54	6.28	5.95
TOTAL:										
Non-Monetary Dwellings	2987.2	3083.6	3146.88	3178.26	3,159.20	583	581.8	572.16	564.52	533.56
Other	61,846.60	64,924.68	69,004.19	68,605.90	69,070.44	11,067.40	10889.72	11214.04	10703.92	10222.82
TOTAL PRIVATE	64,833.80	68,008.28	72,151.07	71,784.16	72,229.64	11,650.38	11438.29	11752.72	11234.74	10722.31
TOTAL PUBLIC***	39,635.80	41,861.64	41,706.93	41,138.98	44,325.54	7,050.76	7,608.74	7,265.12	6,898.44	6,983.70
TOTAL PRIVATE AND PUBLIC	104,469.60	109,869.92	113,858.00	112,923.14	116,555.18	18,701.14	19,047.03	19,017.84	18,133.18	17,706.01

* Revised

** Provisional.

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

Table 2.10 Gross Fixed Capital Formation by Industry, 1996 - 2000

KSh million

	Current Prices					Constant (1982) Prices				
	1996	1997	1998*	1999*	2000**	1996	1997	1998*	1999*	2000**
A. NON-MONETARY ECONOMY:										
Non-Monetary Dwellings	2,987.20	3,083.60	3,146.88	3,178.26	3,159.20	583.00	581.80	572.16	564.52	533.56
B. MONETARY ECONOMY:										
Enterprises and Non-Profit Institutions:										
Agriculture	6,795.00	6,863.88	8,004.80	7,693.80	8,278.74	1,240.10	1,134.07	1,278.86	1,176.56	1,209.03
Forestry	101.40	127.96	113.10	20.10	35.00	18.40	20.68	21.30	3.54	5.72
Fishing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mining and Quarrying	741.20	876.84	972.06	1,082.46	1,087.20	131.62	141.04	152.48	163.72	156.56
Manufacturing	23,457.80	24,202.80	25,118.06	23,868.98	23,977.64	4,194.04	4,039.74	4,041.92	3,687.44	3,475.52
Building and Construction	6,030.00	8,048.76	8,129.58	8,447.60	10,634.98	1,074.22	1,143.78	1,373.22	1,291.80	1,671.12
Electricity and Water	7,837.20	6,982.60	8,526.60	8,358.14	9,243.30	1,416.86	1,469.70	1,395.58	1,367.74	1,380.02
Trade, Restaurants and Hotels	3,391.40	3,846.30	3,657.18	3,755.58	3,504.96	594.32	636.66	588.46	581.02	511.04
Transport,Storage and Communications	23,813.60	25,097.44	25,264.80	25,619.98	24,383.44	4,235.84	4,353.66	4,208.32	4,119.58	3,760.32
Finance,Insurance,Real Estate and Business Services	4,485.00	4,831.04	4,889.96	5,114.46	5,212.44	779.48	831.90	862.82	838.94	812.94
Ownership of Dwellings	2,616.80	2,812.28	2,395.30	2,374.12	2,394.70	492.06	520.26	427.50	414.38	390.44
Other Services	3,400.40	3,622.26	4,526.84	4,769.54	5,284.36	601.74	584.08	715.50	729.32	764.20
TOTAL	82,669.80	87,312.16	91,598.28	91,104.76	94,036.76	14,778.68	14,875.57	15,065.96	14,374.04	14,136.91
Producers of Government Services										
Public Administration	7,117.60	7,827.96	7,093.38	6,518.80	6,078.80	1,258.40	1,447.72	1,204.94	1,090.84	942.56
Defence	0.00	0.00	0.00	0.00	0.00	-	-	-	-	-
Education	2,794.00	2,461.42	2,066.52	1,956.60	2,054.78	490.66	422.48	346.26	311.58	303.66
Health	1,892.00	2,512.78	2,654.72	2,769.22	2,937.46	337.18	456.88	482.40	482.22	477.42
Agricultural Services	3,253.60	2,672.72	2,880.04	2,531.64	2,617.20	591.06	481.66	521.78	446.92	384.14
Other Services	3,755.40	3,999.28	4,418.18	4,863.86	5,670.98	662.16	780.92	824.34	863.06	927.76
TOTAL	18,812.60	19,474.16	19,112.84	18,640.12	19,359.22	3,339.46	3,589.66	3,379.72	3,194.62	3,035.54
NON-MONETARY ECONOMY	2,987.20	3,083.60	3,146.88	3,178.26	3,159.20	583.00	581.80	572.16	564.52	533.56
MONETARY ECONOMY	101,482.40	106,786.32	110,711.14	109,744.88	113,395.98	18,118.14	18,465.23	18,445.68	17,568.66	17,172.45
TOTAL	104,469.60	109,869.92	113,858.00	112,923.14	116,555.18	18,701.14	19,047.03	19,017.84	18,133.18	17,706.01
C. PERCENTAGE RATES OF GROWTH:										
Non-Monetary Economy	6.00	3.23	2.05	1.00	-0.60	5.50	-0.21	-1.66	-1.34	-5.48
Monetary Economy	4.97	5.23	3.68	-0.87	3.33	1.13	1.92	-0.11	-4.75	-2.26
TOTAL	5.00	5.17	3.63	-0.82	3.22	1.26	1.85	-0.15	-4.65	-2.36

* Revised

** Provisional.

CHAPTER 3

SOCIAL SCENE

Central Government expenditure on social services is expected to rise by 8.0 per cent from KSh 62,590.40 million to KSh 67,623.32 million during the 2000/2001 financial year as shown in Table 3.1. Estimated recurrent expenditure increased by

Table 3.1: CENTRAL GOVERNMENT EXPENDITURE ON SOCIAL SERVICES, 1997/98 - 2000/2001

Ksh Million

	1997/98	1998/99*	1999/2000*	2000/2001**
RECURRENT EXPENDITURE-				
Ministry of Education, Science & Technology***	42,434.80	43,241.60	47,599.60	48,768.43
Ministry of Health+	8,841.20	11,911.60	9,335.80	9,304.02
Ministry of Labour and Human Resource Development	236.20	212.80	678.40	907.34
Ministry of Home Affairs, National Heritage and Sports	2,871.40	5,954.40	3,220.40	3,745.90
TOTAL	54,383.60	61,320.40	60,834.20	62,725.69
DEVELOPMENT EXPENDITURE-				
Ministry of Education Science & Technology***	1,610.60	2,166.80	660.20	1,084.37
Ministry of Health+	3,958.20	1,253.00	865.40	2,841.98
Ministry of Labour and Human Resource Development	1.20	1.20	147.00	376.27
Ministry of Home Affairs, National Heritage and Sports	458.00	167.40	83.60	595.01
	6,028.00	3,588.40	1,756.20	4,897.63
TOTAL EXPENDITURE	60,411.60	64,908.80	62,590.40	67,623.32

* Provisional.

** Estimates including supplementaries.

*** Expenditure on the Ministry of Education, Science and Technology includes expenditure on Harambee Institutes of Technology and Youth Polytechnics currently under the Ministry of Labour.

\+ Expenditure on the Ministry of Health includes expenditure on KETRI currently in the Ministry of Agriculture.

3.1 per cent from KSh 60,834.20 million to KSh 62,725.69 million while estimated development expenditure more than doubled to record KSh 4,897.3 million. The education sector continued to dominate recurrent expenditure estimates accounting for 77.7 per cent of the total recurrent expenditure in 2000/2001 while the health sector took the largest share (58.0 per cent) of the development expenditure. Estimated recurrent expenditure formed 92.8 per cent of the total budget for social services in 2000/2001 fiscal year.

3.2 Table 3.2 shows the Local Government expenditure on social services from 1996/97 to 2000/01 fiscal years. The estimated expenditure depicts an upward trend for the last four years. The estimated expenditure on social services went up significantly by 11.8 per cent from KSh 1,822.6 million in 1999/2000, to KSh 2,037.3 million in 2000/2001 with the Health sector recording a significant increase of 28.3 per cent to stand at KSh 1,140.3 million. Other social services recorded a decline of 19.5 per cent. The health and education sectors continue to consume the largest share accounting for 56.0 per cent and 30.3 per cent of the total expenditure respectively.

Table 3.2: LOCAL GOVERNMENT EXPENDITURE ON SOCIAL SERVICES, 1996/97 - 2000/2001

Ksh million

	1996/97	1997/98	1998/99	1999/2000*	2000/2001**
Education	413.20	420.60	582.37	587.00	617.90
Health	613.60	552.00	980.94	889.00	1,140.28
Other Social Services	251.80	300.20	141.00	346.60	279.13
TOTAL EXPENDITURE	1,278.60	1,272.80	1,704.31	1,822.60	2,037.31

* Provisional.

** Estimates.

Education

3.3 The expenditure of the Ministry of Education, Science and Technology from fiscal year 1996/97 to 2000/2001 is presented on Table 3.3. Total expenditure rose by 3.3 per cent from KSh 48,259.80 million in 1999/2000 to KSh 49,852.80 million in 2000/2001. Recurrent expenditure which grew by 2.5 per cent constituted 97.8 per cent of the Ministry's total expenditure. Expenditure on General administration and planning consumed 81.5 per cent to the total recurrent expenditure. The other major consumers of recurrent expenditure were higher education with 12.0 per cent, technical education, 1.8 per cent and primary education, 1.7 per cent. Primary education had the highest increase in expenditure of 68.8 per cent followed by polytechnic education (29.0 per cent). However, there were decreases in recurrent expenditure on pre-primary education by 4.2 per cent and teacher training by 30.2 per cent. Development expenditure recorded an increase of 64.3 per cent from KSh 660.20 million in 1999/2000 to KSh 1, 084.37 million in 2000/2001 with General administration and planning having the highest increase. Technical education had an estimated expenditure of KSh 13.33 million whereas Development expenditure on higher education stood at KSh 47.9 million. Polytechnic and Special Education did not receive development funds.

Table 3.3: EXPENDITURE OF THE MINISTRY OF EDUCATION ,SCIENCE AND TECHNOLOGY, 1996/97 - 2000/2001

KShs million

	1996/97	1997/98	1998/99*	1999/2000*	2000/2001**
RECURRENT EXPENDITURE-					
General Administration and Planning	23,744.20	35,656.60	36,976.80	39,611.80	39,760.76
Pre-Primary Education	8.80	6.80	3.80	6.20	5.94
Primary Education	506.20	279.40	367.40	483.40	816.16
Secondary Education	542.40	319.20	308.60	595.80	697.69
Technical Education+	292.00	446.60	613.60	726.00	875.18
Teacher Training	171.80	196.60	190.20	185.80	129.64
Special Education	54.60	60.20	73.00	81.60	103.19
Polytechnic Education	153.00	187.00	201.60	195.40	252.09
Higher Education***	4,474.40	5,149.40	4,322.20	5,449.80	5,862.89
Miscellaneous	122.80	133.00	184.40	263.80	264.89
TOTAL	30,070.20	42,434.80	43,241.60	47,599.60	48,768.43
DEVELOPMENT EXPENDITURE-					
General Administration and Planning	35.00	21.80	170.00	27.20	473.10
Pre-Primary Education	11.80	45.80	104.00	268.40	271.88
Primary Education	282.80	310.40	160.80	284.80	235.86
Secondary Education	22.60	10.60	14.00	2.40	9.30
Technical Education+.	2.60	2.80	0.60	-	13.33
Teacher Training	339.40	321.20	208.20	2.80	33.00
Special Education	127.00	58.20	0.20	-	-
Polytechnic Education	1.20	-	-	-	-
Higher Education***	489.80	839.80	1,509.00	74.60	47.90
Miscellaneous	-	-	-	-	-
TOTAL	1,312.20	1,610.60	2,166.80	660.20	1,084.37
GROSS TOTAL EXPENDITURE	31,382.40	44,045.40	45,408.40	48,259.80	49,852.80

* Provisional.

** Estimates including supplementaries.

*** Includes expenditure on Universities of Nairobi, Moi , Kenyatta, Jomo Kenyatta University of Agriculture & Technology and Egerton.

\+ Includes Expenditure on Harambee Institutes of Technology and Youth Polytechnics currently under the Ministry of Labour and Human Resource Development.

3.4. The number of educational institutions, as indicated in Table 3.4, showed a 4.0 per cent increase from 46,281 in 1999 to 48,150 in 2000. The number of pre-primary schools increased by 3.4 per cent from 25,429 in 1999 to 26,294 in 2000. Primary schools increased to 18,617 institutions, an increase of 5.6 per cent. The number of Secondary schools rose marginally from 3,197 in 1999 to 3,207 in 2000.

The number of primary school teachers training colleges has been constant for the last two years while that of secondary school colleges remained constant over the years.

Table 3.4: NUMBER OF EDUCATIONAL INSTITUTIONS, 1995 - 2000

Numbers

Category	1995	1996	1997	*1998*	1999	2000*
Schools:						
Pre-Primary	20,186	21,261	23,344	23,977	25,429	26,294
Primary	16,115	16,552	17,080	17,356	17,623	18,617
Secondary	2,878	3,004	3,028	3,057	3,197	3,207
Training Colleges:						
Primary	25	26	27	28	29	29
Secondary+	3	3	3	3	3	3
TOTAL	39,207	40,846	43,482	44,421	46,281	48,150

* Provisional.

\+ Includes Kenya Technical Teachers College

Source : Ministry of Education, Science and Technology

3.5. Enrolment in Pre-primary schools increased by 3.1 per cent from 1,063,883 in 1999 to 1,096,629 in 2000. This is attributed to early childhood development programmes initiated by the Government coupled with population increase. Girls constituted 49.1 per cent of the total enrolment. The teaching force in the schools grew by 5.8 per cent to reach 42,609. Untrained teachers constituted 54.5 per cent of the teaching force in the Pre-primary schools. The pupil/teacher ratio remained constant at 26:1.

3.6. Enrolment in primary schools by sex is shown in Table 3.5. There was a marginal increase of 1.6 per cent in primary schools enrolment, which stood at 5,882,700 pupils, and remained below the level attained in 1998. Enrolment rates tend to reduce as one approaches senior classes. For instance, pupils in Standard One and Eight represented 16.7 per cent and 7.6 per cent of the total enrolment respectively. This indicates a fairly high dropout rate in between these levels. The proportion of girls in the total primary enrolment improved marginally from 49.0 in 1999 to 49.4 in 2000. However, the distribution according to class varies with boys being more than girls in classes 1,2,3 and 8 while the converse is true in classes 4, 5,6 and 7. A total of 4480,996 candidates, of whom 48.4 per cent were girls, were registered for KCPE, reflecting a 5.8 per cent increase compared to the 454,544 registered in 1999.

Table 3.5: PRIMARY SCHOOL ENROLMENT BY STANDARD, 1996 - 2000

'000

	1996		1997		1998		1999		2000*	
Class	Boys	Girls	Boys	Girls	Boys	Girls	Boys	Girls	Boys	Girls
Standard 1	494.2	463.9	498.2	468.2	503.1	473.0	484.4	452.9	497.6	484.9
Standard 2	437.4	414.9	442.9	421.1	460.4	431.1	468.9	412.2	462.7	427.9
Standard 3	397.0	374.7	402.1	370.4	428.2	405.8	416.1	393.1	418.7	373.1
Standard 4	372.9	364.2	379.5	372.4	397.1	390.3	396.0	382.0	397.6	402.2
Standard 5	330.9	330.8	331.7	334.6	351.3	352.3	340.3	344.2	341.7	352.7
Standard 6	297.5	307.0	304.1	312.4	316.2	326.0	310.3	324.8	315.3	322.7
Standard 7	296.2	299.8	301.2	310.9	317.2	331.3	307.1	318.3	316.1	320.3
Standard 8	217.3	199.0	220.5	207.1	221.0	215.3	226.5	214.5	228.4	220.8
TOTAL ..	2,843.4	2,754.3	2,880.2	2,797.1	2,994.5	2,925.1	2,949.6	2,842.0	2,978.1	2,904.6
GRAND TOTAL	5,597.7		5,677.3		5,919.6		5,791.6		5,882.7	

* Provisional.

Source : Ministry of Education, Science and Technology

3.7. Table 3.6 presents enrolment in secondary schools by grade and sex. Enrolment showed a marginal increase of 2.2 per cent from 638,509 students in 1999 to 652,283 students in 2000, but far below the 700,538 students enrolled in 1998. The girls proportion remained constant at 47.0 per cent. Completion rates of the secondary education cycle were slightly lower for girls (75.5 per cent) than boys (79.8 per cent). Out of 182,863 candidates registered for KCSE in 2000, 46.2 per cent were girls. This represented 5.1 per cent increase from 173,930 candidates enrolled in 1999.

Table 3.6: ENROLMENT IN SECONDARY SCHOOLS BY FORM AND SEX, 1995 - 2000

Numbers

	1996		1997		1998		1999		2000*	
Form	Boys	Girls	Boys	Girls	Boys	Girls	Boys	Girls	Boys	Girls
Form 1	97,394	85,917	98,487	88,614	102,449	92,813	86,318	80,434	92,246	84,167
Form 2	93,526	81,444	95,539	86,856	98,066	86,922	92,072	83,392	89,483	80,740
Form 3	83,902	71,924	89,365	79,496	90,293	77,871	83,032	72,811	85,092	75,031
Form 4	78,104	66,042	80,457	68,659	82,632	69,492	75,938	64,512	78,595	66,929
TOTAL	352,926	305,327	363,848	323,625	373,440	327,098	337,360	301,149	345,416	306,867
GRAND TOTAL	658,253		687,473		700,538		638,509		652,283	

* Provisional.

Source : Ministry of Education, Science and Technology

3.8. The number of teachers in primary schools by qualifications and sex is shown in Table 3.7. Total number of teachers reduced by 4.1 per cent from 186,612 in 1999 to 178,900 in 2000. This is explained by the increased natural attrition rate and embargo placed on their recruitment during the last three years. From gender perspective, 75,469 representing 42.2 per cent of the overall teaching force were females. The number of trained teachers stood at 173,006 representing 96.7 per cent of total teaching force at this level, with females constituting 42.5 per cent. The number of pupils per trained teacher increased from 33 in 1999 to 34 in 2000.

3.9. Table 3.8 shows the number of secondary school teachers by qualification and sex. The number of teachers in secondary schools dropped by 1.7 per cent from 40,782 in 1999 to 40,090 in 2000. This may also be attributed to limitations on the recruitment of teachers for the last three years exacerbated by their high rate of natural attrition. Trained teachers numbered 38,997 (97.3 per cent) of the total teaching force at this level, with 35.4 per cent being females, and about two-thirds (61.9 per cent) were university graduates. The near universal training of teachers is consonant with the government policy to take all untrained teachers through in-service training courses. These developments caused the number of students per trained teacher to rise from 16 in 1999 to 17 in 2000.

Table 3.7: NUMBER OF PRIMARY TEACHERS BY QUALIFICATION AND SEX, 1996 - 2000

	1996			1997			1998			1999			2000*		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
TRAINED															
Graduate	21	37	58	17	14	31	-	-	-	97	67	164	130	63	193
Approved	994	610	1,604	1,364	795	2,159	924	727	1,651	1,674	920	2,594	1,733	902	2,635
S1/Diploma	7,873	4,939	12,812	9,993	5,392	15,385	12,363	7,381	19,744	11,550	7,392	18,942	11,335	6,635	17,970
P1	69,042	48,112	117,154	70,017	50,221	120,238	73,311	54,299	127,610	71,147	54,343	125,490	69,338	51,662	121,000
P2	18,128	13,132	31,260	17,809	13,108	30,917	16,544	12,541	29,085	15,502	12,171	27,673	14,683	11,579	26,262
P3	4,050	4,071	8,121	3,474	3,796	7,270	3,158	3,374	6,532	2,513	2,788	5,301	2,261	2,685	4,946
P4	21	25	46	11	23	34	708	406	1,114	-	-	-	-	-	-
TOTAL	100,129	70,926	171,055	102,685	73,349	176,034	107,008	78,728	185,736	102,483	77,681	180,164	99,480	73,526	173,006
UNTRAINED															
KACE	1,027	556	1,583	622	387	1,009	246	71	317	-	-	-	-	-	-
KCE/K CSE	6,006	3,734	9,740	4,940	2,935	7,875	3,501	1,848	5,349	3,511	1,785	5,296	3,350	1,719	5,069
KJSE	954	375	1,329	873	350	1,223	490	156	646	614	239	853	609	216	825
CPE	188	156	344	151	129	280	120	82	202	-	-	-	-	-	-
Other	197	145	342	74	95	169	42	14	56	184	115	299	-	-	-
TOTAL	8,372	4,966	13,338	6,660	3,896	10,556	4,399	2,171	6,570	4,309	2,139	6,448	3,959	1,935	5,894
GRAND TOTAL	108,501	75,892	184,393	109,345	77,245	186,590	111,407	80,899	192,306	106,792	79,820	186,612	103,439	75,461	178,900

* Provisional

* 2000 data does not include teachers on study leave, disciplinary cases and those performing non-teaching duties.

Source : Ministry of Education, Science and Technology

Table 3.8: NUMBER OF SECONDARY TEACHERS BY QUALIFICATION AND SEX, 1996 - 2000

	1996			1997			1998			1999			2000*		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
TRAINED															
Graduate	12,825	7,770	20,595	14,706	8,559	23,265	18,326	11,062	29,388	15,271	9,148	24,419	15,211	8,942	24,153
Approved	1,976	902	2,878	2,237	866	3,103	-		-	3,585	1,637	5,222	3,545	1,616	5,161
S1/Diploma	7,108	3,610	10,718	7,123	3,908	11,031	6,644	3,490	10,134	5,690	2,977	8,667	5,612	2,967	8,579
TECHNICAL	387	163	560	699	171	870	575	203	778	810	305	1,115	805	299	1,104
P1	143	39	182	135	23	158	107	30	137	-	-	-	-	-	-
TOTAL	22,439	12,484	34,933	24,900	13,527	38,427	25,652	14,785	40,437	25,356	14,067	39,423	25,173	13,824	38,997
UNTRAINED															-
Graduate	1,896	533	2,429	2,068	545	2,613	2,032	497	2,529	925	225	1,050	734	136	870
Dip/Technical	494	178	677	482	164	646	439	152	591	206	103	309	166	57	223
KACE	2,040	578	2,618	1,516	474	1,990	58	18	76	-	-	-	-	-	-
KCE/K CSE	269	97	366	362	89	451	37	5	42	-	-	-	-	-	-
Other	196	71	267	173	78	251	13	6	19	-	-	-	-	-	-
TOTAL	4,895	1,457	6,357	4,601	1,350	5,951	2,579	678	3,257	1,131	328	1,359	900	193	1,093
GRAND TOTAL	27,334	13,941	41,290	29,501	14,877	44,378	28,231	15,463	43,694	26,487	14,395	40,782	26,073	14,017	40,090

* Provisional

* 2000 data does not include teachers on study leave, disciplinary cases and those performing non-teaching duties

Source : Ministry of Education, Science and Technology

3.10. Enrolment in Government Primary Teacher Training Colleges for the year 2000/2001 is shown in Table 3.9. The most notable feature is the resumption of training exhibited by the presence of both first and second year students after a two-year break. Consequently the total enrolment rose to 14,316 in 2000/2001 compared to 6,678 in 1999/2000. Females formed 51.2 per cent of the entire trainee population. The P2 course is being phased out as depicted by only 204 (1.4 per cent) of the total trainees who pursued the course in the year 2000.

Table 3.9: STUDENT ENROLMENT IN GOVERNMENT PRIMARY TEACHERS TRAINING COLLEGES, 2000/2001

	1st YEAR**		2nd YEAR		TOTAL		
CERTIFICATION	Male	Female	Male	Female	Male	Female	Total
P1	3,796	3,842	3,108	3,366	6,904	7,208	14,112
P2			86	118	86	118	204
TOTAL	3,796	3,842	3,194	3,484	6,990	7,326	14,316

* Provisional

Source : Ministry of Education, Science and Technology

3.11. Enrolment in the four national polytechnics dropped by 5.8 per cent from 9,603 in 1999/2000 to 9,042 in 2000/2001. Female trainees formed 29.2 per cent of the overall enrolment. Kenya Polytechnic continues to have the largest number of trainees (46.6 per cent). Mombasa Polytechnic had the second largest share of total enrolment of 2,744, followed by Kisumu and Eldoret polytechnics with 1,176 and 912 students respectively. Enrolment in 2000/2001 declined in Eldoret, Mombasa and Kenya Polytechnics by 16.3, 6.2 and 5.5 per cent respectively, while it increased by 3.6 percent in Kisumu polytechnic.

3.12. Other Technical Training Institutes enrolled a total of 8,240 students during the year, a drop of 15.4 per cent from the previous year. Females continued to comprise a relatively smaller proportion, 39.8 per cent in 2000. Institutes of Technology, however, registered a modest increase of 5.2 per cent in enrolment to record 7,275 trainees, of whom 43.0 per cent were females.

3.13. Public universities in Kenya expanded with the upgrading of Maseno University college to a fully-fledged and independent University. Enrolments in public universities rose by 1.6 per cent from 41,825 students during the 1999/2000 academic year to 42,508 during the 2000/2001 academic year. Female students comprised 31.7 per cent of the entire student population. The universal rise in enrolment in Public Universities was partly attributed to the introduction of parallel and special degree programmes, which have now picked up in all the universities. The undergraduate students formed 86.7 per cent of total student population, while postgraduates constituted 6.8 per cent.

3.14. The University of Nairobi, the oldest and largest in terms of programmes and student population, had 11,817 students during the 2000/2001 academic year, representing 27.8 per cent of the total public university enrolment. Females continued to be under-represented providing only 29.8 percent of the student population. During this period there were 1,400 postgraduate students of whom 25.7 per cent were females of whom 40 per cent were part-time students.

3.15. Kenyatta University enrolment increased from 7,196 in 1999/2000 to 7,474 in 2000/2001. This constituted 17.6 per cent of total public university enrolment during the year. Female students constituted 42.4 per cent of the entire student population. Bachelor of Education programmes continued to be most popular, absorbing 60 per cent of the undergraduate students with females constituting 44.3 per cent of total enrolment in this programme. At the postgraduate level, 550 students were registered for the Masters programme, 22 for Postgraduate Diploma in Public Relations 116 for Postgraduate Diploma in Education and 26 for Doctorate programme. Females accounted for 34.9 per cent of the total enrolments on postgraduate programmes.

3.16. Jomo Kenyatta University of Agriculture and Technology (JKUAT) registered a significant increase of 36.6 per cent over the previous year to record 4,284 students in 2000/2001, of whom 30 per cent were females. It formed 10.1 per cent of total public university students' population in the 2000/2001 academic year. Even though the university continued to diversify in terms of programmes, Technical/Science based programmes continues to dominate, comprising 99.4 per cent of the total course registration. Diploma enrolment programmes almost doubled from 888 in 1999/2000 to 1,606 in 2000/2001. This was attributed to increased enrolment in part time programmes.

3.17. Moi University enrolled a total of 6,713 students in the 2000/2001 academic year, an increase of 15.8 per cent over the previous year's enrolment of 5,795 students. The university constituted 15.8 per cent of the total public university enrolment in 2000/2001. Female students were 29.2 per cent of the entire student population. Education, Social, Cultural and Development studies were the largest faculties as they jointly absorbed 58.1 per cent of the undergraduate student population. Enrolment in the science-based courses of Technology, Sciences, Agriculture and Health Sciences was dominated by males, as females constituted only 17.9 per cent of the total enrolment of 2,302 students. A total of 246 postgraduate students were enrolled at the university, of whom 24.4 per cent were females.

3.18. Maseno University, recently elevated to fully-fledged university, enrolled 4,134 students, 37.2 per cent being females. This represented an increase of 27.0 per cent over the previous year's enrolment and constituted 9.4 per cent of the total public university enrolment in 2000/2001. The largest programme at the university remained Bachelor of Education, absorbing 50.7 per cent of the total undergraduate student population. Parallel/special programmes continued to gain momentum at the university, contributing 17 per cent of the total undergraduate enrolment. At the postgraduate level, there were a total of 246 students enrolled, with females constituting 24.4 per cent.

3.19. Egerton University enrolled 8,086 students in 2000/2001, 18.9 per cent more than the 9,973 students recorded in 1999/2000. The university accounted for the second largest share of total public university enrolments at 19.0 per cent. Female enrolment remained low at 24.7 per cent and deteriorated by 3.8 per cent compared to the previous year. Despite diversification of programmes, the university continues to concentrate on Agricultural/Science based courses, with 92.9 per cent of the students

pursuing such related courses. Unlike other universities where Diploma courses are being phased out, Egerton continues to offer more opportunities at that level with 1,485 students enrolling during the 2000/2001 academic year compared to 450 Diploma students enrolled in 1999/2000 academic year.

3.20. Private university education is also expanding, the most recent development being the inauguration of Kabarak University. Total enrolment in private accredited universities in 2000/2001 academic year was 6,999 with female students comprising 52.9 per cent. The major players included United States International University of Africa, which comprised 33 per cent of the private university student population, followed by Daystar, Catholic University of Eastern Africa and Baraton with 25.9, 21.1 and 18.7 per cent respectively.

Health

3.21. The vision for the health sector is to create an enabling environment for the provision of sustainable quality health care that is acceptable, affordable and accessible to all Kenyans. The government plans to decentralise the decision-making organs, resource allocation and management of health services to the district levels to allow greater participation of the communities in the management of health services. Policy emphasis is on the preventive rather than curative approach.

3.22. Table 3.10 shows the distribution of health institutions and hospital beds and cots by province. During the year 2000 the number of hospitals, health centres and dispensaries in the country were recorded at 481, 601 and 3,273, respectively. These facilities registered an increase of 7.1 per cent, 1.3 per cent and 2.5 per cent, respectively, compared to 1999. The increase in hospitals is attributed to high number of new private nursing homes. Hospital beds and cots also increased by 5.6 per cent from 54,378 to 57,416. These increases are attributed to increased participation by private organisations/institutions by way of investments in the sector.

Table 3.10 : HEALTH INSTITUTIONS AND HOSPITAL BEDS AND COTS BY PROVINCE, 2000*

Province	HEALTH INSTITUTIONS				HOSPITAL	BEDS and COTS
	Hospitals	Health centres	Health sub-centres and dispensaries	Total	No .of beds & cots	No. per 100,000 population
Coast	61	37	321	419	7,287	32
Nairobi	52	51	372	475	4,579	17
Eastern	60	75	684	819	6,952	14
North eastern	6	9	59	74	1,537	14
Central	57	81	356	494	7,826	20
Rift valley	91	153	981	1,225	11,752	16
Nyanza	92	109	318	519	10,268	22
Western	62	86	182	330	6,215	18
Total 2000	481	601	3,273	4,355	57,416	19
Total 1999	449	593	3,193	4,235	54,378	18

Source: Health Information system, Ministry of Health (MOH)

*Provisional

3.23. The Government also recognises that the health care delivery system needs professionally and strongly motivated personnel to perform effectively. It has therefore continued to train doctors, dentists and pharmacists in the two medical schools at both Nairobi and Moi universities. Other cadres of medical personnel are trained in various medical training centres, both public and private. Most categories of health personnel remained more or less the same although the number of registered nurses and public health officers per 1000 population improved slightly from 30.2 and 2.7 in 1999 to 31.2 and 3.1 in 2000, respectively. Personnel undergoing training increased by 2.3 per cent, from 7644 in 1999/2000 to 7820 in 2000/2001, nearly half of these being enrolled nurses.

Table 3.11: REGISTERED MEDICAL PERSONNEL, 1999 – 2000

Number

TYPE OF PERSONEL	1999		2000*		IN TRAINING	
	NUMBER	NO. PER 100,000 POPULATION**	NUMBER	NO. PER 100,000 POPULATION**	1999 –2000 Number	2000-2001 Number
Doctors	4,411	15.4	4,506	15.4	817	821
Dentists	734	2.6	746	2.5	157	159
Pharmacists	1,650	5.7	1,682	5.7	212	210
Pharmaceutical Technologists	1,167	4.1	1,232	4.2	109	114
Registered Nurses	8,671	30.2	9,211	31.4	1,012	1,210
Enrolled Nurses	27,073	94.3	27,902	95.2	3,892	3,841
Clinical Officers	4,277	14.9	4,492	15.3	841	852
Public Health Officers	780	2.7	929	3.2	177	180
Public Health Technicians	4,849	16.9	5,032	17.2	427	433
Total	53,612	186.8	55,732	190.1	7,644	7,820

Source: Health Information System, Ministry of Health (MOH)

* Provisional

** Based on population projections

3.24. The HIV/AIDS pandemic presents a big challenge to the health sector. It has had profound negative effects on the health of the population, eroded the social and economic gains that Kenya had achieved over the years and tremendously increased the cost of health provision. The Government and private organisations/institutions have put in place various programmes to sensitise the general populace. The Government is currently participating, alongside other researchers and research institutions, in testing a vaccine on volunteers in Nairobi. Table 3.12 presents the HIV prevalence rates estimates for urban and rural Kenya from 1996 to 2000. The national prevalence rate has increased from 11.9 per cent in 1996 to 13.5 per cent in 2000. The urban areas continued to have a higher prevalence rate of 17.5 per cent as compared to 13.0 per cent in the rural areas. Generally, the rate of spread

Table 3.12: HIV PREVALENCE, 1996 - 2000

Number

Prevalence	1996	1997	1998	1999	2000
Urban (%)	16.3	16.9	18.1	17.8	17.5
Rural (%)	11	11.9	13	13	13
National (%)	11.9	12.8	13.9	13.5	13.5

Source: National Aids Control Council (NACC)

* Provisional

has slowed down albeit at a slow pace.

3.25 National Hospital Insurance Fund: Members' contributions to National Hospital Insurance Fund (NHIF) and their benefits for the years 1995/96 to 1999/2000 are given in Table 3.13. The receipts from members decreased marginally by 0.7 per cent from KSh 2,130 million in 1998/1999 to KSh 2,116 million in 1999/2000. Benefits paid to members increased by 6.8 per cent from KSh 382.0 million during 1998/1999 to KSh 408.0 million during the same period. The contributions net of benefits decreased by 2.0 per cent from KSh 1,742.0 million in 1998/1999 to KSh 1,708.0 million in 1999/2000.

Table 3.13: NATIONAL HOSPITAL INSURANCE FUND, 1995/1996 – 1999/2000

Kshs. Million

Year	Receipts	Benefits	Contribution Net of benefits
1995/1996	1,438	342	1,096
1996/1997	1,648	544	1,304
1997/1998	2,004	444	1,560
1998/1999	2,130	382	1,742
1999/2000	2,116	408	1,708

Source: National Hospital Insurance Fund (NSSF)

Other Social Services

3.26. **National Youth Service:** Table 3.14 below shows details of National Youth Service recruitment and income earned. There was no recruitment in 1998 and 1999 due to budgetary constraints. However, in 2000, a total of 2,719 service men and 782 service women were recruited. The income earned has declined consistently since 1997, and recorded a 32.3 per cent decline from KSh 18.6 million in 1999 to KSh 12.6 million in 2000. This is attributed to a reduction in manpower for the two years during which recruitment was suspended. During the period 1998/99 majority of the service personnel finished training and joined the labour market thus reducing the level of services offered and subsequent income earned.

Table 3.14: NATIONAL YOUTH SERVICES RECRUITMENT AND INCOME, 1996-2000

Year	Recruitment (Numbers)			Income Earned** KSh Million
	Service Men	Service Women	Total	
1996	2,208	597	2,805	34.0
1997	2,737	465	3,202	44.0
1998	-	-	-	20.0
1999	-	-	-	18.6
2000*	2,719	782	3,501	12.6

Source: National Youth Service
* Provisional
** Financial Year

3.27. **National Social Security Fund :** The National Social Security Fund (NSSF) has the traditional role to provide social security support to workers who subscribe to it. The NSSF has continued to institute public education programmes in order to maintain close contacts with its members and the public in general. Table 3.15 below shows registered employers, employees, annual contributions and annual benefits paid to members. The number of registered employers increased by 3.2 per cent from 49,600 in 1999 to 51,202 in 2000. Similarly, the number of registered employees went up from 2,637,100 in 1999 to 2,705,200 in 2000, an increase of 2.6 per cent. Annual

benefits paid to members rose from KSh 1,974 million in 1999 to KSh 2,026 million in 2000 an increase of 2.6 per cent. Annual contributions went up marginally by 1.4 per cent from KSh 1,570 million in 1999 to KSh 1,592 million in 2000, attributable to subscribers' positive response to the public education programmes and better collection strategies that are currently in force.

Table 3.15: NATIONAL SOCIAL SECURITY FUND, 1996 – 2000

	1996	1997	1998	1999	2000
Registered Employers '000	46.4	48.0	48.0	49.6	51.2
Registered Employees '000	2,401.1	2,498.2	2,546.5	2,637.1	2,705.2
Annual contribution KSh Million	1,600	1,590	1,540	1,570	1,592
Annual benefits paid KSh Million	520	552	520	1,974	2,026

Source: NSSF

3.28. **Adult Education:** Table 3.16 below gives details of adult education enrolment by sex. A total of 25,802 males and 68,101 females were enrolled in the year 2000, a decline of 7.3 per cent, compared to an increase of 1.0 per cent in the previous year. Females still form the majority in adult education, constituting over 70 per cent of the total enrolment.

Table 3.16: ADULT EDUCATION ENROLMENT BY SEX, 1996 – 2000

Year	Male	Female	Total	% Female Enrolment
1996.. ..	26,612	89,029	115,641	77.0
1997.. ..	28,139	73,215	101,354	72.2
1998.. ..	26,180	74,081	100,261	73.9
1999.. ..	30,200	71,061	101,261	70.2
2000*.. ..	25,802	68,101	93,903	72.5

* Provisional

Source : Ministry of Home Affairs, Sports and Heritage

3.29. The number of adults who passed proficiency tests and those registered for KCPE are shown in Table 3.17. In the year 2000, 15,508 candidates passed proficiency tests, an increase of 2.3 per cent, whereas 5,544 candidates registered for KCPE, an increase of 3.1 per cent. Nairobi and North Eastern provinces recorded the lowest number of candidates who passed proficiency tests, while Nyanza, Eastern and Rift Valley recorded the highest. On the KCPE results, Rift Valley and Nairobi had the highest number who registered for the examination while Western and Eastern recorded the

Table 3.17: NUMBER OF ADULTS WHO PASSED PROFICIENCY AND THOSE REGISTERED FOR KCPE BY PROVINCE, 1996-2000

Province	1996		1997		1998		1999		2000	
	PTP	KCPE	PTP	KCPE	PTP	KCPE	PTP	KCPE	PTP	KCPE
Nairobi	191	566	202	522	110	908	400	997	346	1,177
Central	1,091	95	1,174	110	877	139	1,543	111	1,812	160
Coast	493	194	283	204	495	212	1,305	480	1,205	365
Eastern	1,474	50	1,430	67	1,595	7	3,408	244	3,368	60
N/Eastern	2,054	28	1,823	42	2,096	52	532	231	634	636
Nyanza	306	43	580	57	667	146	3,046	227	3,987	101
Rift Valley	1,724	279	786	308	1,538	2,377	3,314	2,987	2,436	3,002
Western	1,072	38	833	61	861	42	1,611	101	1,720	43
Total	8,405	1,293	7,111	1,371	8,239	3,883	15,159	5,378	15,508	5,544

PTP: Number that passed Proficiency Test

KCPE: Number registered for Kenya Certificate of Primary Education

lowest.

3.30. **Gender and Development:** Having signed the Beijing Declaration and Platform for Action (1995), the Kenya Government recognises the importance and contribution of women to development. This commitment is exhibited by the active participation of women in various public and private sector activities. The creation of a thematic group on gender in the Poverty Reduction Strategy Paper (PRSP) consultative process is to ensure gender concerns are adequately and effectively mainstreamed in the final PRSP document.

3.31. Women's groups in Kenya provide a viable channel for outreach activities by the Government and other development agencies as well as providing a supportive environment for women's awareness. Whether formal or informal, some women's groups have provided remarkable assistance to their members. Consequently, the numbers of groups and membership have continued to rise, from 107,080 and 4,287,702 in 1999 to 111,688 and 4,419,474 in 2000, respectively, as shown in Table 3.18.

Table 3.18: REGISTERED WOMEN'S GROUPS, THEIR MEMBERSHIP, CONTRIBUTION AND GOK GRANTS, 1997 – 2000

YEAR	No. of Women's Groups	Membership	Group Contribution (KSh Million)	Grants by GoK (KSh Million)
1997	85,205	3,096,102	352.5	200
1998	97,319	3,900,548	381.8	0 .47
1999	107,080	4,287,701	408.2	0 .98
2000*	111,688	4,419,474	436.5	1.75

Source: Women's Bureau

* Provisional

3.32. After the Beijing Conference, women have become more proactive and more aware of their role in development. Other than seeking assistance from the Government or other organisations, members also contribute to sustain the activities of the groups. Details of group contributions and grants from the Government are also given in Table 3.18. Group contributions went up from KSh 408.2 million in 1999 to KSh 436.5 million in 2000, while Government grants to women groups also increased from KSh 0.98 million to KSh 1.75 million. Thus, group contribution increased by 6.9 per cent while Government grants went up by 78.6 per cent.

3.33. Violence against women (both physical and other forms of harassment) violates women's rights in particular and human rights in general. Table 3.19 gives details of reported cases of violence by province. Rift Valley exhibited the highest number with 215 cases followed by Central,

Table 3.19: INCIDENTS OF REPORTED RAPE, ATTEMPTED RAPE AND ALLIED OFFENCES AGAINST WOMEN BY PROVINCE, 1996-2000

Province	1996	1997	1998	1999	2000*
Nairobi	89	87	86	83	89
Central	151	153	164	179	181
Coast	73	76	79	75	77
Eastern	108	107	105	123	128
North Eastern	13	15	14	12	13
Nyanza	72	93	102	114	117
Rift Valley	164	167	176	207	215
Western	42	45	49	56	63
Sub Total of Attempted rape	712	743	775	849	883
Assault and Battering	5,229	5,488	5,866	5,918	6,255
Grand Total	5,941	6,231	6,641	6,767	7,138

Source: Women Bureau

* Provisional

Eastern and Nyanza with 181, 128 and 117 cases respectively. North Eastern Province recorded the lowest number with 13 cases followed by Western province with 63 cases and Coast province with 77 cases. There was an increase of 4.0 per cent in the number of reported cases in the year 2000, lower than the rise of 9.6 per cent recorded in 1999. It also shows the total number of reported rapes and attempted rapes and cases of assault and battering. Reported cases of rape went up by 4.0 per cent from 849 in 1999 to 883 in 2000 while cases of assault and battering increased by 5.7 per cent from 5,918 in 1999 to 6,255 in 2000. In total, cases of violence against women, increased by 5.5 per cent, from 6,767 in 1999 to 7,138 in 2000.

CHAPTER 4

EMPLOYMENT, EARNINGS AND CONSUMER PRICES

Overview

The poor performance of the domestic economy in 2000 adversely affected employment creation in all sectors of the economy. The economy generated 415.4 thousand additional jobs, with the modern sector creating only 3,300 jobs, representing 0.8 per cent of the additional jobs. As such most jobs were generated in the expanding informal sector. Inflation rate remained at single digit level, but rose from 3.5 per cent in 1999 to 6.2 per cent in 2000. Real average earnings rose by 5.5 per cent from KSh 23,032.6 per annum in 1999 to KSh 24,296.3 per annum in 2000.

Employment

4.2. The number of persons employed outside small-scale farming and pastoralist activities rose by 7.6 per cent from 5.5 million persons in 1999 to 5.9 million persons in 2000. Most of the additional jobs were created within the informal sector as employment in modern sector continued to stagnate. As shown in Table 4.1, employment in the modern sector stood at 1.7 million persons in 2000, while the informal sector rose by 11.0 per cent to 4.2 million persons, accounted for 70.4 per cent of total employment.

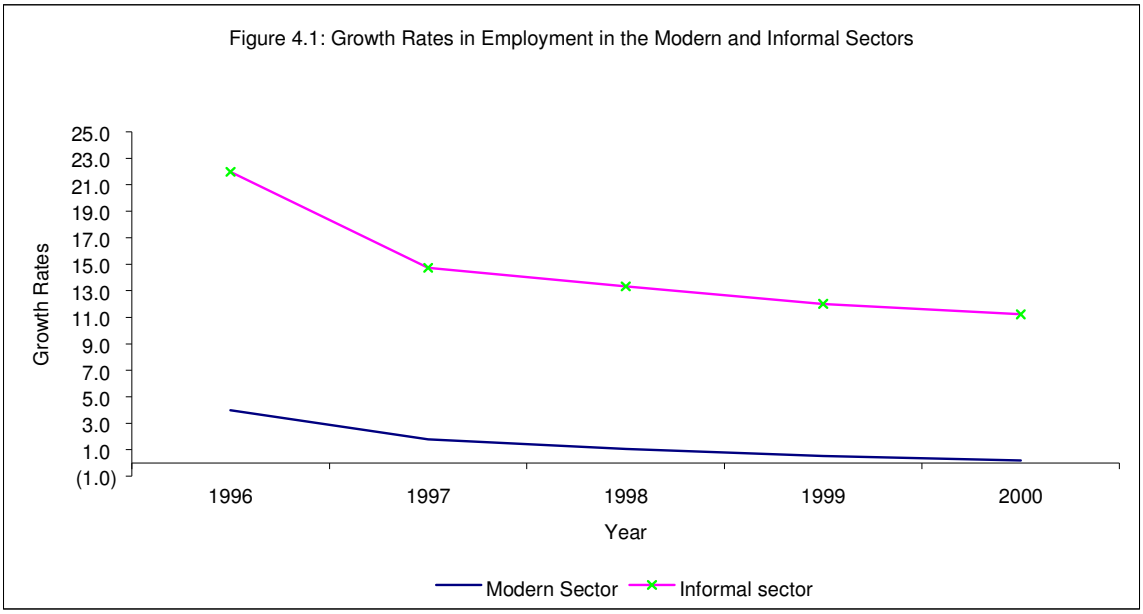
Table 4.1: Total Recorded Employment: June, 1997 - 2000

'000's

	1997	1998	1999	2000*
Modern Establishments - Urban and Rural Areas:				
Wage Employees	1,647.4	1,664.9	1,673.6	1,676.8
Self-employed and unpaid family workers	64.1	64.8	65.1	65.3
Informal Sector	2,986.9	3,353.5	3,738.8	4,150.9
TOTAL	4,698.4	5,083.2	5,477.5	5,893.0

* Provisional.

4.3. *Modern Sector* – Growth rate in wage employment within the modern sector decelerated from 1.1 per cent in 1998 to 0.5 per cent in 1999. The marginal growth was largely attributed to the current economic recession occasioned by adverse weather conditions and reduced economic activity notably in agricultural, manufacturing and services sectors. Further, the on-going reforms have reduced the size of the public sector through retrenchment and restrictive Government employment policy in the public institutions. Non-wage employment in the form of self employment and unpaid family workers stood at 65,300 persons, accounting for only 3.9 per cent of modern sector employment during the year.



4.4. Table 4.2 presents wage employment by industry and sector. Sectoral analysis shows that wage employment in the private sector grew by 1.3 per cent from 990,300 persons recorded in 1999 to 1,002,900 persons in 2000. The sector thus created 12,600 additional jobs in 2000, compared with 22,400 in 1999. The decline in job creation was largely due to the depressed levels of activities in some leading industries within the private sector. Significant changes in employment within the private sector were in transport and communication activities, which grew by 1.8 per cent in 2000 compared to a growth rate of 0.9 per cent recorded in 1999. The growth in the sector was largely attributed to increased activities related to relief food distribution and liberalisation of airwaves. This led to increased investment in electronic media industry and cellular phone services.

4.5. Employment in private sector manufacturing declined by 0.6 per cent from 184,000 persons in 1999 to 182,900 persons in 2000. The decline in employment was due to reduced performance in the sector, largely occasioned by weak demand for manufactured goods, stiff competition from imported consumer goods and high cost of investment caused by poor infrastructure. Wage employment in the agricultural and forestry industry, the leading sub sector within the private sector rose from 249,600 persons in 1999 to 251,300 persons in 2000, representing a growth of 0.7 per cent compared with 1.7 per cent recorded in 1999. The prolonged drought, in 1999 and 2000, coupled with low commodity prices, adversely affected job creation in this sub-sector. The other notable change was the deceleration in growth of employment in the financial sector, caused by increased investment in modern technology and on-going restructuring in the sector. This resulted in closure and merging of branches and retrenchment of bank workers.

Table 4.2: Wage Employment by Industry and Sector*, 1996 - 2000

'000's

	1996	1997	1998	1999	2000*	% change
PRIVATE SECTOR:						
Agriculture and Forestry	236.6	240.6	245.2	249.6	251.3	0.7
Mining and Quarrying	4.1	4.3	4.3	4.5	4.6	2.2
Manufacturing	172.3	177.1	180.8	184.0	182.9	-0.6
Electricity and Water	1.3	1.4	1.5	1.5	1.5	0.0
Building and Construction	49.6	51.6	51.9	52.2	52.3	0.2
Wholesale and Retail Trade, Restaurants and Hotels	136.2	141.7	144.3	147.3	149.1	1.2
Transport and Communications	41.4	43.1	43.1	43.7	44.5	1.8
Finance,Insurance, Real Estate and Business services	62.6	65.4	66.8	68.1	68.8	1.0
Community, Social and Personal Services	213.8	221.6	229.3	239.4	247.8	3.5
TOTAL PRIVATE SECTOR	917.9	946.8	967.2	990.3	1,002.9	1.3
PUBLIC SECTOR:						
Agriculture and Forestry	66.4	65.0	63.6	61.7	59.6	-3.4
Mining and Quarrying	0.7	0.7	0.7	0.7	0.7	0.0
Manufacturing	38.2	37.4	36.1	35.6	35.0	-1.7
Electricity and Water	22.0	22.0	21.7	21.2	20.8	-1.9
Building and Construction	29.2	28.3	27.4	26.5	25.7	-3.0
Wholesale and Retail Trade, Restaurants and Hotels	7.0	6.5	6.4	6.3	6.2	-1.6
Transport and Communications	44.8	42.7	41.9	40.1	38.9	-3.0
Finance, Insurance, Real Estate and Business services	18.4	17.8	17.2	16.4	15.8	-3.7
Community, Social and Personal Services	474.2	480.2	482.7	474.8	471.1	-0.8
TOTAL PUBLIC SECTOR	700.9	700.6	697.7	683.3	673.9	-1.4

* Provisional.

4.6. As a result of Government efforts to restructure the public sector in order to improve efficiency and productivity, employment in the sector declined further by 1.4 per cent to stand at 673,900 persons in 2000. Consequently, the share of public sector employment in the modern sector declined further from 41.9 per cent in 1998 to 40.8 per cent in 1999 and finally to 40.2 per cent in 2000. The decline in public sector employment was slightly below the 1.9 per cent recorded in 1999 and affected all economic activities, with the financial sector recording the highest decline of 3.7 per cent, while community, social and personal services recorded the lowest decline of 0.8 per cent.

4.7. Table 4.3 presents data on employment in the public sector by type of employer. Only Local Authorities registered positive growth in wage employment during 2000 with an increase of 1.8 per cent to 80,200 persons. This was attributable to creation of additional districts. After recording a 2.6 per cent in 1999, employment level in the Central Government declined further by 2.0 per cent to record 204,200 persons in 2000. The number of civil servants comprised 199,900 regular employees and 4,339 casuals and work-paid staff at the end of June 2000. The employment of casuals in Central Government rose by 89.3 per cent from 2,292 persons in 1999 to 4,339 persons in 2000. A total of 6,300 persons left the service through natural attrition. Most casual employment was mainly engaged in the on-going roads rehabilitation programme and data processing of the 1999-Population and Housing Census. Wage employment is expected to decline drastically once the figure of 25,700 employees of Central Government, who were retrenched in the last quarter of 2000, is taken into account.

Table 4.3: Wage Employment in the Public Sector, 1996 - 2000*

'000's

	1996	1997	1998	1999	2000**	Annual Percentage Change 2000/1999
Central Government***	228.0	219.1	214.1	208.5	204.2	-2.0
Teachers Service Commission ..	232.9	241.3	247.7	242.3	236.8	-2.3
Parastatal Bodies+	114.3	112.8	108.9	105.2	104.3	-0.9
Majority Control by the Public Sector++ ..	53.9	52.5	49.9	48.5	48.4	-0.2
Local Government	71.8	74.9	77.1	78.8	80.2	1.8
TOTAL	700.9	700.6	697.7	683.3	673.9	-1.4

* Figures refer to employment stock as at 30th June.

** Provisional.

*** Covers all civil servants on Government payroll plus casual workers in various ministries

\+ Refers to Government wholly-owned corporations.

++ Refers to institutions where the Government has over 50 per cent of shares but does not wholly own them.

4.8. The number of persons employed by the Teachers Service Commission (TSC) declined further from 247,700 in 1998 to 242,300 in 1999, and to 236,800 persons in 2000. Employment by the TSC as at 30th June 2000 was composed of 185,200 primary school teachers, 42,500 post primary teachers, 4,300 employees in special institutions, 2,900 persons in technical institutions, and 1,900 employees in the TSC secretariat. The decline was largely occasioned by freeze in teacher recruitment which was effected in 1997. Due to on going parastatal reform and restructuring programmes, employment in the parastatals declined by 0.9 per cent to 104,300 persons. Employment in other institutions with a majority control by the Government recorded a further decline of 0.2 per cent in 2000.

4.9. Table 4.4 gives details of wage employment by province. Nairobi Province continued to account for the largest proportion of wage employment with a share of 25.1 per cent followed by Rift Valley province with 22.4 per cent. Wage employment in Nairobi however declined by 0.1 per cent during the year due to reduced employment in manufacturing and the downsizing of the public sector. Wage employment in all other provinces increased marginally. The slight growth in employment in Rift Valley province was attributed to increased investment in the region while Coast province was aided by modest recovery of tourism industry.

Table 4.4: Wage Employment by Province, 1997 - 2000

'000's

Province	1997	1998	1999	2000*	Percentage Change 2000/1999
Nairobi	414.9	418.2	420.8	420.5	-0.1
Coast	203.6	205.4	206.6	207.2	0.3
North Eastern	15.1	15.4	15.4	15.4	0.0
Eastern	137.9	139.1	139.6	139.8	0.1
Central	235.2	238.5	239.5	240.1	0.3
Rift Valley	367.0	371.8	374.3	375.7	0.4
Nyanza	164.4	166.4	167.0	167.4	0.2
Western	109.3	110.1	110.4	110.6	0.2
TOTAL	1,647.4	1,664.9	1,673.6	1,676.7	0.2

* Provisional

4.10. Table 4.5 presents wage employment in major towns by six dominant industries for the years 1995 and 2000. The urban workforce engaged in the six

urban-based industries (excluding agriculture, mining and quarrying, electricity and water) rose by 13.1 per cent from 804,900 persons in 1995 to 910,000 persons in 2000. Although Nairobi City had the highest wage employment, its share in urban wage employment has been declining from 47.6 per cent in 1995 to 44.3 per cent in 2000. High employment growth rates of 16.5 per cent, 14.0 per cent and 13.5 per cent were recorded for Nakuru, Kisumu and Thika towns respectively. Nairobi City recorded a low growth in wage employment of 5.1 per cent in the six urban-based industries over the same period. Among the main urban based industries, wage employment in the community, social and personal services was 335,900 persons, which at 36.9 per cent accounted for the largest share of urban wage employment.

Table 4.5: Wage Employment by Urban Centres* and Selected Industries, 1995 and 2000

'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	1995	2000**	1995	2000**	1995	2000**	1995	2000**	1995	2000**	1995	2000**	1995	2000**
Nairobi	73.7	76.2	38.6	39.1	52.3	59.1	29.9	29.3	40.7	42.5	148.2	156.6	383.4	402.8
Mombasa	29.5	31.5	5.9	6.4	18.9	21.9	28.8	30.8	12.2	13.4	45.0	49.1	140.3	153.0
Kisumu	6.5	7.1	2.1	2.2	3.9	4.3	1.7	1.8	2.4	2.5	18.1	21.6	34.7	39.5
Nakuru	7.9	8.7	2.4	2.6	5.1	5.7	1.5	1.6	2.3	2.6	10.4	13.3	29.6	34.5
Thika	14.2	16.4	0.6	0.6	2.8	3.2	0.4	0.4	1.4	1.8	5.5	5.9	24.9	28.3
Eldoret	15.1	16.5	1.8	1.9	3.7	4.1	0.9	1.0	2.7	2.9	4.1	5.0	28.3	31.4
Malindi	0.4	0.4	0.3	0.3	2.5	3.0	0.3	0.3	0.3	0.4	2.9	3.0	6.7	7.4
Kericho	3.6	4.0	1.0	1.0	1.2	1.4	0.2	0.2	0.4	0.5	5.8	5.5	12.2	12.5
Others	23.8	44.5	16.9	4.8	17.8	46.7	7.2	6.4	4.4	22.2	74.7	75.9	144.8	200.6
TOTAL	174.7	205.5	69.6	58.9	108.2	149.3	70.9	71.7	66.8	88.7	314.7	335.9	804.9	910.0

* Urban Centres refer to those towns which had a population of 2000 or more persons in 1989

** Provisional.

Manufacturing industries with 205,500 persons in 2000 recorded the second largest share of 22.6 per cent.

4.11. Wage employment by industry and sex is set out in Table 4.6. There were 1,379,100 regular employees in the modern sector of which 398,200 were females. The number of females in wage employment rose by 0.7 per cent to 494,200 in 2000, with their share increasing marginally from 29.3 per cent in 1999 to 29.5 per cent in 2000. Educational services engaged 132,300 females and absorbed 26.8 per cent of all females in wage employment, while agricultural sector engaged 77.5 thousand females, representing 15.7 per cent of females in wage employment. The proportion of females employed in mining and quarrying, electricity and water industries remained low at 0.2 per cent and 0.8 per cent, respectively.

Table 4.6: Wage Employment by Industry and Sex, 1999 and 2000

'000's

INDUSTRY	MALES		FEMALES		TOTAL	
	1999	2000*	1999	2000*	1999	2000*
Agriculture and Forestry ..	234.0	234.0	77.3	77.5	311.3	311.0
Mining and Quarrying ..	4.1	4.1	1.1	1.1	5.2	5.2
Manufacturing	182.1	180.5	37.5	37.4	219.6	217.9
Electricity and Water ..	18.8	18.5	3.9	3.8	22.7	22.3
Building and Construction	73.7	73.0	5.0	5.0	78.7	78.0
Trade, Restaurants and Hotels	111.7	113.1	41.9	42.3	153.6	155.4
Transport and Communications	66.9	66.2	16.9	17.1	83.8	83.4
Finance, Insurance, Real Estate and Business Services ..	62.7	62.9	21.8	21.7	84.5	84.7
Community, Social and Personal Services-						
Public Administration ..	102.0	99.5	58.2	56.8	160.2	156.4
Education Services	175.6	176.9	129.5	132.3	305.1	309.3
Domestic Services	59.9	60.3	39.6	39.8	99.5	100.2
Other Services	91.6	93.7	57.8	59.3	149.4	153.0
TOTAL	1,183.1	1,182.7	490.5	494.1	1,673.6	1,676.8
Of which: Regular	980.7	980.2	397.5	398.2	1,378.2	1,379.1
Casual	202.4	202.5	93.0	95.9	295.4	297.7

* Provisional

Wage Earnings in the Modern Sector

4.12. Table 4.7 presents analysis of total wage earnings by industry and sector for the period 1997 to 2000. Despite the significant slow down in employment creation, the overall nominal wage bill increased by 11.9 per cent to KSh 274,642.8 million in 2000, compared to higher increase of 14.2 per cent recorded in 1999. The expansion in overall wage bill was due to wage adjustments intended to compensate for rise in cost of living and was mainly confined to private sector. Total wage payments in the private sector rose by 16.7 per cent to KSh 168,788.4 million in 2000, compared to 5.1 per cent rise in wage payments for public sector. The growth was lower than 19.7 per cent recorded in 1999, partly due to deceleration of growth in wage employment. Within the private sector, wage earnings in the community, social and personal services industry registered the highest share of 23.8 per cent of the private sector wage bill and also the highest growth of 23.7 per cent during the period under review.

4.13. Public sector wage payments represented 38.5 per cent of the total wage bill in the modern sector, which was significantly lower than 41.0 per cent in 1999. Total wage payments in the public sector went up by 5.1 per cent to KSh 105,854.4 million in 2000, having grown by 7.1 per cent in 1999. A steady decline in public sector employment over the past years has resulted in its wage bill being lower than the private sector. Community, social and personal services industry continued to account for the largest share of the public sector wage bill with a share of 66.9 per cent.

Table 4.7: Estimated Total Wage Payments by Industry and Sector, 1997 - 2000

KSh Million per Annum

	1997	1998	1999	2000*
PRIVATE SECTOR:				
Agriculture and Forestry	10,261.6	12,489.5	14,799.3	16,593.5
Mining and Quarrying	268.5	306.1	361.4	410.3
Manufacturing	20,181.6	24,550.8	29,046.6	31,909.5
Electricity and Water	177.4	242.1	297.7	325.4
Building and Construction	4,997.3	6,043.0	7,111.4	7,925.0
Wholesale and Retail Trade, Restaurants	21,733.4	26,546.3	31,719.6	37,469.9
and Hotels	6,524.7	8,490.6	9,938.6	11,963.9
Transport and Communications ..				
Finance, Insurance ,Real Estate and				
Business Services	13,459.7	16,130.7	18,915.6	22,050.2
Community, Social and Personal Services	20,586.6	26,036.1	32,444.4	40,140.7
TOTAL PRIVATE SECTOR	**98,190.8**	**120,835.2**	**144,634.6**	**168,788.4**
PUBLIC SECTOR:				
Agriculture and Forestry	2,770.4	4,503.5	5,200.6	5,757.5
Mining and Quarrying	51.7	82.9	96.2	108.1
Manufacturing	3,010.9	4,301.2	4,635.7	4,962.0
Electricity and Water	2,235.4	3,577.2	3,921.0	4,217.9
Building and Construction	1,752.0	2,675.1	2,949.1	3,155.9
Wholesale and Retail Trade, Restaurants				
and Hotels	579.1	914.4	1,039.5	1,166.2
Transport and Communications ..	3,903.5	7,406.9	8,794.0	9,754.6
Finance, Insurance ,Real Estate and				
Business Services	3,563.7	5,831.9	5,895.4	5,957.1
Community, Social and Personal Services	55,685.5	64,692.9	68,164.5	70,775.1
TOTAL PUBLIC SECTOR	**73,552.2**	**93,986.0**	**100,696.0**	**105,854.4**
TOTAL PUBLIC AND PRIVATE ..	**171,743.0**	**214,821.2**	**245,330.6**	**274,642.8**

* Provisional.

4.14. A look at public sector wage payments indicate that Teachers Service Commission (TSC) continued to absorb the largest share of total wage bill. Revised estimates shown in Table 4.8 further indicate that TSC wage bill rose by only 0.9 per cent to KSh 36,920.9 million in 2000, and absorbed 34.9 per cent of total wage payments in the public sector. The revised Central Government wage bill went up by 1.2 per cent to KSh 26,981.5 million and accounted for 25.5 per cent, the second largest share of public sector wage bill. Wage payments for parastatals, and other institutions with majority control by Government rose by 9.1 per cent to KSh 17,215.1 and 11.5 per cent to KSh 10,597.4 million in 2000, respectively. Local Government wage bill went up by 16.3 per cent

Table 4.8: Total Wage Payments in the Public Sector*, 1997 - 2000

KSh Million per Annum

	1997	1998	1999	2000**
Central Government***	24,171.5	25,962.0	26,664.2	26,981.5
Teachers Service Commission*** ..	23,999.5	36,184.0	36,588.8	36,920.9
Parastatal Bodies+	11,418.3	13,933.3	15,783.2	17,215.1
Majority Control by the Public Sector++.. ..	6,739.6	8,232.4	9,506.1	10,597.4
Local Government	7,223.4	9,674.4	12,153.8	14,139.5
TOTAL	73,552.4	93,986.1	100,696.0	105,854.4

* Revised based on improved coverage.

** Provisional

*** Refers to position as at 30th June, but the June figures are annualised by multiplying by 12 for earnings.

\+ Refers to Government wholly-owned corporations.

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

4.15. Total average earnings per person went up by 12.1 per cent, rising from KSh 146,151.9 per annum in 1999 to KSh 163,789.8 per annum in 2000. As shown in Table 4.9, average earnings in the private sector increased by 15.2 per cent from

KSh 146,051.3 to KSh 168,300.5 per annum in 2000. Workers in the financial industry continued to have the highest average earnings, whereas those in community, social and personal services had average earnings lower than the national average, as was the case with agriculture, mining and building activities.

Table 4.9: Average Wage Earnings per Employee*, 1997 - 2000

KSh per annum

	1997	1998	1999	2000**
PRIVATE SECTOR:				
Agriculture and Forestry	42,650.0	50,936.0	59,292.1	66,030.6
Mining and Quarrying	62,441.9	71,186.0	80,311.1	89,195.7
Manufacturing	113,956.0	135,789.8	157,862.0	174,464.2
Electricity and Water	126,714.3	161,400.0	198,466.7	216,933.3
Building and Construction	96,846.9	116,435.5	136,233.7	151,529.6
Trade, Restaurants and Hotels	153,376.1	183,966.0	215,340.1	251,307.2
Transport and Communications	151,385.2	196,997.7	227,427.9	268,851.7
Finance, Insurance ,Real Estate and Business Services	205,805.8	241,477.5	277,762.1	320,497.1
Community, Social & Personal Services	92,899.8	113,546.0	135,523.8	161,988.3
TOTAL PRIVATE SECTOR	103,708.1	124,933.0	146,051.3	168,300.5
PUBLIC SECTOR:				
Agriculture and Forestry	42,604.1	70,516.8	84,288.5	96,602.3
Mining and Quarrying	73,798.9	117,900.3	137,428.6	154,428.6
Manufacturing	80,471.1	118,654.8	130,216.3	141,771.4
Electricity and Water	101,567.3	164,167.1	184,952.8	202,783.7
Building and Construction	61,881.0	97,227.9	111,286.8	122,797.7
Trade, Restaurants and Hotels	89,055.5	142,278.1	165,000.0	188,096.8
Transport and Communications	91,378.2	176,045.0	219,301.7	250,760.9
Finance, Insurance ,Real Estate and Business Services	200,124.2	337,661.3	359,475.6	377,031.6
Community, Social & Personal Services	115,913.6	133,468.1	143,564.7	150,233.7
TOTAL PUBLIC SECTOR	104,939.9	134,150.8	147,367.2	157,077.3
TOTAL PRIVATE AND PUBLIC SECTOR	104,251.1	130,400.2	146,151.9	163,789.8
MEMORANDUM ITEMS IN PUBLIC SECTOR:				
Central Government***	110,321.6	121,261.0	127,886.1	132,132.7
Teachers Service Commission***	99,459.4	146,080.0	151,006.0	155,916.0
Parastatal Bodies+	101,226.0	127,946.0	150,030.0	165,053.7
Majority Control by the Public Sector ++	128,374.0	164,978.0	196,002.0	223,488.0
Local Government	96,441.2	125,478.0	154,235.6	177,360.0
TOTAL PUBLIC SECTOR	**104,939.9**	**134,150.8**	**147,367.2**	**157,077.3**

* Revised based on improved coverage.

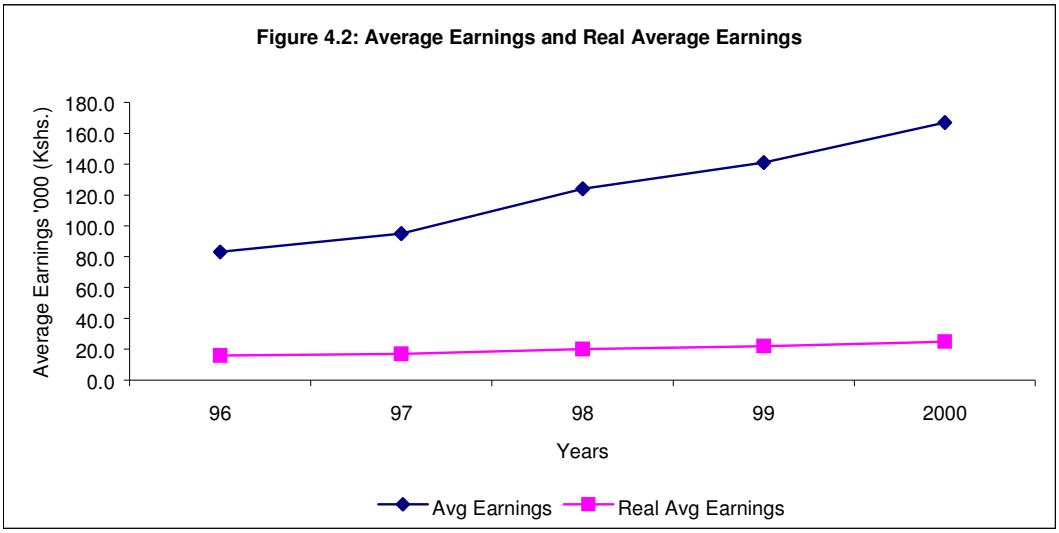
** Provisional

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4.16. Average earnings in the public sector went up by 6.6 per cent from KSh 147,367.2 in 1999 to KSh 157,077.3 per annum in 2000. Average earnings for workers in the financial industry within the public sector remained the highest while that of workers in the primary activities of agriculture, mining and construction remained relatively low. The workers in institutions under majority control by the public sector had higher average earnings compared to workers in the other categories of the public sector. Average earnings for employees in parastatals stood at KSh 165,053.7 per annum; and recorded a decelerating growth rate of 10.0 per cent. In overall, there was a deceleration in growth of average earnings for workers in the public sector.



4.17. Changes in wage employment and average earnings for the period 1995 to 2000 are presented in Table 4.10. During the five-year period, total employment rose by 7.7 per cent, with wage employment in the private sector rising by 15.7 per cent while public sector employment declined by 2.3 per cent. Within the same period, employment in the Central Government, parastatal bodies, and institutions with majority control by public sector went down by 15.4, 6.6 and 4.6 per cent respectively. This decline was attributed to the restructuring within the Civil Service and public enterprises. On the other hand, Local Government recorded an increase of 19.0 per cent in wage employment, which was lower than 36.1 per cent rise recorded in the previous period. Total average earnings rose by 115.9 per cent with those of private sector employees rising by 114.5 per cent and public sector earnings expanding by 116.3 per cent within the same period.

Table 4.10: Percentage changes in wage employment and average earnings*, 2000/1995 and 2000/1999

	Employment		Average Earnings	
	2000/1995	2000/1999**	2000/1995	2000/1999**
PRIVATE SECTOR:				
Agriculture and Forestry	10.8	0.7	158.1	11.4
Mining and Quarrying	15.0	2.2	71.8	11.1
Manufacturing	10.5	-0.6	103.7	10.3
Electricity and Water	15.4	0.0	142.0	9.3
Building and Construction	11.0	0.2	108.2	11.2
Trade, Restaurants and Hotels	16.6	1.2	118.3	16.7
Transport and Communications	16.8	1.8	110.1	18.2
Finance, Insurance ,Real Estate and Business Services	15.2	1.0	99.8	15.4
Community, Social & Personal Services	26.0	3.5	134.3	19.5
TOTAL PRIVATE SECTOR	15.7	1.3	114.5	15.2
PUBLIC SECTOR:				
Agriculture and Forestry	-11.3	-3.4	133.4	14.6
Mining and Quarrying	0.0	0.0	82.0	12.4
Manufacturing	-10.9	-1.7	94.0	8.9
Electricity and Water	-3.7	-1.9	82.1	9.6
Building and Construction	-12.3	-3.0	90.1	10.3
Trade, Restaurants and Hotels	-11.4	-1.6	94.3	14.0
Transport and Communications	-5.1	-3.0	141.9	14.3
Finance, Insurance ,Real Estate and Business Services	-13.7	-3.7	95.7	4.9
Community, Social and Personal Services	1.2	-0.8	121.0	4.6
TOTAL PUBLIC SECTOR	-2.3	-1.4	116.3	6.6
TOTAL PUBLIC AND PRIVATE	7.7	0.2	115.9	12.1
MEMORANDUM ITEMS IN PUBLIC SECTOR:				
Central Government***	-15.4	-2.0	63.7	3.3
Teacher's Service Commission***	8.1	-2.3	154.1	3.3
Parastatal Bodies+	-6.4	-0.9	125.7	10.0
Majority Control by the Public Sector ++	-3.8	-0.2	163.6	14.0
Local government	19.0	1.8	196.6	15.0
TOTAL PUBLIC SECTOR	-2.3	-1.4	116.3	6.6

* Revised based on improved coverage.

** Provisional

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4.18. Table 4.11 presents real average earnings per employee by sector and industry, while changes in real average earnings are shown in Table 4.12. The relatively low inflation level coupled with upward wage adjustments led to an increase in overall real average earnings in the year 2000. Overall real average earnings rose by 5.5 per cent from KSh 23,032.6 per annum in 1999 to KSh 24,296.3 per annum in the year under review. Growth in real average earnings in the private sector decelerated from 13.0 per cent in 1999 to 8.5 per cent in 2000 to stand at KSh 24,965.4 per annum. Within the public sector, real average earnings for the workers in Central Government and TSC declined by 2.7 and 2.8 per cent respectively.

Table 4.11: Estimated Real Average Wage Earnings per Employee*, 1997 - 2000

KSh per annum

	1997	1998	1999	2000**
PRIVATE SECTOR:				
Agriculture and Forestry	7,414.8	8,303.9	9,344.0	9,794.9
Mining and Quarrying	10,855.7	11,605.2	12,656.5	13,231.1
Manufacturing	19,811.5	22,137.2	24,878.0	25,879.7
Electricity and Water	22,029.6	26,312.4	31,277.0	32,179.5
Building and Construction	16,837.1	18,982.0	21,469.5	22,477.7
Trade, Restaurants and Hotels	26,664.8	29,991.2	33,936.2	37,278.5
Transport and Communications	26,318.7	32,115.7	35,841.1	39,881.0
Finance, Insurance ,Real Estate and Business Services	35,779.9	39,367.1	43,773.4	47,542.0
Community, Social & Personal Services	16,150.9	18,510.9	21,357.6	24,029.1
TOTAL PRIVATE SECTOR	18,029.9	20,367.3	23,016.7	24,965.4
PUBLIC SECTOR:				
Agriculture and Forestry	7,407.0	11,496.1	13,283.3	14,329.8
Mining and Quarrying	12,830.3	19,220.8	21,657.8	22,907.7
Manufacturing	13,990.3	19,343.8	20,521.2	21,030.1
Electricity and Water	17,658.0	26,763.5	29,147.3	30,080.6
Building and Construction	10,758.4	15,850.7	17,538.0	18,215.6
Trade, Restaurants and Hotels	15,482.8	23,195.1	26,002.9	27,902.0
Transport and Communications	15,886.6	28,699.9	34,560.5	37,197.5
Finance, Insurance ,Real Estate and Business Services	34,792.7	55,047.6	56,650.9	55,928.3
Community, Social & Personal Services	20,152.2	21,758.8	22,624.8	22,285.4
TOTAL PUBLIC SECTOR	18,244.4	21,870.1	23,224.1	23,300.6
TOTAL PRIVATE AND PUBLIC SECTOR	16,505.1	20,171.9	23,032.6	24,296.3
MEMORANDUM ITEMS IN PUBLIC SECTOR:				
Central Government***	19,180.0	19,768.7	20,154.0	19,600.4
Teachers Service Commission***	17,291.3	23,814.9	23,797.5	23,128.3
Parastatal Bodies+	17,598.4	20,858.6	23,643.7	24,483.8
Majority Control by the Public Sector ++	22,318.2	26,895.7	30,888.6	32,479.4
Local Government	16,766.6	20,456.1	24,306.5	26,152.5
TOTAL PUBLIC SECTOR	18,244.4	21,870.1	23,224.1	23,300.6

* Revised based on improved coverage.

** Provisional

*** Refers to position as at 30th June, but the June figures are annualised by multiplying by 12 for earnings.

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Table 4.12: Changes in Wage Employment, Prices and Real Earnings, 1997 - 2000

Percentage

	1997	1998	1999	2000*
Wage employment	1.8	1.1	0.5	0.2
Average earnings at current prices	20.6	25.1	13.0	12.1
Consumer prices (Inflation rates)**	11.2	6.6	3.5	6.2
Real average earnings	8.5	22.2	14.2	5.5

* Provisional.

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

Employment in the Informal Sector

4.19. during the last decade the formal sector employment growth slackened, while informal sector employment recorded a dramatic and sustained expansion. The expansion of the informal employment has seen its share of employment, excluding employment in small-scale farming activities, rise from 63.6 per cent in 1997 to 70.4 per cent in 2000. Employment in the sector has grown by 39.0 per cent during the past four years, from an estimated 2,986,900 persons in 1997 to 4,150,900 persons in 2000. The large number of persons engaged in the informal sector underscores its important role in absorbing a large proportion of the unemployed labour force.

4.20. Employment in the sector, as shown in Table 4.13, rose by 11.0 per cent from estimated employment of 3.7 million persons in 1999 to 4.2 million persons in 2000. Nairobi province had the highest informal sector employment of 998,900 persons, and accounted for 24.06 per cent of total employment in the informal sector. Rift Valley and Central province occupied second and third position in providing employment in the sector, with 785,200 persons and 656,400 persons respectively. Urban areas continued to absorb most of the informal employment, representing 64.4 per cent of informal sector employment.

Table 4.13: Informal Sector, Number of Persons Engaged by Province, 1997 - 2000

000s

Province	1997	1998	1999	2000*
Nairobi	716.4	801.4	896.0	998.9
Central	470.4	530.8	592.4	656.4
Nyanza	359.4	402.7	447.0	494.4
Western	210.5	239.3	267.8	297.8
Rift Valley	563.0	635.9	708.0	785.2
Eastern	284.0	316.3	350.8	386.8
Coast	368.3	410.6	458.6	511.4
North Eastern	14.9	16.5	18.2	19.9
TOTAL	2,986.9	3,353.5	3,738.8	4,150.9
Of which				
Urban	1,939.7	2,173.7	2,397.7	2,673.2
Rural	1,047.2	1,179.8	1,341.1	1,477.7

* Provisional

4.21. Distribution of informal sector employment by industry is presented in Table 4.14. Hotels, restaurants and distributive trade industries accounted for the majority of the informal sector employees, contributing 63.9 per cent of the total. The large number of persons engaged in the distributive trade is mainly in Kiosk businesses, hawking, peddling of small articles and selling of second-hand clothing. Manufacturing industry absorbed the second largest share of 25.9 per cent in informal sector employment in 2000. Informal sector employment in community and personal services rose by 12.3 per cent to 294,700 persons. The construction industry had the smallest share of persons engaged in the sector, which declined from 1.6 per cent in 1999 to 1.5 per cent in 2000.

Table 4.14: Informal sector, number of persons engaged by activity, 1997 - 2000

000s

Activity	1997	1998	1999	2000*
Manufacturing	803.1	897.6	992.1	1,075.1
Construction	40.7	51.2	58.9	62.3
Wholesale and Retail Trade, Hotels and Restaurants	1,893.0	2,121.1	2,366.5	2,652.4
Transport and Communications**	46.8	52.8	58.8	66.4
Community, Social and Personal Services	203.3	230.8	262.5	294.7
TOTAL	2,987.0	3,353.6	3,738.8	4,150.9

* Provisional

** Includes mainly support services to transport activity

Wage Awards and Registered Collective Agreements

4.22. In 2000, the Government raised workers' general minimum monthly wages by 6.0 per cent. This was based on the need to cushion workers' purchasing power against rising inflation as well as to create a balance between wage increases and the ability of most employers to pay.

4.23. Table 4.15 presents the gazetted monthly basic minimum wages for workers in the agricultural industry. On average, the basic minimum wage was raised from KSh 1,676 to KSh 1,777 per person, a 6.0 per cent rise. The minimum wage to the highest paid category increased from KSh 2,428 to KSh 2,574 per month, while wages for the lowest paid category went up to KSh 1,019 from KSh 961.

Table 4.15: Gazetted Monthly Basic Minimum Wages for Agricultural Industry, 1997 - 2000

Ksh

Type of Employee	1997	1998	1999	2000*
UNSKILLED EMPLOYEES				
18 years & above	1,095	1,259	1,347	1,428
Under 18 years	781	898	961	1,019
STOCKMAN, HERDSMAN AND WATCHMAN				
Under 18 years	906	1,042	1,115	1,182
18 year & above	1,263	1,453	1,555	1,648
SKILLED AND SEMI-SKILLED EMPLOYEES				
House servant or cook	1,249	1,436	1,537	1,629
Farm foreman	1,973	2,269	2,428	2,574
Farm clerk	1,973	2,269	2,428	2,574
Section foreman	1,278	1,470	1,573	1,667
Farm artisan	1,309	1,505	1,610	1,707
Tractor driver	1,387	1,595	1,707	1,809
Combined harvester driver	1,528	1,757	1,880	1,993
Lorry driver or car driver	1,604	1,845	1,974	2,092
AVERAGE	1,362	1,567	1,676	1,777

Source: Ministry of Labour and Human Resource Development

* Provisional

4.24. On average, the overall gazetted monthly basic minimum wages in Nairobi area and Mombasa rose by 6.0 per cent to KSh 4,809 while other municipalities increased their wages from KSh 4,209 to KSh 4,462. The minimum wages for workers in all other urban areas rose from KSh 3,582 to KSh 3,797.

Table 4.16: Gazetted Monthly Basic Mininum Wages in Urban Areas (Excluding Housing Allowance), 1998 - 2000

Ksh

Occupation	Nairobi Area & Mombasa			Other Municipalities plus Mavoko & Ruiru Town Councils			All other towns		
	1998	1999	2000*	1998	1999	2000*	1998	1999	2000*
General Labourer	2,697	2,886	3,059	2,488	2,662	2,822	1,439	1,540	1,632
Miner, stone cutter, turnboy, waiter, cook	2,912	3,116	3,303	2,583	2,764	2,930	1,663	1,779	1,886
Night watchman	3,008	3,219	3,412	2,790	2,985	3,164	1,717	1,837	1,947
Machine attendant	3,056	3,270	3,446	2,844	3,043	3,226	2,306	2,467	2,615
Machinist	3,488	3,732	3,956	3,264	3,492	3,702	2,669	2,856	3,027
Plywood machine operator	3,639	3,894	4,128	3,359	3,594	3,810	2,778	2,972	3,150
Pattern designer	4,154	4,445	4,712	3,797	4,063	4,307	3,238	3,465	3,673
Tailor, Driver (medium vehicle)	4,578	4,898	5,192	4,208	4,503	4,773	3,751	4,014	4,255
Dyer, Crawler, Tractor driver, Salesman	5,054	5,408	5,732	4,715	5,045	5,348	4,256	4,554	4,827
Saw doctor, Caretaker (building)	5,593	5,985	6,344	5,222	5,588	5,923	4,865	5,206	5,518
Cashier, Driver (heavy commercial)	6,086	6,512	6,903	5,726	6,127	6,495	5,369	5,745	6,090
Artisan (Upgraded)	3,639	3,894	4,128	3,359	3,594	3,810	2,778	2,972	3,150
Artisan Grade III	4,578	4,898	5,192	4,208	4,503	4,773	3,758	4,021	4,262
Artisan Grade II	5,054	5,408	5,732	4,715	5,045	5,348	4,256	4,554	4,827
Artisan Grade I	6,086	6,512	6,903	5,726	6,127	6,495	5,369	5,745	6,090
AVERAGE	4,241	4,538	4,809	3,934	4,209	4,462	3,347	3,582	3,797

Source: Ministry of Labour and Human Resources Development

* Provisional

4.25. Table 4.17 shows the number of collective agreements registered by the industrial court in 1999 and 2000. There was a decline in the number of agreements registered to 316 from 328 in the previous year. The number of unionisable employees covered by these agreements also declined from 113,758 in 1999 to 71,586 in the year. Overall, the average monthly basic wage offered by the agreements increased from KSh 6,016 to KSh 7,303 while the house allowance went up from KSh 1,414.7 to KSh 1,526.7 per month.

Table 4.17: Collective Agreements Registered by the Industrial Court, 1999 and 2000

Industry	No. of Agreements		No. of Unionisable Employees Covered by the Agreements		Monthly Basic Wage Offered by the Agreements (KSh)		Monthly Basic Housing Allowance Offered (KSh)	
	1999	2000*	1999	2000*	1999	2000*	1999	2000*
Agriculture Hunting Forestry & Fishing	25	15	38,208	5,475	3,868	5,266	1,166.2	1,371.5
Mining & Quarrying	4	2	414	210	5,728	5,498	764.3	674.7
Food, Beverage & Tobacco	43	40	43,671	4,888	5,879	6,426	1,168.4	1,099.7
Textile, Wearing Apparels & Leather Industry	21	27	3,041	5,646	4,888	4,888	1,331.4	1,322.0
Wood & Wood Industry	4	1	87	29	8,686	-	999.0	910.0
Paper & Paper Products, Printing & Publishing	13	19	924	1,336	6,238	9,018	1,307.7	1,335.0
Chemical Petroleum Rubber & Plastic Product	28	24	1,686	1,761	7,522	10,055	1,265.0	1,576.6
Glass, Ceramic & Cement	3	6	108	710	3,509	6,021	1,103.3	1,325.0
Motor Mechanic & Engineering Products	-	-	-	-	-	-	-	-
Electronics & Electrical Products	42	46	2,665	1,901	5,580	5,335	1,139.7	1,173.0
Other Manufacturing Products	2	-	125	-	5,719	-	1,250.0	-
Electricity and Water	2	-	6,248	-	6,575	-	3,150.0	-
Building & Construction	7	2	3,719	604	4,962	8,989	958.3	3,215.0
Wholesale & Retail Trade, Restaurant & Hotels	44	28	4,022	1,075	5,661	6,357	1,480.2	1,326.0
Transport and Communication	24	35	4,283	38,098	7,732	11,005	2,159.1	2,245.8
Finance, Insurance, Real Estate & Business Se	28	25	1,538	2,726	7,806	9,043	1,981.1	2,206.1
Community & Social Services	38	46	3,019	7,127	5,895	7,043	1,410.8	1,563.9
Total/Average**	328	316	113,758	71,586	6,016	7,303	1,414.7	1,526.7

Source: Ministry of Labour and Human Resources Development

* Provisional

Consumer Prices

4.26. The overall inflation rate, estimated by the Nairobi Consumer Price Indices, increased from 3.5 per cent in 1999 to 6.2 per cent in 2000 as shown in Table 4.18. Although the rate of inflation was highest for the upper income group, the rise in inflationary pressures was more pronounced in the lower income group, which recorded an increase from 2.6 per cent in 1999 to 5.9 per cent during the year. Price indices for middle and upper income groups edged up from 6.1 per cent and 6.0 per cent in 1999 to 7.1 per cent and 7.7 per cent in 2000 respectively.

Table 4.18: Percentage changes in Nairobi Consumer Prices, 1996/95 - 2000/99

Income Group *	1996/95	1997/96	1998/97	1999/98	2000/99
Nairobi Lower Income Group.....	8.8	12.0	5.8	2.6	5.9
Nairobi Middle Income Group.....	9.8	8.4	9.3	6.1	7.1
Nairobi Upper Income Group.....	8.9	10.9	9.1	6.0	7.7
Weighted Average Increases for 12 Months (Inflation rates)**	9.0	11.2	6.6	3.5	6.2

* The Income Groups are defined as :

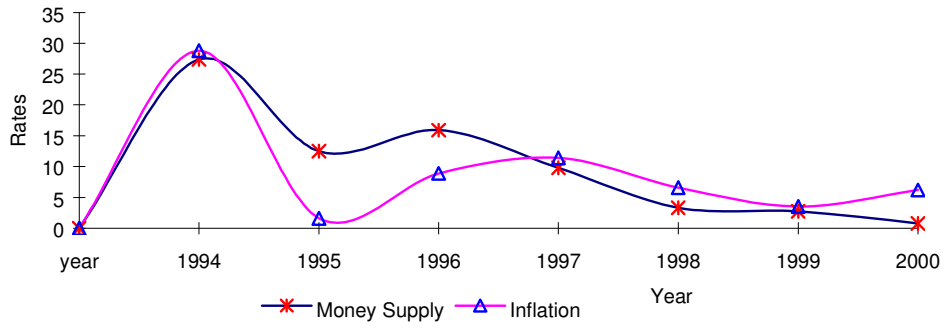
1. The lower income group comprises households with monthly earnings below KSh 2,000.
2. The middle income group comprises households with monthly earnings between KSh 2,000 - KSh 7,999.
3. The upper income group comprises households with monthly earnings of KSh 8,000 and above.

** 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.

4.27. The rise in inflation during the year under review was explained by the increases in prices of basic foodstuffs. Other factors included increase of V.A.T rate from 15 to 18 per cent, depreciation of the Kenya Shilling against US Dollar and rise in prices of petroleum products due to the increase in crude oil prices.

The first quarter of 2001 has witnessed decreases in the prices of fruits and vegetables due to the unexpected rains in January 2001. Inflation rate in the year 2001 is expected to be maintained at single digit level.

Figure 4.3: Growth in Money Supply and Inflation Rates



4.28. Tables 4.19, 4.20 and 4.21 show a six-year series of the Nairobi Consumer Price Indices for the lower, middle and upper income groups, respectively. The overall, month on month inflation was highest in January 2000 where it reached 8.7 per cent. In January, month on month inflation was 8.6 per cent, 9.3 per cent and 6.9 per cent for the lower, middle and upper income groups, respectively. The

annual average index for the lower income group rose from 618.38 in 1999 to 654.63 in 2000 representing an increase of 36.25 points, the lowest among the three income groups. The middle income group index rose by 49.11 points from 687.43 to 736.54 while the upper income group index rose by 54.21 points from 704.21 to 758.42. High price increases were recorded from August to September in all income groups as a result of power price adjustment. The most affected group was upper income where the index moved upwards from 736.73 in August to 800.24 in September, an increase of 8.6 per cent.

Table 4.19: Nairobi Lower Income Group Consumer Price Index, 1995-2000

Base: Feb/March 1986=100

Months	1995	1996	1997	1998	1999	2000
January	456.52	481.96	537.10	597.60	581.77	631.54
February	462.05	484.57	545.91	615.23	603.10	633.87
March	465.28	491.37	579.88	621.06	621.72	637.09
April	462.42	492.55	583.40	617.63	619.95	641.70
May	467.16	496.01	595.87	611.92	619.71	648.31
June	465.85	510.73	584.74	620.26	626.95	661.50
July	465.85	519.35	570.20	634.99	622.44	663.60
August	468.29	521.29	561.38	583.63	624.72	659.44
September	473.88	524.02	569.04	587.22	626.03	668.39
October	472.03	524.24	569.33	583.24	627.84	668.55
November	470.08	525.32	565.72	577.22	623.02	671.48
December	476.25	528.52	570.28	579.85	623.27	670.08
Annual average	467.14	508.33	569.40	602.49	618.38	654.63

Table 4.20: Nairobi Middle Income Group Consumer Price Index, 1995-2000

Base: Feb/March 1986=100

Months	1995	1996	1997	1998	1999	2000
January	483.04	522.37	568.21	633.05	655.32	716.03
February	485.79	523.75	572.54	637.00	661.42	711.64
March	487.92	534.75	579.20	646.86	675.55	718.31
April	490.05	538.43	586.87	648.40	677.95	719.25
May	491.83	542.22	586.78	651.41	680.30	728.04
June	499.59	549.90	590.02	659.54	684.63	736.68
July	500.13	551.97	583.60	658.48	683.92	731.88
August	502.68	553.44	594.96	648.67	689.72	740.14
September	505.63	555.85	607.34	645.90	706.80	760.65
October	507.93	559.96	609.58	645.37	709.54	754.09
November	508.50	561.01	613.50	648.96	710.40	760.30
December	513.16	566.06	620.31	650.67	713.66	761.40
Annual average	498.02	546.64	592.74	647.86	687.43	736.53

Table 4.21: Nairobi Upper Income Group Consumer Price Index, 1995-2000

Base: Feb/March 1986=100

Months	1995	1996	1997	1998	1999	2000
January	502.95	522.51	582.63	642.20	679.61	726.25
February	505.5	522.78	586.37	644.61	681.30	724.33
March	496.93	540.29	595.25	659.54	693.67	732.01
April	495.62	544.51	596.07	659.52	697.64	733.34
May	493.44	544.34	599.24	667.77	700.21	736.78
June	496.97	550.73	602.52	671.12	702.87	745.21
July	498.5	552.98	600.20	669.84	702.26	742.06
August	503.25	554.13	614.76	668.70	709.11	736.73
September	509.79	556.44	628.62	674.48	718.89	800.24
October	516.38	563.17	630.83	671.36	721.12	799.89
November	515.54	564.57	633.62	671.07	720.58	808.17
December	519.24	576.61	638.55	673.68	723.22	816.03
Annual average	504.51	549.42	609.06	664.49	704.21	758.42

4.29. Table 4.22 shows the Nairobi Consumer Price Indices for food and the other items combined for the three income groups. Food is a very important commodity for lower income households and constitutes about 44.2 per cent of the total expenditure. The food price index for the lower income group rose in the first half of the year due to the prevailing drought before dropping in the second half. During the first half the items whose prices increased were sugar, milk, fruits and vegetables. The prices of the same items went down in November/December after the short rains. Food indices for the middle and upper income groups increased modestly in the three-quarters of the year. The food index for middle income rose from 665.24 points in March to 705.51 points in September, an increase of 6.1 per cent, before falling in December to 696.73 points.

Table 4.22: Nairobi Consumer Price Indices

Base: Feb/March 1986=100

Year	Income group		Food	Others	All Groups
	LOWER INCOME	Weights	0.442	0.558	1.000
1999		March	606.86	633.49	621.72
		June	609.87	640.48	626.95
		September	604.32	643.23	626.03
		December	592.18	647.90	623.27
2000		March	597.72	668.28	637.09
		June	629.92	686.51	661.50
		September	621.09	705.85	668.39
		December	618.89	710.63	670.08
	MIDDLE INCOME	Weights	0.212	0.788	1.000
1999		March	641.95	684.59	675.55
		June	645.40	695.18	684.63
		September	666.11	717.75	706.80
		December	663.14	727.25	713.66
2000		March	665.24	732.59	718.31
		June	701.78	746.07	736.68
		September	705.51	775.49	760.65
		December	696.73	778.79	761.40
	UPPER INCOME	Weights	0.139	0.861	1.000
1999		March	652.72	700.28	693.67
		June	674.02	707.53	702.87
		September	678.31	725.44	718.89
		December	676.58	730.75	723.22
2000		March	698.32	737.45	732.01
		June	714.61	750.15	745.21
		September	695.00	817.23	800.24
		December	712.55	832.74	816.03

4.30. The Consumer Price Indices for other items rose steadily from the first quarter to the fourth quarter in all the three income groups. Inflation for 'others' is mostly influenced by fiscal and monetary policies. From December 1999 to December 2000 the inflation in the lower income group was 9.7 per cent and 7.1 per cent and 14.0 per cent for middle and upper income groups, respectively. Most of this increase was caused by the rise in price of petroleum products and electricity. The index for education also rose substantially due to increases in tuition fees both in commercial colleges and secondary schools. Drinks and tobacco also recorded high price increases.

4.31. The inflation rates prevailing in Nairobi during the year were lower than those experienced in the other three major urban centres as indicated in Table 4.23. Inflation rates of 9.7 per cent, 9.3 per cent and 8.4 per cent were recorded for Mombasa, Kisumu and Nakuru, respectively. In 1999, the comparable inflation rates were 6.3 per cent, 8.2 per cent and 4.9 per cent, respectively.

Table 4.23: Consumer Price Indices* for Mombasa,Kisumu and Nakuru, 1995-2000

Base: 1976 = 100

YEAR		Mombasa	Kisumu	Nakuru
1995	Annual Average	1,190.72	1,137.14	1,235.56
1996	Annual Average	1,286.15	1,251.49	1,360.39
1997	Annual Average	1,430.61	1,394.87	1,483.91
1998	Annual Average	1,510.84	1,465.29	1,562.92
1999	Annual Average	1,606.37	1,584.81	1,639.62
2000	March	1,668.12	1,647.99	1,700.46
	June.....	1,755.92	1,727.00	1,775.13
	September.....	1,791.20	1,766.57	1,801.14
	December.....	1,831.43	1,784.51	1,833.33
	Annual Average.....	1,761.67	1,731.52	1,777.51

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

CHAPTER 5

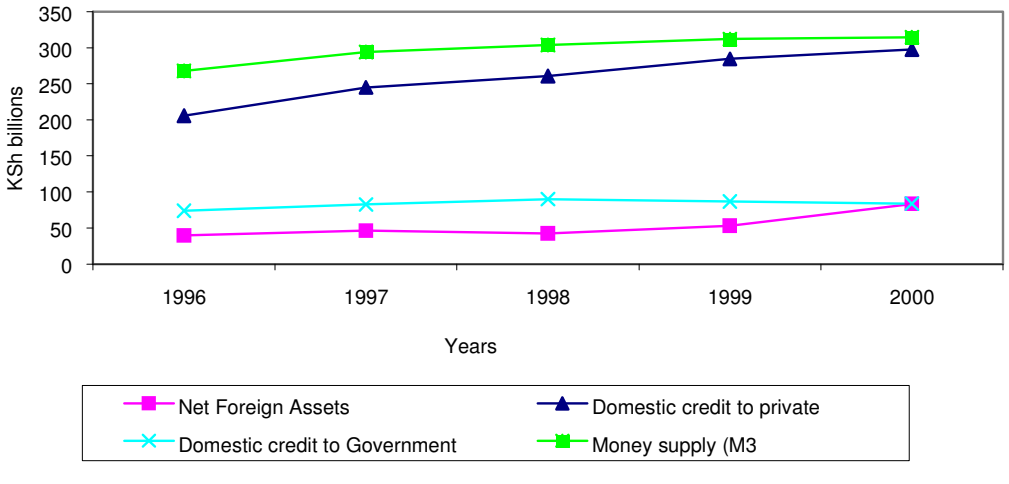
MONEY, BANKING AND FINANCE

Overall Trends

The tight monetary policies pursued by the Government over the last four years was continued in 2000 with the aim of keeping money supply within the targeted growth rate of not more than 8.0 per cent in order to maintain price stability. The growth in money supply was kept in tandem with the performance of the real sector taking into account the inflation target of less than 5.0 per cent. In implementing monetary policy, the Central Bank relied on the cash ratio, Open Market Operations (OMO) in Treasury bills and, discount and overnight lending by the Bank as the lender of last resort. In 2000, the banking sector met the minimum liquidity and cash ratio requirements of 20.0 per cent and 10.0 per cent, respectively. The statutory cash ratio was reduced from 12.0 per cent to 10.0 per cent effective October 2000 to encourage banks to lower interest rates especially on loans.

5.2. The money supply, M3, increased by 0.8 per cent from KSh 312,116 million in 1999 to KSh 314,686 million in 2000 (Table 5.1 and Fig 5.1). The deceleration in money supply growth was in line with the economic slowdown during the year. The Banking institutions maintained liquidity ratios above the minimum statutory requirement and averaged 44.0 per cent for the commercial banks and 46.8 per cent for the Non-Bank Financial Institutions (NBFIs). Interest rates were generally lower in 2000, which reflected a decline in Treasury bill rates as the government reduced pressure on the domestic market. The decline in interest rates may also be attributed to the excess liquidity in the money market, as demand for credit remained subdued due to the slow economic growth and the reduction of the cash ratio requirement for banks.

Figure 5.1: Trends in selected monetary indicators,1996-2000



Monetary Indicators

5.3. Table 5.1 shows the key monetary indicators for the period 1996-2000. M3 increased slightly from KSh 312,116 million in 1999 to KSh 314, 686 million in 2000. The deceleration in money supply growth was mainly attributed to slacken demand for bank credit by the private sector, which was in turn attributed to the slowdown in economic activities.

Table 5.1: MONETARY INDICATORS, 1996 - 2000

As at end of		Net Foreign Assets KSh.mn.	DOMESTIC CREDIT KSh.mn.			Money** Supply(M3) KSh.mn.	Commer-cial Bank Liquidity Ratio per cent	Advances/ Deposits Ratio per cent
			Private*	Government	Total			
1996	December	39,591	205,474	73,761	279,235	267,828	42	76
1997	December	46,497	244,747	82,665	327,412	294,052	37	83
1998	December	42,501	260,562	90,067	350,629	303,750	38	83
1999	December	53,155	284,710	86,656	371,366	312,116	40	89
2000	March	59,844	285,702	92,954	378,656	309,403	44	89
	June	65,781	289,774	92,411	382,185	310,355	45	89
	September	77,040	293,139	90,002	383,142	308,604	44	90
	December	83,478	297,536	83,789	381,325	314,686	43	90

Source :Central Bank of Kenya.

* Includes other public sectors i.e institutions in which the Government has shares

** See Table 5.2 for Coverage.

5.4. Net Foreign Assets (NFA) accelerated from KSh 53,155 million in 1999 to KSh 83,478 million in 2000, a 57.1 per cent increase. This reflected a shift to asset portfolio in favour of deposits denominated in foreign currency holdings as a hedge against the depreciation of the shilling in 2000 and donor injections for the Poverty Reduction and Growth Facility (PRGF) in support of poverty reduction programmes. Total domestic credit expanded from KSh 371,366 million in 1999 to KSh 381,325 million in 2000. The increase of KSh 9,959 million is equal to 2.7 per cent, compared to an increase of 5.9 per cent in 1999. Credit to Central Government declined from KSh 86,656 million in 1999 to KSh 83,789 million in 2000, representing a 3.6 per cent decline following a drop of 3.8 per cent in 1999. The decline in credit was due to the commitment of the Central Government to reduce borrowing from the domestic market to finance the budget deficit. Credit to the private sector including other public sector, increased by 4.5 per cent in 2000, down from 9.3 per cent in the previous year, the deceleration in growth of credit extended by the banking system can be attributed to the depressed state of the economy. Credit to the private sector alone registered an increase of 4.4 per cent to stand at KSh 289,478 million in 2000.

5.5. The banking institutions far exceeded the minimum statutory liquidity ratio requirements of 20.0 per cent. The liquidity ratio increased from 40.0 per cent in December 1999 to a maximum of 45.0 per cent in June 2000, but decreased by two percentage points to 43.0 per cent by December 2000. Advances and deposits ratios remained steady in the first half of the year at 89.0 per cent before increasing by one percentage point in the second half of the year to close at 90.0 per cent in December 2000.

5.6. As shown in Table 5.2, money supply, M1, expanded by KSh 9,312 million in 2000, an increase of 8.5 per cent compared to 16.2 per cent increase observed in 1999. Quasi-money declined by 3.8 per cent from KSh 185,433 million in 1999 to KSh 178,479 million in 2000 compared to a 2.3 per cent decline in the previous year. The decline in quasi-money was largely in the deposits held by the commercial banks. This decline partially counteracted the impact of the expansion of M1 in M2, resulting in marginal increase in M2 from KSh 295,513 million in 1999 to KSh 297,872 in 2000. Quasi-money with NBFIs increased by 1.3 per cent in 2000, compared to a fall of 13.7 per cent in 1999.

Table 5.2: MONEY AND QUASI-MONEY SUPPLY, 1996 - 2000

Shillings Million

		Money and Quasi-Money (MS)				Broad Money Supply***		
	As at end of	Money* (M1)	Quasi-Money**	Total (M2)	Quasi-money (NBFIs)	M3	M3X	M3XT
1996	December	79,241	159,125	238,366	29,462	267,828	283,550	322,547
1997	December	91,061	186,749	277,811	16,242	294,052	317,314	370,613
1998	December	94,718	189,792	284,510	19,240	303,750	328,321	381,356
1999	December	110,081	185,433	295,513	16,603	312,116	345,037	409,938
2000	January	112,446	181,202	293,648	16,982	310,630	344,646	408,907
	February	108,621	180,898	289,519	18,514	308,033	342,918	402,510
	March	110,015	180,455	290,471	18,932	309,403	344,070	408,498
	April	114,866	181,555	296,421	19,371	315,792	352,724	410,496
	May	112,447	179,072	291,519	17,978	309,497	346,717	412,556
	June	113,361	178,646	292,008	18,347	310,355	347,728	413,937
	July	115,179	180,015	295,194	18,368	313,562	354,470	418,628
	August	116,060	178,120	294,180	18,244	312,424	352,024	417,373
	September	112,170	179,008	291,178	17,426	308,604	351,254	414,443
	October	113,992	174,982	288,974	16,743	305,717	350,443	417,422
	November	115,750	176,017	291,767	16,841	308,608	355,862	421,495
	December	119,393	178,479	297,872	16,814	314,686	359,647	424,427

Source: Central Bank of Kenya.

* Currency outside banks plus all demand deposits except those of Central Government, Local Government, Commercial Banks,Non Residents and foreign currency denominated deposits

** All other deposits except those of Central Government,Local Government, Commercial Banks, Non Residents and fereign currency denominated deposits.

*** See Table 5.3 for details

Consolidated Accounts of the Banking Systems

5.7. Table 5.3 summarizes the Consolidated Accounts of the Banking System during the period 1996-2000. Assets and Liabilities of the banking sector grew by 9.5 per cent to KSh 464,803 million in 2000 up from KSh 424,521 million in 1999. Broad money supply, M3X, which comprises M3 and foreign currency deposits holdings by residents with the commercial banks and NBFIs, recorded a growth of 4.2 per cent over 1999. Broad money, M3XT, which comprises M3X and government securities holdings of non-bank public, recorded a growth of 3.5 per cent, compared to 7.5 per cent increase in 1999. The slowdown in the growth of M3XT reflected the gradual stagnation and eventual decline in economic growth in 2000.

5.8. Foreign currency deposits grew from KSh 32,921 million in 1999 to KSh 44,961 million in 2000, an increase of 36.6 per cent compared to 34.0 per cent observed in 1999. The Treasury bill holdings, which increased by 23.6 per cent in 1999, decreased by less than one per cent to close at KSh 64,780 million in 2000. This was a reflection of the Government's efforts to operate within its budget, thus restricting its borrowing from the domestic market.

Table 5.3: CONSOLIDATED ACCOUNTS OF THE BANKING SYSTEM, 1996 - 2000

Shillings Million

	AS AT THE END OF							
					2000			
	1996	1997	1998	1999	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
LIABILITIES-								
1 Money (M1):								
1.1 Demand Deposits	48,851	54,883	56,005	67,117	71,658	74,902	73,953	75,927
1.2 Currency outside banks	30,390	36,178	38,713	42,963	38,358	38,459	38,217	43,466
Sub-Total	79,241	91,061	94,718	110,081	110,015	113,361	112,170	119,393
2. Quasi-Money(MS):								
2.1Call + 7 days Notice Deposits..	15,519	18,455	18,453	19,581	16,179	17,892	16,329	18,456
2.2 Savings Deposits	51,892	57,815	65,866	69,344	68,002	68,947	69,943	68,314
2.3 Time Deposits	91,713	110,479	105,474	96,508	96,274	91,807	92,736	91,710
Sub-Total	159,125	186,749	189,792	185,433	180,455	178,646	179,008	178,479
Money Supply(M2)	238,366	277,811	284,510	295,513	290,471	292,008	291,178	297,872
3 Quasi-Money (NBFIs)	35,223	20,084	22,002	19,428	20,843	20,140	19,097	18,562
Adjustments for Cross Bal.	-5,760	-3,843	-2,763	-2,825	-1,911	-1,793	-1,672	-1,748
Broad Money Supply(M3)	267,828	294,052	303,750	312,116	309,403	310,355	308,604	314,686
4 Foreign Currency Deposits	15,721	23,262	24,571	32,921	34,667	37,373	42,650	44,961
Broad Money Supply(M3X)	283,550	317,314	328,321	345,037	344,070	347,728	351,254	359,647
5 Treasury Bill Holdings	38,998	53,299	53,035	64,901	64,428	66,209	63,188	64,780
Broad Money Supply(M3XT)	322,547	370,613	381,356	409,938	408,498	413,937	414,443	424,427
6 Other Items (Net)	35,276	56,595	64,816	79,484	94,430	100,238	108,927	105,156
TOTAL	318,826	373,909	393,137	424,521	438,500	447,966	460,182	464,803
ASSETS-								
7 Net Foreign Assets	39,591	46,497	42,508	53,155	59,844	65,781	77,040	83,478
8 Domestic Credit:								
8.1 Central Govt. (Net).. ..	73,761	82,665	90,067	86,656	92,954	92,411	90,002	83,789
8.2 Other Public Bodies ..	5,355	7,872	6,261	7,304	6,396	7,041	8,397	8,058
8.3 Private Sector	200,118	236,875	254,302	277,407	279,307	282,732	284,742	289,478
	279,234	327,413	350,629	371,366	378,656	382,185	383,142	381,325
TOTAL	318,826	373,909	393,137	424,521	438,500	447,966	460,182	464,803

Source:Central Bank of Kenya.

Notes:

(a) Broad Money (M3) is money supplied by the Central Bank, Commercial Banks and NBFIs.
The items include currency outside banking institutions, deposits held by non-banking institutions with Central Bank, all deposits as well as certificates of deposits held by the private and other public sectors with banking institutions. Excluded are Central Government, Local Government and Non-residents deposits with banking institutions.

(b) Broad Money (M3X) comprises M3 and foreign currency holdings by residents.

(c) Broad Money (M3XT) comprises M3X and Treasury Bill holdings by the non-bank public.

(d) Other Items Net Includes SDR allocated by IMF.

(e) Net Foreign Assets includes Government reserve position in the IMF and deposits with crown agents.

(f) Treasury Bill holdings by the non-bank public is not included in total liabilities of the banking sytem.

5.9. Currency outside banks declined and remained relatively stable during the first three quarters of 2000. The trend reversed in the last quarter of the year to increase by KSh 503 million. The increase represents a 1.2 per cent growth in 2000, compared to an increase of 11.0 per cent in 1999. M3 increased by 2.8 and 0.8 per cent in 1999 and 2000 respectively. The increase in M3 was largely in the M1 component, as the quasi-money deposits held with the commercial banks and NBFIs fell. This is reflected in the marginal growth of domestic credit, which grew by KSh 9,959 million or 2.7 per cent compared to 5.9 per cent in 1999. Net Foreign Assets (NFA) grew to KSh 83,478 million, representing an increase of 57.1 per cent in 2000 compared to 25.1 per cent increase recorded in 1999. Net Domestic Credit to Central Government rose to KSh 92,954 million in the first quarter and decreased gradually thereafter to KSh 83,789 million in December 2000. Credit to private

sector and other public bodies grew by 4.4 and 10.3 per cent respectively. The share of the public sector in credit extended to the economy by the banking system was 24.1 per cent in 2000 compared with 25.3 per cent in 1999.

Sources of Changes in Money Supply and Financial Aggregates Real Values

5.10. Table 5.4 gives details of changes in money supply and their sources for the last five years. Currency plus demand deposits increased by KSh 9,312 million or 8.5 per cent in 2000. This was as a result of an increase of 1.2 per cent in currency in circulation and 13.1 per cent in demand deposits. Quasi-money (MS) contracted for the second year running by KSh 6,954 million while quasi-money (NBFIs) increased by KSh 212 million over the same period. Money Supply (M3X) increased by KSh 14,610 million, which was mainly in the foreign currency denominated deposits that increased by KSh 12,039 million. These increases in money supply were as a result of increases in net foreign assets and domestic credit to private sector including other public sectors.

Table 5.4: CHANGES IN MONEY SUPPLY AND SOURCES OF CHANGES, 1996 - 2000
(comparing year-end values)

Shillings million

	1996	1997	1998	1999	2000
MONEY SUPPLY---					
1. Currency plus demand deposits	6,065	11,820	3,657	15,363	9,312
2. Quasi-money(MS)	39,717	27,625	3,043	-4,360	-6,954
3. Quasi-money(NBFIs)	-9,040	-13,221	2,998	-2,597	212
4. Foreign Currency Deposits	2,053	7,540	1,309	8,350	12,039
5 Money supply (M3X)	38,795	33,764	11,007	16,756	14,610
SOURCES OF CHANGES---					
6. Net foreign assets	16,589	6,905	-3,989	10,647	30,309
7 Domestic credit ---					
(a) to Central Government(net)	-3,661	8,904	7,402	-3,411	-2,867
(b) to other public sector	326	2,518	-1,612	1,043	754
(c) to private sector	33,838	36,757	17,427	23,105	12,075
(d) all domestic credit	30,503	48,178	23,217	20,737	9,962
8 Other Items (Net)	-8,296	-21,319	-8,221	-14,628	-25,661
9 Total sources of changes	38,795	33,764	11,007	16,756	14,610

5.11. Financial aggregates expressed in real terms at 1986 constant prices are presented in Table 5.5. M3 and M3XT decreased in real terms by 5.1 per cent and 2.6 per cent in 2000 respectively. Total commercial banks' credit, which recorded an increase of 4.7 per cent in 1999, decreased by 2.4 per cent in 2000. The total liabilities of the banking system recorded an increase of 3.0 per cent in 2000 compared to an increase of 4.1 per cent in 1999. The total liabilities of the NBFIs' increased by 3.7 per cent in 2000 compared with 17.5 per cent decline in 1999. In real terms, the ratio of commercial banks deposits to the total liabilities of the banking system decreased by 7.0 percentage points in 2000 while that of NBFIs' liabilities remained constant.

Table 5.5: TRENDS IN THE REAL VALUE OF CERTAIN FINANCIAL AGGREGATES*,1996 - 2000 AT CONSTANT (1986) PRICES

Shillings million

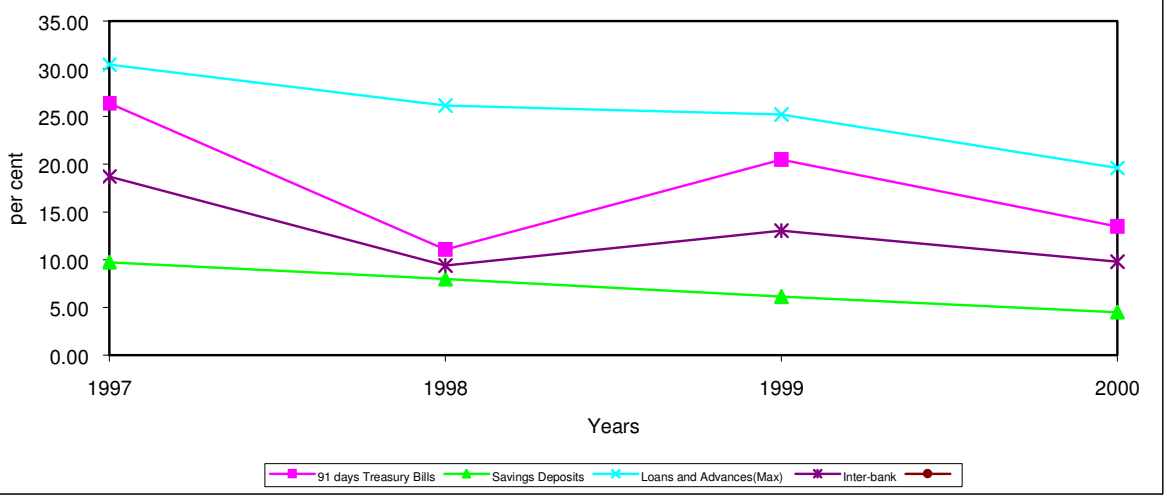
		1996	1997	1998	1999	2000
1	Money Supply(M3)....	51,776	51,122	49,520	49,169	46,677
2	Money Supply(M3XT)....	63,210	62,646	62,023	64,654	62,958
3	Commercial bank credit to private sector	30,042	32,494	36,418	33,912	33,353
4	Total commercial bank credit	31,404	35,338	39,074	40,922	39,946
5	Commercial Banks' Deposit Liabilities	40,146	43,944	42,054	46,554	43,748
6	Total liabilities of banking system .. .	61,636	65,006	63,939	66,958	68,947
7	NBFIs credit to private sector	7,170	4,824	4,700	3,756	3,716
8	Total NBFIs Credit	7,814	5,463	5,057	4,237	3,964
9	Total liabilities of non-bank financial institutions(NBFIs)	11,152	6,749	6,918	5,704	5,914
Memorandum Items:						
10	Line 5 as per cent of line 6 ..	65	68	66	70	63
11	Line 9 as per cent of line 6 ..	18	10	11	9	9

* Deflated by average Consumer Price Indices.

Interest Rates

5.12. In general, the principal interest rates declined in 2000 as compared to 1999 as shown in Table 5.6 and Fig 5.2. The average interest rate for the 91-day Treasury bill eased to 9.52 per cent in July 2000. The interest rates subsequently edged upwards to settle at 13.47 per cent in December 2000. Similarly, interest rates on advances against the Treasury bills and, discounts and advances against Bills and Notes under Crop Finance Scheme decreased from 26.47 per cent in 1999 to 16.01 per cent in June 2000, but then rose gradually to stand at 19.47 per cent in December 2000.

Figure 5.2: Selected Interest rates



5.13. Interest rates paid by Commercial Banks on deposit declined for the second consecutive year in 2000. The interest earned on savings deposits with commercial banks dropped from 6.15 per cent in 1999 to 4.89 per cent in June 2000 and 4.51 per cent in December 2000. Interest rates by Kenya Post Office Savings Bank (POSB) on deposits and Agricultural Finance Corporation (AFC) on loans maintained the 1999 levels. Hire purchase companies and merchant banks' rates on time deposits

dropped to between 5.45 and 8.73 per cent in June 2000 but increased to close at a range of between 6.01 and 10.36 per cent in December 2000 whereas the Interest rates charged on loans dropped from 25.51 per cent in 1999 to 22.42 per cent in 2000. The interest received from Building Societies on deposits widened from the range of 5.94 - 10.00 per cent in 1999 to a range of 5.63 - 11.50 per cent in 2000. The interest charged on loans by the Building Societies decreased from 21.47 per cent in 1999 to 19.90 per cent in 2000.

Table 5.6: PRINCIPAL INTEREST RATES, 1997 - 2000

Percentage

				2000	
	1997	1998	1999	June	December
CENTRAL BANK OF KENYA					
Average Interest Rate for 91 day Treasury Bills	26.36	11.07	20.47	10.01	13.47
Advances against Treasury Bills	31.36	17.07	26.47	16.01	19.47
Bills and Notes under Crop Finance Scheme:					
Discounts	31.36	17.07	26.47	16.01	19.47
Advances	31.36	17.07	26.47	16.01	19.47
Other Bills and Notes:					
Discounts	31.36	17.07	26.47	16.01	19.47
Advances	31.36	17.07	26.47	16.01	19.47
Treasury Bonds (Coupon Rates):					
One Year	15.00	15.00	..	..	..
Two Years	15.50	15.50	..	..	..
Five Years	16.00	16.00	..	..	..
KENYA COMMERCIAL BANKS					
Time Deposits:**					
0-3 Months	20.23	14.83	12.26	7.82	7.51
3-6 Months	18.49	14.90	10.27	7.53	6.29
6-9 Months	16.75	13.39	8.63	7.54	6.65
9-12 Months	15.93	13.95	9.25	6.88	5.91
over 12 Months	15.14	14.05	10.92	8.11	6.89
Savings Deposits	9.73	7.96	6.15	4.89	4.51
Loans and Advances(Maximum)*	30.43	26.16	25.19	23.11	19.60
Inter-bank Rate	18.70	9.38	13.04	6.73	9.79
Overdraft	30.40	26.66	25.58	22.86	19.73
OTHER FINANCIAL INSTITUTIONS					
Kenya Post Office Savings Bank deposits	6.00	6.00	5.00	5.00	5.00
Agricultural Finance Corporations, Loans:					
(a) Land Purchase	20.00	20.00	20.00	20.00	20.00
(b) Seasonal Crop Loan	20.00	20.00	20.00	20.00	20.00
(c) Other	20.00	20.00	20.00	20.00	20.00
HIRE-PURCHASE COMPANIES AND MERCHANT BANKS					
Deposits(time)	9.00-24.00	7.76-12.43	6.0-15.25	5.45-8.73	6.01-10.36
Loans	33.70	28.55	25.51	25.69	22.42
Building Societies:					
Deposits	6.2-19.14	5.94-19.84	5.94-12.00	5.94-10.00	5.63-11.50
Loans	25.00	24.90	21.47	22.47	19.90

Source: Central Bank of Kenya.

* Loans and advances for less than 3 years.

** For all commercial banks consolidated

5.14. As shown in Table 5.7, real interest rates were consistently low in 2000 compared to 1999. The negative rates were attributed to the increase in the inflation rate that stood at 6.2 per cent in 2000 compared to 3.5 per cent recorded in 1999. In real terms, average interest rate charged on the 91-day Treasury bills dropped by 9.7 percentage points to close at 7.3 per cent in 2000, while advances against the Treasury bills decreased by 9.7 percentage points to 13.3 per cent in 2000.

Table 5.7: TRENDS IN SELECTED REAL INTEREST RATES, 1997 - 2000

Percentage

		Year	Nominal Interest	Inflation Rate*	Real Interest**
1	Average Interest Rate for 91-day/Treasury Bills	1997	26.4	11.2	15.2
		1998	11.1	6.6	4.5
		1999	20.5	3.5	17.0
		2000	13.5	6.2	7.3
2	Advances against Treasury Bills				
		1997	31.4	11.2	20.2
		1998	17.1	6.6	10.5
		1999	26.5	3.5	23.0
		2000	19.5	6.2	13.3
3	Commercial bank savings deposits (ave) .. .				
		1997	9.7	11.2	-1.5
		1998	8.0	6.6	1.4
		1999	6.2	3.5	2.7
		2000	4.5	6.2	-1.7
4	Commercial bank loans and advances (max)				
		1997	30.4	11.2	19.2
		1998	27.1	6.6	20.5
		1999	25.2	3.5	21.7
		2000	19.6	6.2	13.4
5	Inter-Bank Rate				
		1997	18.7	11.2	7.5
		1998	9.4	6.6	2.8
		1999	13.0	3.5	9.5
		2000	9.8	6.2	3.6
6	POSB deposits***				
		1997	6.0	11.2	-5.2
		1998	6.0	6.6	-0.6
		1999	5.0	3.5	1.5
		2000	5.0	6.2	-1.2
7	Building society loans (max)				
		1997	25.0	11.2	13.8
		1998	24.9	6.6	18.3
		1999	21.5	3.5	18.0
		2000	19.9	6.2	13.7

* Taken from Table 4.18.

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

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

5.15. The real average interest rates offered by the commercial banks on savings deposit was negative 1.7 per cent while the real average interest rates charged by the same institutions on loans and advances dropped to 13.4 per cent in 2000 from 21.7 per cent in the previous year. The negative interest rates on deposits are a disincentive to savings by the general public and which partly explains the low deposits experienced during the period. The real interest rates earned on deposits held with POSB declined from 1.5 per cent in 1999 to negative 1.2 per cent in 2000. Real interest rates charged by the building societies on loans dropped by 4.3 percentage points to stand at 13.7 per cent at the end of the year.

Central Bank Assets and Liabilities

5.16. Table 5.8 summarises Central Bank's assets and liabilities for the period 1996-2000. The assets and liabilities increased in the first and second quarter but dropped in the third quarter before increasing again in the last quarter to peak at KSh 141,055 million in December 2000. This represented a growth rate of 11.8 per cent compared to a marginal increase of 1.0 per cent recorded in 1999. Total foreign exchange increased steadily over the period to peak at KSh 69,934 million in December 2000 representing an increase of 23.7 per cent. Advances and discounts

to banks more than quadrupled to close at KSh 4,884 million in 2000. Direct advances and overdraft to Kenya Government increased in the first two quarters but declined to close at KSh 8,595 million. On the liabilities side, capital and general resources fund remained constant for the first half of the year at KSh 4,877 million but increased in the third quarter to KSh 5,341 million and it maintained the position in the fourth quarter of 2000. The total currency in circulation remained below the 1999 level up to the third quarter but recorded a sharp increase in the fourth quarter. Total deposits increased by 8.8 per cent compared to 0.6 per cent drop in the previous period. The acceleration in deposits may be attributed to a

Table 5.8: CENTRAL BANK OF KENYA ASSETS AND LIABILITIES 1996 - 2000

Shillings million

ASSETS	1996	1997	1998	1999	2000			
					1st Qr	2nd Qr	3rd Qr	4th Qr
1. Foreign Exchange:-								
1.1 Balances with External Banks	45,024	41,650	45,702	55,971	59,179	61,421	66,593	69,162
1.2 Treasury Bills ..	62	35	-	64	42	96	-	-
1.3 Other Investments ..	1,141	1,708	251	338	508	708	769	750
1.4 Special Drawing Rights	42	44	36	177	42	65	22	22
TOTAL	46,269	43,437	45,989	56,550	59,771	62,290	67,384	69,934
2. Securities Issued or Guaranted by Kenya Government	-	-	-	-	-	-	-	-
3. Advances & Disc. to Banks ..	9,056	9,124	1,140	904	904	3,272	3,583	4,884
4. Direct Advances & Overdraft to Kenya Government	29,993	5,367	6,609	6,664	7,116	12,547	6,102	8,595
5. Other Assets including Kenya Treasury Bills & Bonds	31,290	72,222	71,240	62,110	58,647	54,489	47,242	57,642
TOTAL ASSETS	116,608	130,150	124,978	126,228	126,438	132,598	124,311	141,055
LIABILITIES :								
1. Capital and General Resources Fund	1,672	2,264	3,837	4,877	4,877	4,877	5,341	5,341
2. Currency in Circulation-								
2.1 Notes	35,522	42,171	43,358	48,347	40,976	40,918	40,938	49,692
2.2 Coins	816	1,001	1,128	1,810	1,872	1,932	1,926	2,222
TOTAL CURRENCY	38,010	45,436	48,323	55,034	47,725	47,727	48,205	57,255
3 Deposits								
3.1 Kenya Government	-	11,698	17,172	18,922	26,655	30,032	26,309	26,526
3.2 Kenya Banks *	36,732	31,220	29,349	27,790	28,203	31,863	25,846	25,075
3.3 External Banks	20,287	15,597	12,882	11,292	11,083	10,317	11,210	12,151
3.4 Other	9,851	10,238	10,440	11,400	10,739	10,900	9,935	11,773
TOTAL	66,870	68,753	69,843	69,404	76,680	83,112	73,300	75,525
4. Revaluation Account	-	-	-	-	-	-	-	-
5. Other Liabilities	11,728	15,961	6,812	1,790	2,033	1,759	2,806	8,275
TOTAL LIABILITIES	116,608	130,150	124,978	126,228	126,438	132,598	124,311	141,055

Source: Central Bank of Kenya

*- Deposits from commercial banks excluding non-bank financial institutions (NBFIs)

40.0 per cent increase in the deposits of Kenya Government. The increase in Foreign Assets was attributed to donor inflows for the Poverty Reduction and Growth Facility (PRGF).

Commercial Banks – Credit and Liquidity

5.17. Table 5.9 shows bills, loans and advances disbursed to the economy by the commercial banks during the period 1996-2000. Credit to private and other sectors expanded by KSh 9,531 million or 4.3 per cent compared to the growth of 11.3 per cent recorded in 1999. The deceleration in demand for bank credit was partially attributable to the slowdown in the economy. Credit to the public sector increased

by KSh 285 million or 2.8 per cent as compared to a 0.3 per cent drop in 1999. Credit to private enterprises increased by 5.0 per cent from KSh 214,211 million in 1999 to KSh 224,846 million in 2000. The share of the total credit to the public sector stood at 3.9 per cent in 2000 compared to 3.9 per cent and 4.4 per cent in 1999 and 1998 respectively, while the share of credit to the private sector stood at 83.5 per cent (Fig.5.3). Manufacturing, trade and agriculture received larger shares of total credit extended to the private sector compared to other private sectors. However, agriculture, manufacturing and trade sectors' share in total credit declined to stand at 9.1 per cent, 22.1 per cent and 15.4 per cent respectively in the year under review compared to 10.9 per cent, 25.6 per cent and 18.4 per cent respectively in 1999 (Fig.5.4).

Table 5.9: COMMERCIAL BANKS - BILLS, LOANS AND ADVANCES*, 1996 - 2000

Shillings million

	1996 Dec.	1997 Dec.	1998 Dec.	1999 Dec.	2000 Dec.
PUBLIC SECTOR:					
Central Government	1,454	2,177	2,779	2,900	2,432
Local Government	357	572	595	895	1,143
Enterprises, Parastatal bodies and other Public entities	5,237	7,572	6,907	6,455	6,959
TOTAL PUBLIC SECTOR	7,048	10,322	10,281	10,249	10,534
PRIVATE ENTERPRISES:					
Agriculture	14,730	17,919	21,933	23,426	24,399
Mining and Quarrying	1,584	2,419	2,617	2,975	2,838
Manufacturing	38,380	42,935	49,635	54,936	59,426
Building and Construction	8,469	11,508	14,962	18,363	16,850
Transport, Storage and Communication ..	7,320	10,972	10,309	9,723	9,608
Trade	25,918	32,865	36,752	39,413	41,471
Financial Institutions	3,157	5,165	6,472	6,876	5,324
Other Business	47,675	63,108	63,959	58,498	64,930
TOTAL PRIVATE ENTERPRISES	147,233	186,891	206,638	214,211	224,846
COMMUNITY AND PERSONAL SERVICES (including non-profit making institutions) .	5,212	6,038	6,178	7,088	8,103
OTHER ACTIVITIES (nes)	..	..	10,281	28,214	25,810
TOTAL BILLS, LOANS AND ADVANCES	159,493	203,250	233,377	259,762	269,293

Source: Central Bank of Kenya.

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

Figure 5.3: Share of Credit Disbursed to each Sector of the Economy in 2000

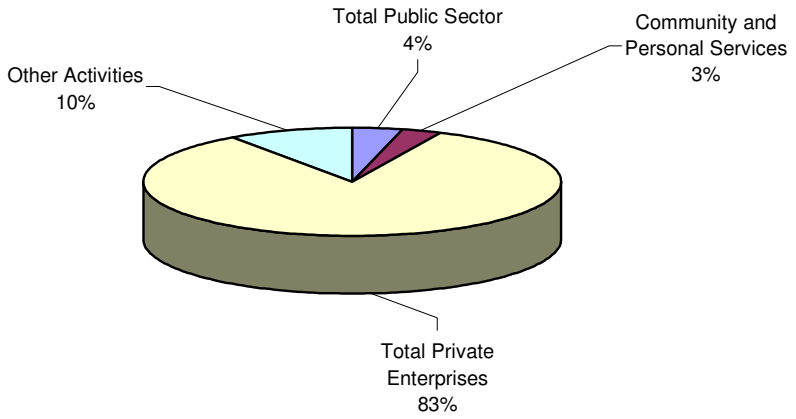
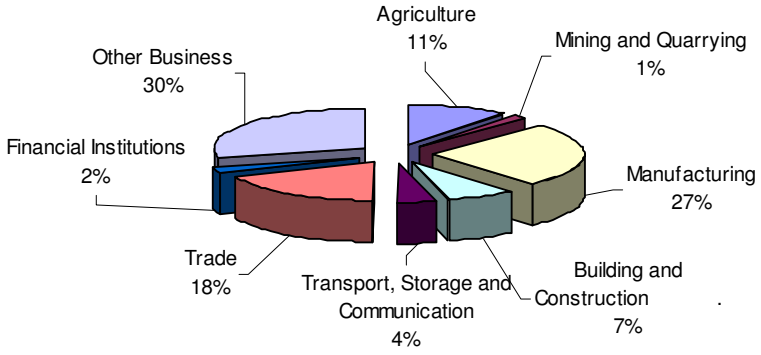


Figure 5.4: Share of credit extended to the private sector by commercial banks in 2000.



5.18. Table 5.10 shows deposit liabilities and liquid assets of the commercial banks. Deposit liabilities increased from KSh 279,450 million in 1999 to KSh 294,924 million in 2000, an increase of 5.5 per cent, while liquid assets grew by 13.0 per cent. The liquidity ratio (ratio of deposit liabilities to liquid assets) remained relatively stable and averaged 44.0 per cent, which was above the statutory minimum requirement of 20.0 per cent.

Table 5.10: COMMERCIAL BANKS - DEPOSIT LIABILITIES AND LIQUID ASSETS*, 1996 - 2000

		Deposit Liabilities KShs.million	Liquid Assets** KShs.million	Current Liquidity Ratio*** per cent
1996	December	207,669	86,213	42
1997	December	252,759	94,161	37
1998	December	257,954	99,113	38
1999	December	279,450	111,245	40
2000 -				
	January	281,396	117,904	42
	February	279,472	120,730	43
	March	279,792	122,473	44
	April	285,601	128,978	45
	May	283,586	126,741	45
	June	285,779	128,509	45
	July	285,518	129,794	45
	August	283,074	127,744	45
	September	288,999	128,535	44
	October	290,994	127,840	44
	November	291,421	125,396	43
	December	294,924	125,721	43

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.

Non–Bank Financial Institutions (NBFIs)

5.19. As shown in Table 5.11, assets and liabilities of the NBFIs remained stable in year 2000 and registered a growth of 3.5 per cent compared to a decline of 15.0 per cent recorded in 1999. Deposits from the Central and Local Government decreased from KSh 801 million in 1999 to KSh 785 million in 2000 while deposits from other public sectors decreased by 20.2 per cent in 2000 compared to 17.6 per cent decline in the previous year. Deposits from other depositors increased marginally while other liabilities increased by 12.9 per cent. In the case of assets, cash held in banks declined by 9.5 per cent from KSh 4,920 million in 1999 to KSh 4,453 million in 2000. Total Investment, Bills, Loans and Advances increased by 6.3 per cent while loans and advances to public and private sectors increased by 27.0 and 6.1 per cent respectively.

Table 5.11: ASSETS AND LIABILITIES OF NON-BANK FINANCIAL INSTITUTIONS, 1996 - 2000

KShs.million

	AS AT THE END OF							
					2000			
	1996	1997	1998	1999	1st Qr	2nd Qr	3rd Qr	4th Qr
LIABILITIES:								
Deposits-								
Central & Local Government..	562	767	710	801	771	896	861	785
Other Public Sector ..	5,135	4,475	4,635	3,821	3,434	3,251	3,288	3,049
Other Depositors ..	32,611	16,426	18,025	15,906	17,715	17,396	16,147	15,995
Other Liabilities	19,379	18,257	19,170	15,635	16,015	16,470	16,911	17,648
TOTAL LIABILITIES	57,687	39,925	42,539	36,162	37,935	38,012	37,207	37,478
ASSETS:								
Cash and Banks	11,938	5,149	6,899	4,920	6,454	5,153	4,144	4,453
Other Financial Institutions ..	1,127	52	157	286	251	370	220	50
Associated Companies ..	236	192	1,904	1,426	1,938	1,598	1,663	1,597
Investments, Bills,								
Loans & Advances:-								
Public Sector	3,332	4,568	2,270	2,387	1,768	2,739	3,338	3,032
Private Sector	37,091	27,753	28,826	24,478	24,956	25,657	25,400	25,965
Other Assets	3,964	2,211	2,483	2,665	2,568	2,495	2442	2,381
TOTAL ASSETS ..	57,687	39,925	42,539	36,162	37,935	38,012	37,207	37,478

Source: Central Bank of Kenya

Developments in the Banking Sector

5.20. The banking sector remained relatively stable in 2000 despite the apprehension that gripped the banking fraternity at the turn of the century due to the anticipated millennium bug problems. During the period, two previously closed banks reopened and one commercial bank and a non-bank financial institution, which were under statutory management, were placed under liquidation. At the close of the year, there were 50 commercial banks down from 51 in 1999. The number of Non-Bank Financial Institutions (NBFIs) fell from 11 in 1999 to 7 in 2000 while mortgage finance companies and building societies remained at 2 and 4 respectively. The number of foreign exchange bureaux reduced from 48 in 1999 to 47 in 2000.

5.21. The banking sector continued to grapple with the problem of non-performing loans, which at end of December 2000 constituted 39.27 per cent of the total loan portfolio. In order to handle the situation, the banks made significant provisions for bad and doubtful debts, an action that had negative effects on their profits and the declared end of year results. The commercial banking market was dominated by the eight major banks, which had a market share of 70.8 per cent at the end of December 2000. On capital and reserves, the capital to risk-weighted

assets ratio stood at 18.1 per cent in December 2000, well above the minimum legal requirement of 8.0 per cent.

5.22. The Central Bank of Kenya (CBK) in July 2000 issued a guideline on enforcement of banking laws and prudential regulations. It outlined actions to be taken for violations noted during on-site inspections and off-site surveillance. The foreign exchange regulation was strengthened by setting it at 20.0 per cent of core capital of institutions as well as redefining forex exposure to take into account 'off-balance sheet items' denominated in foreign currency.

Capital Market Developments

5.23. The Capital Markets Authority (CMA) played a key role in spearheading reforms in the Capital Markets in the East Africa region aimed at boosting the investor confidence. Guided by its theme for the year "Building an efficient capital market for all by consolidating our critical pillars", the CMA embarked on a fundamental reorganization of Kenya's Stock Market into independent market segments. Through its reform strategy paper in May 2000, the CMA segmented the Capital Market into four independent segments namely:

- Main Investments Market Segment (MIMS).
- Alternative Investments Market Segment (AIMS).
- Fixed Incomes Securities Market Segment (FISMS).
- Futures and Options Market Segments (FOMS)

The first three market segments are already operational while the last one will be implemented at a later stage.

5.24. The Nairobi Stock Exchange (NSE) was the only securities exchange in operation in the country during the period. Other participants in the capital market included 18 stock brokerage firms, 1 dealer, 22 investment advisors/fund managers, and 5 authorised depositories. Activity at the Nairobi Stock Exchange was depressed during the year in terms of share prices and foreign capital inflows. This was due to low corporate earnings as a result of the economic down turn experienced in the last couple of years. The cumulative volume of shares traded decreased from KSh 157.5 million in 1999 to KSh 141.6 million in 2000, a 10.0 per cent decline. The NSE 20 share index stood at 1913 points in 2000 down from 2303 in 1999, representing a decline of 390 points or 17.0 per cent.

5.25. The bond market that has been dominated by Government (Treasury) bonds witnessed an introduction of 20 new bonds valued at KSh 3,790 million and raised KSh 2,780 million. Corporate bonds in the capital market increased by two issues from East African Development Bank and Shelter Afrique. Use of Commercial Papers (CP), which have been gaining popularity as an alternative source of working capital financing, registered further recognition when CPs worth KSh 600 million were issued and existing CPs worth KSh 7,600 million were renewed.

Insurance sector Developments

5.26. During the year 2000 the number of licensed insurers stood at 38, with 2 re-insurers. One insurer was placed under the statutory management while one new entrant was registered. The number of insurance brokers dropped from 167 to 150, loss assessors increased from 179 to 197 and the number of agents increased to

1,061 from 779 in 1999. Other insurance service providers included 7 risk managers, 1 claims settling agent, 28 surveyors and 19 loss adjusters.

5.27. During the Budget Speech for the financial year 2000/2001, the Minister for Finance proposed amendments to the Insurance Act to raise the paid up share capital for brokers from KSh 500,000 to KSh 1,000,000, that for general business insurance to KSh 100 million and for life business to KSh 50 million. Existing companies were given three years to comply with the changes. To save costs of providing guarantees by brokers, it was proposed that the Commissioner of Insurance should accept long-term government securities as an alternative to bank guarantees. To prevent unnecessary risks to insuring public, the insurance agents will be required to pay the policy premiums to the insurers before commencement of the cover. In order to enhance proficiency in the insurance industry, investigators, like agents will be required to pass an examination in insurance law and practice. The finance bill 2000 proposed slight amendments to section 96, section 101, section 106 and section 112 of the Insurance Act.

5.28. The year 2000 was eventful for the insurance industry as insurance premiums were doubled for the *matatu* (public service vehicles) industry, which led to a conflict between Public Service Vehicle owners and the insurance companies. The increase in insurance premiums was attributed to huge losses due to increased claims from this class of business and holding of premium incomes, which caused cash flow problems for the companies.

5.29. The insurance industry has come to terms with the need for education and training. This is clear in the change noticed as more companies employ university graduates who have attained professional qualifications in insurance. The training requirement for Certificate of Proficiency (COP) for registration agents has gone a long way in enhancing professionalism in the industry. By end of 2000, the number of agents trained for COP at the Insurance College was over 1500.

CHAPTER 6

PUBLIC FINANCE

Overview

The budget for the 2000/01 financial year was the first to be prepared under the Medium Term Expenditure Framework (MTEF), a new approach to planning and budgeting. MTEF defined a three-year term macroeconomic fiscal framework to form the basis of setting national priorities, expenditure prioritization with the goal of achieving more enhanced service delivery. To realise high positive impact on economic growth and poverty reduction, the MTEF set expenditure ceilings starting from the sector level, through Ministries and Departments. This could be achieved by, reducing the share of Government expenditure relative to GDP while ensuring that expenditure is targeted to national development, and at the same time reducing the domestic debt, thus making sure that the Government runs a surplus of current revenue over current expenditure.

6.2. To achieve greater efficiency in tax collection, the Kenya Revenue Authority (KRA) which is the collector of Government revenue established a medium term corporate strategy. This strategy made KRA more supportive of taxpayer compliance through improved taxpayer education and information. Revenue administration responsibilities continued to be shifted to KRA, to ensure that their expertise and low cost will lead to enhanced revenue receipts.

6.3. In its endeavour to improve the welfare of Kenyans, the Government allocated funds for the core poverty programmes, mainly, in the social sectors of education, health, water and sanitation. These programme funds would be ring-fenced so that they may not be subject to budget cuts. In the year 2000, the country faced a serious drought, with major impacts on agricultural sector output, water and hydro-electricity power supply. To combat the adverse effects of the drought, more funds were allocated to cover drought preparedness, intervention and recovery operations.

Overall Results

6.4. The overall results of the budget out-turn for the last five financial years are shown in Table 6.1. Current revenue is expected to increase by 37.0 per cent between 1996/97 and 2000/01 from KSh 145,503.6 million to KSh 199,287.0 million. Current expenditure is expected to grow by 57.5 per cent from KSh 138,534.8 million to KSh 218,181.4 million over the same period. The internal public debt redemption, which has been on a decline since 1997/98, is expected to double in 2000/01. The external debt is expected to maintain an upward trend observed in the previous years with a growth of 20.9 per cent between 1999/2000 and 2000/2001. Both current expenditure and capital expenditure recorded significant growths of 42.1 per cent and 52.8 per cent, respectively over the same period. The rise in expenditure was partly due to allocation of more funds to disaster and famine relief operations, and roads rehabilitation programmes.

Table 6.1:CENTRAL GOVERNMENT OUT-TURN OF REVENUE AND EXPENDITURE*, 1996/97 - 2000/01

Kshs million

	1996/97	1997/98	1998/99**	1999/2000**	2000/2001+	Percentage Increases 1996/97 to 2000/2001
Current Revenue	145,503.60	166,103.97	179,717.00	177,785.56	199,287.04	36.96
Current Expenditure***	138,534.80	166,691.81	164,996.00	153,593.51	218,181.39	57.49
Current Surplus	6,968.80	-587.84	14,721.00	24,192.05	-18,894.36	-371.13
Capital Revenue	1,580.20	1,041.84	489.20	2,755.64	1,050.67	-33.51
Capital Expenditure***	15,647.80	13,558.86	12,307.40	18,100.47	27,653.48	76.72
Net Lending***	3,087.80	1,146.77	3,027.80	1,599.23	1,953.17	-36.75
External Grants	5,783.00	5,272.00	4,920.00	4,247.00	21,133.55	265.44
OVERALL DEFICIT	-4,403.60	-8,979.63	4,795.00	11,494.99	-26,316.79	497.62
FINANCING OF DEFICIT:						
External Loans (Net)	-6,634.00	-7,135.00	-16,523.40	-8,858.00	-28,761.79	-333.55
Total Domestic Borrowing	19,102.00	11,222.00	11,194.00	24,657.00	-2,448.00	-112.82
Long-term(net)	-4,121.00	1,145.00	27,500.00	-9,135.00	-6,814.00	-65.35
Short-term(net)	23,223.00	10,077.00	-16,306.00	33,792.00	4,366.00	-81.20
CHANGES IN CASH BALANCES:						
Increase = (-)	-8,064.40	4,892.63	534.40	-27,293.99	57,526.58	-813.34
MEMORANDUM ITEMS:						
Public Debt Redemption	25,315.80	133,640.15	62,080.60	49,931.86	78,844.97	211.45
(a) External	18,359.20	21,374.61	23,028.20	26,471.52	31,998.24	74.29
(b) Internal	6,956.60	112,265.55	39,052.40	23,460.34	46,846.73	573.41

Source: CBS and MoF&P

* 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

6.5. The analysis of some key fiscal indicators for the last five fiscal years is given in Table 6.2. The current surplus/deficit as a percentage of current revenue is projected to decline from a surplus of 13.6 per cent to a deficit of 9.5 per cent in 1999/2000 and 2000/01, respectively. The ratio of capital expenditure to current expenditure is expected to increase marginally over the same period. The overall deficit as a percentage of current revenue is expected to reach 13.2 per cent in 1999/2000, as compared to a surplus of 6.5 in 2000/01. This was due to a higher rate of growth in expenditure relative to growth in revenue, while the financing of capital expenditure from short-term borrowing is projected to decrease significantly during the period under review.

Table 6.2: ANALYSIS OF KEY FISCAL TRENDS, 1996/97 - 2000/01

	1996/97	1997/98	1998/99*	1999/2000*	2000/01**
1. Current Surplus/Deficit as % of Current Revenue	4.79	0.35	8.19	13.61	-9.48
2. Current Surplus/Deficit as % of Capital Expenditure plus Net Lending	37.20	-4.00	95.99	122.80	-63.82
3. Ratio of Capital Expenditure to Current Expenditure	11.30	8.13	7.46	11.78	12.67
4. Overall Deficit/surplus as % of Current Revenue ..	-3.03	-5.41	2.67	6.47	-13.21
5. Overall Deficit/Surplus as % of Total Expenditure ..	-2.41	-2.85	1.98	5.15	-8.06
6. External Grants and Loans as % of Capital Expenditure plus Net Lending	-4.54	-12.67	-75.67	-23.41	-25.77
7. Net Short-Term Borrowing as % of Capital Expenditure plus Net Lending	123.95	68.52	-106.33	171.54	14.75
8. Current Revenue as % of GDP at Current Market Prices	27.52	26.65	26.01	24.01	25.26
9. Total Government Expenditure as % of GDP at Current Market Prices	34.53	50.55	35.09	30.15	41.40
10. Overall Deficit/Surplus as % of GDP at Current Market Prices	-0.83	-1.44	0.69	1.55	-3.34

* Provisional

** Estimates

6.6. The comparisons between the budget forecasts and the actual out-turns are presented in Table 6.3. The analysis reflects the predictability of the various budgetary items for the years 1997/98 through 2000/01. Forecasting of recurrent revenue continued to be more accurate, with a surplus of 0.8 per cent in 2000/01, as compared to a shortfall of 4.4 per cent in 1999/2000. Actual recurrent expenditure exceeded the budget estimate by KSh 2,399.5 million in 2000/01, compared to a shortfall of KSh 38,345.9 million in 1999/2000. The actual balance for domestic financing is expected to be KSh 21,738.2 million higher than the budgeted estimate which was KSh 53,717.2 million lower than the budgeted estimate in 1999/2000.

Table 6.3: CENTRAL GOVERNMENT COMPARISON OF BUDGET ESTIMATES WITH ACTUAL OUT-TURNS, 1997/98 - 2000/01

Kshs million

	1997/98			1998/99*		
	Budget	Actual	Difference	Budget	Actual	Difference
Recurrent Revenue+	167,354.20	167,145.81	-208.39	186,160.00	179,951.80	-6,208.20
Recurrent Expenditure++	221,401.00	291,064.52	69,663.52	203,376.00	222,650.00	19,274.00
Recurrent Balance	-54,046.80	-123,918.71	-69,871.91	-17,216.00	-42,698.20	-25,482.20
Development Expenditure + Net Lend	46,672.40	25,219.27	-21,453.13	37,033.20	23,127.80	-13,905.40
External Financing (Net)**	755.00	-1,863.00	-2,618.00	-2,420.00	-13,904.60	-11,484.60
Balance for Domestic Financing (Net)	-99,964.20	-151,000.98	-51,036.78	-56,669.20	-79,730.60	-23,061.40
	1999/2000*			2000/01***		
	Budget	Actual	Difference	Budget	Actual	Difference
Recurrent Revenue+..	188,846.40	180,541.20	-8,305.20	198,772.47	200,337.71	1,565.24
Recurrent Expenditure++	244,141.80	205,795.91	-38,345.89	267,639.04	270,038.55	2,399.51
Recurrent Balance	-55,295.40	-25,254.71	30,040.69	-68,866.58	-69,700.84	-834.27
Development Expenditure + Net Lend	53,329.20	19,446.73	-33,882.47	38,420.82	59,324.77	20,903.95
External Financing (Net)**	-9,131.00	-19,337.00	-10,206.00	-29,845.00	-29,845.00	0.00
Balance for Domestic Financing (Net)	-117,755.60	-64,038.44	53,717.16	-137,132.39	-158,870.61	-21,738.22

* Provisional.

** Includes external grants.

*** Estimates

+Recurrent revenue equals Current Revenue + Capital Revenue

++ Recurrent Expenditure consists of Current Expenditure, Capital Expenditure and Consolidated Fund Services from R-Estimates

6.7. Table 6.4 outlines the Central Government gross receipts on recurrent account from 1996/97 to 2000/01. The total gross receipts are expected to rise by

11.0 per cent to KSh 200,338.7 million in 2000/01 from KSh 180,541.2 million in the previous year. The receipts from income tax are expected to increase from KSh 53,317.0 million in 1999/2000 to KSh 54,796.1 million in 2000/01, a rise of 2.8 per cent. Yields from indirect taxes are expected to grow substantially by 17.4 per cent from KSh 101,163.0 million in 1999/2000 to KSh 118,783.0 million in 2000/01 due to improved receipts from VAT on imports and domestic manufactures, import duties and excise duties. Revenue from other miscellaneous sources is expected to increase marginally by 2.6 per cent.

Table 6.4: CENTRAL GOVERNMENT GROSS RECEIPTS ON RECURRENT ACCOUNT*, 1996/97 - 2000/01

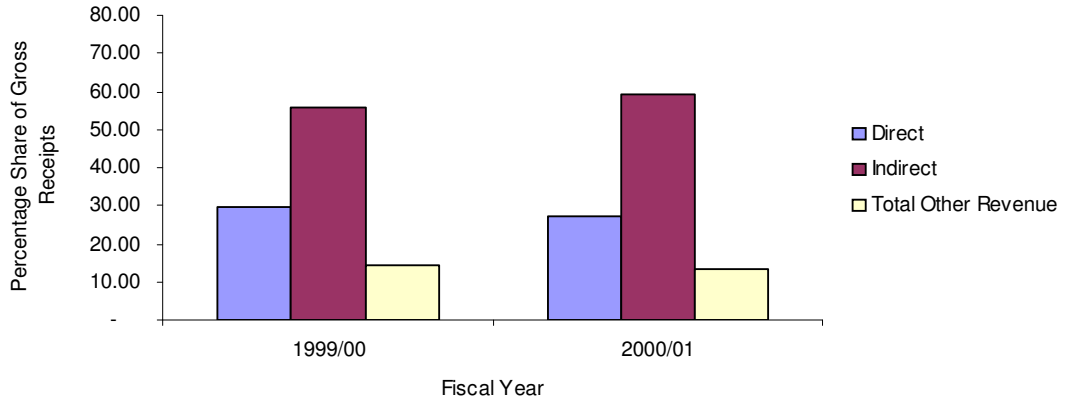
Kshs million

	1996/97	1997/98	1998/99**	1999/2000**	2000/2001+
DIRECT TAXATION:					
Income Tax	48,375.00	55,577.91	55,234.80	53,316.99	54,796.12
TOTAL	48,375.00	55,577.91	55,234.80	53,316.99	54,796.12
INDIRECT TAXATION:					
VAT on Domestic Manufactures.....	14,541.80	17,748.01	21,114.80	22,416.62	28,299.50
VAT on imports	15,308.20	16,720.13	18,090.00	18,527.57	23,290.76
Import Duties	22,594.00	27,167.07	28,444.00	28,605.16	33,797.67
Excise Duties	23,687.20	28,381.62	28,733.20	28,493.06	29,575.09
Trading Licences ..	212.00	140.52	120.00	82.82	161.56
Licences and Fees Under Traffic Act	718.60	832.81	834.60	1,562.56	1,630.00
Other Taxes, Licences and Duties ..	1,592.40	1,324.67	2,957.20	1,475.21	2,028.46
TOTAL	78,654.20	92,314.84	100,293.80	101,163.01	118,783.04
OTHER REVENUE AND INCOME:					
Compulsory Fees, Fines and Penalties	1,762.80	1,895.51	1,861.00	2,093.05	3,270.06
Income From Property	4,863.40	4,443.83	6,407.20	5,988.41	6,452.79
Current Transfers	204.20	221.75	212.20	270.42	1,193.82
Sales of Goods and Services	10,507.40	10,875.46	9,938.80	8,716.56	10,518.61
Other	2,716.80	1,816.51	6,004.00	8,992.76	5,324.23
TOTAL	20,054.60	19,253.06	24,423.20	26,061.20	26,759.52
TOTAL	147,083.80	167,145.81	179,951.80	180,541.20	200,338.67
MEMORANDUM ITEM:					
Loan Repayments to Government	1,155.40	101.43	327.80	418.30	777.12

* 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.

6.8. The increase in total revenue was partly attributed to increased rate of VAT, continued efforts by KRA to expand the tax base, enhanced audit capacity, tightening of policies and procedures for tax exemptions as part of its medium term corporate strategy. These steps will not only bring in more revenue, but will also shift more of tax burden onto those who have been evading tax in the past and thereby enhance equity. As shown on Fig 6.1, indirect taxes which contributes slightly over a half of the total revenue contributed 56.1 per cent and 59.3 per cent of total revenue in 1999/2000 and 2000/01 respectively. Direct taxes contributed 29.5 per cent and 27.4 per cent over the same period.

Figure 6.1: Gross Receipts on Recurrent Accounts



6.9. Details on main sources of import duty from 1996 to 2000 are shown in Table 6.5. The total import duty, which has maintained an upward trend since 1997, is expected to increase marginally by 1.7 per cent in 2000, as compared to growths of 6.6 per cent and 22.6 per cent realised in 1999 and 1998 respectively. The slowdown in growth is partly attributed to reduced import duty collected from textiles, semi manufactures, chemicals and metallic goods. Import duty on foods and drinks recorded an increase of 24.7 per cent over the same period. This increase was due to increased importation of foodstuffs. Import duty on fuel and basic materials increased marginally over the same period.

Table 6.5: CENTRAL GOVERNMENT IMPORT DUTY COLLECTIONS, 1996 - 2000

Kshs million

END-USE CATEGORY	1996	1997	1998	1999	2000*
Food, drinks and tobacco	2,080.40	2,234.00	4,308.80	4,393.60	5,479.55
Basic materials	1,173.60	1,158.00	1,554.40	1,577.60	1,599.50
Fuels	4,423.80	4,220.80	5,897.60	6,307.80	6,326.64
Chemicals	1,871.00	1,713.00	1,676.40	1,741.00	1,527.06
Textiles	365.20	316.60	495.20	621.20	536.93
Semi-manufactures	1,567.40	1,631.00	1,577.20	1,853.40	1,560.87
Metals	1,465.20	1,285.20	1,331.20	1,440.00	1,215.59
Transport Equipment	3,469.20	3,618.60	3,644.20	3,514.80	3,806.70
Machinery	2,955.20	2,970.80	3,035.00	3,237.60	3,103.64
Miscellaneous commodities	1,045.20	1,084.20	1,283.00	1,742.20	1,724.89
TOTAL	20,416.20	20,232.20	24,803.00	26,429.20	26,881.37

Source: Customs and Excise-KRA

* Provisional.

6.10. Excise revenue from 1996 to 2000 is detailed in Table 6.6. Total collections increased marginally to KSh 13,605.4 million in 2000 from KSh 13,278.9 million in 1999. Beers and spirits maintained their position as a main source of excise revenue contributing 55.7 per cent of the total excise revenue in 2000. Whereas a 2.2 per cent drop was recorded in excise revenue from cigarettes in 2000, revenue from beers and spirits registered a 5.9 per cent growth over the same period.

Table 6.6: CENTRAL GOVERNMENT EXCISE REVENUE BY COMMODITIES*, 1996 - 2000

KShs'000

	1996	1997	1998	1999	2000**
Beer and spirits	7,298,020	7,568,820	8,034,380	7,161,140	7,580,834
Sugar	240	-	3,580	-	1,000
Cigarettes	4,466,580	4,693,940	4,806,260	4,804,000	4,697,591
Other commodities***	1,066,500	1,058,900	987,740	1,313,780	1,326,002
TOTAL	12,831,340	13,321,660	13,831,960	13,278,920	13,605,428

* Data presented in this Table refer to calender years.

* * Provisional.

*** Includes transfer adjustments not allocated by commodity.

Source: Kenya Revenue Authority.

6.11. The data on financing of capital expenditure and net lending from 1996/97 to 2000/01 is given in Table 6.7. The capital expenditure is expected to grow by 52.8 per cent from KSh 18,100.5 million in 1999/2000 to KSh 27,653.5 million in 2000/01. Drought preparedness, intervention and recovery projects, emergency power supply project and roads rehabilitation under the EL-Nino Emergency Project were some of the projects undertaken during this period. The financing from Treasury Bills declined from KSh 28,316.0 million in 1999/2000 to KSh 7,897.0 million in 2000/01. Over the same period, grants registered a five-fold increase. The sharp rise in grants was due to resumption of aid by other donors in the financial year 2000/2001

Table 6.7: CENTRAL GOVERNMENT
FINANCING OF CAPITAL EXPENDITURE AND NET LENDING, 1996/97 - 2000/01

Kshs million

	1996/97	1997/98	1998/99*	1999/2000*	2000/01+
EXPENDITURE:					
Capital Expenditure	15,647.80	13,558.86	12,307.40	18,100.47	27,653.48
Net Lending	3,087.80	1,146.77	3,027.80	1,599.23	1,953.17
TOTAL	18,735.60	14,705.63	15,335.20	19,699.70	29,606.65
FINANCING:					
Surplus on Current Account ..	6,968.80	-587.84	14,721.00	24,192.05	-18,894.36
Capital Revenue	1,580.20	1,041.84	489.20	2,755.64	1,050.67
External Loans (Net)	-6,634.00	-7,135.00	-16,523.40	-8,858.00	-28,761.79
External Grants	5,783.00	5,272.00	4,920.00	4,247.00	21,133.55
Long-Term Domestic Borrowing (Net)	-4,121.00	1,145.00	27,500.00	-9,135.00	-6,814.00
SHORT TERM BORROWING:					
Cereals and Sugar Finance Corporation (Net)	-	-	-	-	-
Treasury Bills (Net)	8,584.00	2,102.00	-13,116.00	28,316.00	7,897.00
Other Short-Term Borrowing (Net) ..	14,639.00	7,975.00	-3,190.00	5,476.00	-3,531.00
Change in Cash Balances(decrease =+)	-8,064.40	4,892.63	534.40	-27,293.99	57,526.58
TOTAL	18,735.60	14,705.63	15,335.20	19,699.70	29,606.65

* Provisional.

** Estimates

Analysis of Government Expenditure

6.12. The purpose classification of Government's expenditure on its main services is shown in Table 6.8. All sectors registered significant growths in expenditure with the Recurrent Expenditure and Development Expenditures recording rises of KSh 62,242.4 million and KSh 39,524.1 million, respectively. As a result, the total expenditure on main services grew by 46.4 per cent from KSh 223,643.4 million in 1999/2000 to KSh 327,409.9 million in 2000/01. Expenditure on economic services gained substantially by 75.5 per cent from KSh 27,707.9 million to KSh 48,639.3

million during the period under review. Substantial increase in allocation on economic services was partly due to the Emergency power supply project. The expenditure on social services also registered a growth of 11.2 per cent. Expenditure policies were targeted towards sectors that will contribute to economic growth and thereby lead to poverty reduction. The areas targeted for increase in allocation included security and governance, human resource development specifically primary health care and basic education, upgrading and rehabilitation of physical infrastructures including roads and sanitation facilities.

Table 6.8: CENTRAL GOVERNMENT EXPENDITURE ON MAIN SERVICES, 1997/98 - 2000/01

Kshs million

	1997/98			1998/99*			1999/2000*			2000/01+		
	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	17,758.5	6,150.2	23,908.7	21,942.2	5,079.0	27,021.2	18,810.6	6,952.3	25,762.9	34,210.4	26,685.8	60,896.2
External Affairs	2,767.4	27.2	2,794.5	2,761.6	58.0	2,819.6	3,075.2	24.2	3,099.3	3,323.2	59.8	3,383.0
Public Order and Safety	11,391.7	373.2	11,764.9	11,340.6	324.8	11,665.4	12,423.1	141.3	12,564.4	16,930.6	401.8	17,332.4
TOTAL	31,917.5	6,550.6	38,468.1	36,044.4	5,461.8	41,506.2	34,308.9	7,117.7	41,426.6	54,464.2	27,147.4	81,611.6
Defence	10,060.3	122.0	10,182.2	10,536.4	43.2	10,579.6	10,346.9	80.4	10,427.2	14,266.1	0.0	14,266.1
SOCIAL SERVICES												
Education	44,424.2	1,802.1	46,226.3	45,424.4	1,800.8	47,225.2	46,790.0	703.2	47,493.2	49,637.7	1,100.9	50,738.6
Health	9,075.3	3,808.6	12,883.9	9,196.6	1,253.2	10,449.8	9,188.9	865.4	10,054.2	10,710.7	2,790.2	13,500.9
Housing and Community Welfare	1,946.2	1,342.9	3,289.1	1,657.6	1,180.0	2,837.6	2,024.4	690.5	2,714.8	2,284.5	450.6	2,735.1
Social Welfare	318.8	302.1	620.9	312.3	30.4	342.7	23.8	0.0	23.8	80.0	0.0	80.0
TOTAL	55,764.5	7,255.7	63,020.2	56,590.9	4,264.4	60,855.3	58,027.0	2,259.0	60,286.1	62,713.0	4,341.7	67,054.7
ECONOMIC SERVICES:												
General Administration	2,012.2	1,074.0	3,086.2	2,004.4	1,348.6	3,353.0	2,330.1	2,717.8	5,047.9	2,864.1	14,329.6	17,193.7
Agriculture, Forestry and Fishing	4,267.5	3,507.3	7,774.8	4,868.2	4,598.2	9,466.4	5,591.9	2,103.8	7,695.7	6,599.5	4,497.9	11,097.4
Mining,Manufacturing & Construction	1,797.6	440.3	2,237.9	1,563.2	757.8	2,321.0	1,714.8	598.9	2,313.7	2,196.0	901.1	3,097.1
Electricity, Gas, Steam and Water	1,254.2	1,755.9	3,010.1	1,243.0	777.8	2,020.8	1,065.6	317.3	1,382.9	1,101.2	1,936.9	3,038.1
Roads	4,825.4	2,881.3	7,706.6	5,333.0	2,793.2	8,126.2	6,207.3	2,641.2	8,848.5	7,035.7	3,738.5	10,774.1
Other Transport & Communications	366.4	447.6	814.0	800.0	41.0	841.0	994.6	9.7	1,004.2	1,239.1	0.4	1,239.5
Other Economic Services	1,021.1	38.0	1,059.1	1,150.0	14.0	1,164.0	1,413.3	1.7	1,415.0	1,721.3	478.2	2,199.5
TOTAL ECONOMIC SERVICES	15,544.5	10,144.3	25,688.7	16,961.8	10,330.6	27,292.4	19,317.5	8,390.3	27,707.9	22,756.9	25,882.4	48,639.3
OTHER SERVICES; INCLUDING PUBLIC DEBT	177,777.7	0.0	177,777.7	102,507.6	0.0	102,507.6	83,795.6	0.0	83,795.6	115,838.3	0.0	115,838.3
TOTAL**	291,064.4	24,072.5	315,136.9	222,641.1	20,100.0	242,741.1	205,795.9	17,847.5	223,643.4	270,038.4	57,371.6	327,409.9

* Provisional.

6.13. Table 6.9 shows the economic analysis of expenditure for the last five fiscal years. The total current expenditure, after maintaining a downward trend since 1997/98, grew significantly from KSh 153,593.5 million in 1999/2000 to KSh 218,181.4 million in 2000/01. This significant rise in total current expenditure is largely attributed to famine relief activities, the implementation of the Civil Service Reform Programme and enhanced house allowances for civil servants and teachers. The expenditure on labour costs grew by 35.5 per cent to reach KSh 47,950.6 million in 2000/01, which accounted for 14.7 per cent of the total budget in 2000/01. This was slightly below the 15.9 per cent growth recorded in 1999/2000. Expenditure on other goods and services increased from KSh 29,676.3 million to KSh 61,693.4 million in 2000/01. The capital expenditure recorded a 52.8 per cent growth from KSh 18,100.5 million to KSh 27,653.5 million. The rise in capital expenditure was due to allocation of funds to rehabilitation of roads network and emergency power supply activities.

Table 6.9: CENTRAL GOVERNMENT
ECONOMIC ANALYSIS OF EXPENDITURE, 1996/97 - 2000/01

Kshs million

	1996/97	1997/98	1998/99*	1999/2000*	2000/01**
CURRENT EXPENDITURE:					
CONSUMPTION EXPENDITURE ON GOODS AND SERVICES:					
Labour Costs	25,956.20	33,744.08	31,030.80	35,388.99	47,950.60
Other Goods and Services	36,611.60	37,919.13	41,768.80	29,676.34	61,693.42
TOTAL	62,567.80	71,663.21	72,799.60	65,065.33	109,644.02
SUBSIDIES	0.40	61.00	38.60	200.14	200.00
INTEREST:					
Foreign	8,101.20	7,775.74	8,186.40	7,508.40	31,128.48
Domestic	25,544.20	32,037.14	27,903.20	21,409.40	
TRANSFERS TO:					
Households and Unincorp. Enterprises including Private Non-profit Institutions	11,366.60	5,622.38	5,521.40	6,527.82	
Financial and Non-Financial Enterprises General Government	30,012.40	47,328.00	48,924.60	49,692.59	77,208.90
Rest of the World	630.60	619.62	313.20	672.71	
Funds	311.60	1,584.72	1,305.00	2,517.09	
TOTAL TRANSFERS	42,321.20	55,154.72	56,064.20	59,410.21	77,208.90
OTHERS					
1. TOTAL CURRENT EXPENDITURE	138,534.80	166,691.81	164,992.00	153,593.48	218,181.39
2. CAPITAL EXPENDITURE:					
Gross Fixed Capital Formation	14,206.40	13,271.90	12,043.20	15,744.95	24,025.30
Capital Transfers	1,441.40	286.96	264.20	2,355.52	3,628.18
TOTAL	15,647.80	13,558.86	12,307.40	18,100.47	27,653.48
3. NET LENDING:					
Purchase of Equity in Enterprises	2,726.60	97.50		0.58	0.00
Loans to Households, Enterprises and General Government Agencies	1,516.60	1,150.70	3,355.80	2,016.95	2,730.29
Less Loan Repayments to Government ***	-1,155.40	-101.43	-327.80	-418.30	-777.12
TOTAL	3,087.80	1,146.77	3,028.00	1,599.23	1,953.17
4. PUBLIC DEBT REDEMPTION	25,315.80	133,640.15	62,080.80	49,931.86	78,844.97
5. Total Expenditure (1+2+3+4)	182,586.20	315,037.59	242,408.20	223,225.04	326,633.00

* Provisional.
** Revised Estimates
*** including interest

Public Debt

6.14. The summary for the Government public debt from 1996 to 2000 is shown in Table 6.10. The total public debt decreased from KSh 328,893.20 million in 1999 to KSh 306,694.9 million in 2000, a drop of 6.7 per cent. This decline was reflected both in internal funded and external unfunded debt. While internal unfunded debt

grew substantially by 61.5 per cent from KSh 15,235.8 million in 1999 to KSh 24,609 million in 2000, external unfunded debt dropped by 6.7 per cent over the same period. The volume of funded debt has been on the decline since 1996.

Table 6.10: CENTRAL GOVERNMENT PUBLIC DEBT, 1996 - 2000

Kshsmillion

As at 30th June	Public Debt**								
	Funded			Unfunded			Total		
	External	Internal	Total	External	Internal***	Total	External	Internal	Total
1996 ..	. .	4,583.40	4,583.40	234,708.40	28,169.80	262,878.20	234,708.40	32,753.20	267,461.60
1997	. .	3,959.60	3,959.60	218,106.40	23,462.40	241,568.80	218,106.40	27,422.00	245,528.40
1998	. .	3,743.80	3,743.80	231,038.80	23,552.00	254,590.80	231,038.80	27,295.80	258,334.60
1999	. .	3,430.00	3,430.00	310,227.35	15,235.80	325,463.15	310,227.35	18,665.80	328,893.15
2000*	. .	3,005.69	3,005.69	279,080.06	24,609.11	303,689.17	279,080.06	27,614.80	306,694.86

* Provisional

** Excludes Short Term Borrowing.

*** Includes Treasury bonds.

6.15. Table 6.11 shows the sources of unfunded debt from 1996 to 2000. Over the last five years, the main source of this debt remains the multinational donor agencies. During the year under review, the multinational agencies contributed 57.8 per cent of the total external unfunded debt. This represents a drop from 62.5 per cent and 62.8 per cent recorded in 1999 and 1998, respectively. Amongst the multilateral donor agencies, the World Bank affiliate, International Development Association remains the leading contributor in this category, giving over 76 per cent of funds sourced. The total debt financed by bilateral agreement increased by only 1 per cent, from KSh 116,334.0 million in 1999 to KSh 117,672.9 million in 2000. Japan and Denmark were the only countries with increased debt during the period under review.

Table 6.11: CENTRAL GOVERNMENT SOURCES OF UNFUNDED DEBT, 1996 - 2000

Kshs million

Outstanding as at 30th June	1996	1997	1998	1999	2000
EXTERNAL DEBT:					
Lending Countries:					
Germany	6,909.20	5,873.40	6,768.40	5,276.94	5,155.81
Japan	42,232.40	35,843.80	37,495.40	52,181.20	60,987.54
France	16,631.60	10,886.20	9,582.40	10,897.28	10,269.59
U.S.A.	134.00	40.40	597.00	4,009.32	408.65
Netherlands	6,834.60	5,630.80	6,468.20	7,955.94	4,930.96
Denmark	3,684.60	3,062.20	2,632.20	2,636.23	3,000.76
Finland	518.00	406.60	365.00	429.61	411.62
Other	30,203.20	23,620.40	22,047.00	32,947.48	32,507.93
Total	107,147.60	85,363.80	85,955.60	116,334.00	117,672.86
International Organizations:					
I.D.A	95,184.20	99,288.60	110,489.20	143,412.22	122,940.47
I.B.R.D	6,946.20	7,100.20	5,840.80	4,622.76	2,948.52
African Development Bank	7,108.80	6,640.00	6,278.40	8,147.82	4,507.08
O.P.E.C.	1,084.60	938.20	831.80	247.36	223.40
E.E.C.	4,415.20	4,904.80	5,431.20	4,858.86	5,173.08
I.M.F.					
Arab League	41.40	13.00	14.20	0.00	0.00
Badea	562.20	470.80	440.60	443.36	184.67
I.F.A.D.	1,512.60	1,762.40	2,369.40	1,561.03	1,388.81
C.D.C.					
A.D.F.	10,705.60	11,624.60	13,387.60	30,599.94	24,041.17
Total	127,560.80	132,742.60	145,083.20	193,893.35	161,407.21
Total External	234,708.40	218,106.40	231,038.80	310,227.35	279,080.06
INTERNAL DEBT:					
Central Bank of Kenya ..	200.00	200.00	200.00	200.00	200.00
Other	27,969.80	23,262.40	23,352.00	15,035.80	24,409.11
TOTAL INTERNAL	28,169.80	23,462.40	23,552.00	15,235.80	24,609.11
TOTAL UNFUNDED DEBT ..	262,878.20	241,568.80	254,590.80	325,463.15	303,689.17

6.16. The public funded debt at book value by holders on local registers as at 30th June 1996 to 2000 is shown in Table 6.12. The total funded debt declined substantially from KSh 3,430.1 million in 1999 to KSh 3,005.7 million in 2000. Although the amount owed to National Social Security Fund (NSSF) declined from KSh 2,306.2 million in 1999 to KSh 1,936.4 million in 2000, it still remained the single major source of funded loans to the Government. The Central Government sinking fund is the only other holder with substantial security, with KSh 766.8 million at the end of 1999/2000 financial year.

Table 6.12: ANALYSIS OF PUBLIC FUNDED DEBT AT BOOK VALUE BY HOLDERS ON LOCAL REGISTER AS AT 30TH JUNE, 1996 - 2000

Kshs million

	1996	1997	1998	1999	2000
PUBLIC BODIES:					
National Social Security Fund	3,111.60	2,611.00	2,525.20	2,306.18	1,936.39
Central Government	986.40	882.80	832.00	809.87	766.78
Local Government	3.60	1.20	1.20	1.00	1.00
Kenya Post Office Savings Bank ..	46.00	44.00	44.00	33.00	33.00
Former E.A.Community Institutions*	65.60	65.60	65.60	51.15	51.15
Central Bank	0.00	0.00	0.00	0.00	0.00
Other Public Sector	22.00	41.40	41.40	17.43	16.43
OTHER INTERNAL:					
Commercial Banks	98.80	100.60	113.20	105.37	94.97
Insurance Companies	69.00	65.40	61.00	46.20	46.20
Other Companies	178.80	146.40	59.40	59.35	59.35
Private Individuals	1.60	1.00	0.80	0.50	0.43
TOTAL	4,583.40	3,959.40	3,743.80	3,430.05	3,005.69

Source: Central Bank of Kenya.

* And their successors

Table 6.13: CENTRAL GOVERNMENT DEBT SERVICING CHARGES*, 1996 - 2000

Kshs million

Year ending	ANNUAL DEBT SERVICING CHARGES			INTEREST AND LOAN REPAYMENT RECEIPTS			NET SERVICING CHARGES		
30th June	External	Internal	Total	External	Internal	Total	External	Internal	Total
1996	29,877.20	39,393.40	69,270.60	. .	1,105.00	1,105.00	29,877.20	38,281.80	68,159.00
1997	26,460.40	32,500.80	58,961.20	. .	1,155.40	1,155.40	26,460.40	26,460.40	52,920.80
1998	29,150.40	144,302.60	173,453.00	. .	593.60	593.60	29,150.40	143,709.00	172,859.40
1999. ..	31,214.60	66,955.60	98,170.20	. .	327.80	327.80	31,214.60	66,627.80	97,842.40
2000** .. .	33,979.95	44,869.74	78,849.69	..	418.30	418.30	33,979.95	44,451.44	78,431.39

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

** Provisional

6.17. Details of Government debt servicing charges from 1996 to 2000 are given in Table 6.13. The total net servicing charges declined by 19.8 per cent, from KSh 97,842.4 million in 1999 to KSh 78,431.39 million in 2000. Internal servicing charges went down from KSh 66,627.8 million to KSh 44,869.74 million during the period under review. The external net servicing charges increased by 10.4 per cent during the period under review. By the end of the first quarter of 2000/01 financial year, the Government had paid loans guaranteed to Kenya Broadcasting Corporation (KBC) and Nzoia Sugar Company, as the enterprises had liquidity problems.

6.18. Table 6.14 shows that the ratio of debt service charges on external debt to exports of goods and services has been declining for the last three years and dropped marginally in 2000. This indicates that the growth in export receipts has been faster than the increase in external debt service charge.

Table 6.14: CENTRAL GOVERNMENT DEBT SERVICE CHARGES ON EXTERNAL DEBT RELATED TO EXPORTS OF GOODS AND SERVICES, 1996 - 2000

	Debt Service Charges on External Debt** (Financial Year)	Exports of Goods and Services (Calender Year)	External Debt Service Charges as a Percentage of Exports of Goods and Services
	Kshs million	Kshs million	
1996	29,877.20	172,459.20	17.32
1997	26,460.40	174,846.20	15.13
1998	29,150.40	171,894.74	16.96
1999	31,214.60	188,693.10	16.54
2000*	34,475.62	208,799.79	16.51

* Provisional.

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

Local Authorities

6.19. Poverty reduction can be achieved by strengthening the capacity of local Governments to deliver public services in a more responsive manner to the residents. Local services such as road maintenance, water, sewerage, solid waste disposal are key services to be targeted in improving the welfare of people. Local Authority Transfer Fund (LATF) and financial control management boards have been put in place in the Government efforts to strengthen governance and service delivery capacities of the local authorities.

6.20. The expenditure summary for local authorities from 1996/97 to 2000/01 is given in Table 6.15. The total expenditure for local authorities comprising of municipal, town and county council, is expected to rise by KSh 1,322.9 million during the period under review. While expenditure for Nairobi City Council is expected to rise by 12.5 per cent, from KSh 3,388.8 million in 1999/2000 to KSh 3,813.5 million in 2000/01, total expenditure of other municipal councils is expected to register a marginal gain of 2.4 per cent. Expenditure for town and county councils is expected to rise significantly by 32.2 per cent during the period under review.

Table 6.15: EXPENDITURE BY LOCAL AUTHORITIES, 1996/97 - 2000/01

Kshs million

	MUNICIPALITIES				
	Nairobi City Council	Other Municipal Councils	Sub-Total	Town and County Councils	Total
1996/97	3,527.00	2,973.20	6,500.20	1,724.40	8,224.60
1997/98	3,455.00	3,511.40	6,966.40	1,950.20	8,916.60
1998/99	3,368.46	4,115.85	7,484.31	2,373.67	9,857.98
1999/00*	3,388.80	4,800.60	8,189.40	2,423.40	10,612.80
2000/01**	3,813.50	4,917.45	8,730.95	3,204.77	11,935.72

* Provisional

** Estimates

6.21. Table 6.16 shows the current and capital expenditure on main services by municipal councils from 1996/97 to 2000/01. Expenditure incurred on administrative issues, which consumed 31.6 per cent of the total expenditure, increased from KSh 2,271.0 million in 1999/2000 to KSh 2,754.8 million in 2000/01, an increase of 21.3 per cent. On community services expenditure on roads declined by 6.9 per cent while that on sanitation and community services grew by 17.1 per cent and 11.5 per cent, respectively.

Table 6.16: MUNICIPAL COUNCILS: CURRENT AND CAPITAL EXPENDITURE ON MAIN SERVICES, 1996/97 - 2000/01

Kshs million

		1996/97	1997/98	1998/99	1999/2000*	2000/01**
	ADMINISTRATION	1,975.60	1,995.00	2,236.89	2,271.00	2,754.84
COMMUNITY	Roads	607.40	271.00	354.25	702.60	654.28
SERVICES:	Sanitation	690.60	1,061.40	546.32	611.20	715.69
	Other	53.00	123.00	136.07	154.60	172.35
	Total	1,351.00	1,455.40	1,036.64	1,468.40	1,542.32
SOCIAL	Education	341.20	357.20	443.85	502.40	475.25
SERVICES	Health	602.00	879.80	750.62	882.00	843.54
	Other	105.80	52.00	98.65	173.00	224.00
	Total	1,049.00	1,289.00	1,293.12	1,557.40	1,542.79
ECONOMIC	General Administration	331.60	390.00	426.21	511.40	687.00
SERVICES:	Water Undertaking	1,361.60	1,197.80	1,198.32	1,154.00	1,265.00
	Housing Estates(including staff housing)	236.80	355.60	655.77	1,037.40	785.54
	Other	194.60	283.60	637.36	189.80	153.46
	Total	2,124.60	2,227.00	2,917.66	2,892.60	2,891.00
	TOTAL EXPENDITURE	6,500.20	6,966.40	7,484.31	8,189.40	8,730.95

* Provisional

** Estimates

6.22. Details of economic analysis of expenditure and revenue for municipal councils are provided in Tables 6.17 and 6.18, respectively. Current expenditure is expected to drop marginally by 1.2 per cent in 2000/01 compared to 17.6 per cent increase in 1999/2000. This decrease in total expenditure was attributed mainly to decrease in labour costs and interests. The gross fixed capital formation is estimated to improve by 58.6 per cent in 2000/01 after dropping by 24.9 per cent in 1999/2000, due to increased sewerage works in most of the municipal councils. Total revenue is projected to grow by 6.2 per cent in 2000/01, below the 13.8 per cent growth recorded in the previous fiscal year. Direct taxes continued to be the main source of revenue for municipal councils, together with sales of goods and services, contributing 83.8 per cent of the total revenue collected.

Table 6.17: MUNICIPAL COUNCILS: ECONOMIC ANALYSIS OF EXPENDITURE, 1996/97 - 2000/01

Kshsmillion

	1996/97	1997/98	1998/99	1999/2000*	2000/01**
CURRENT EXPENDITURE:					
Labour Cost	2,968.60	2,994.20	3,268.44	3,647.20	3,528.38
Other Goods and Services	1,999.80	1,755.40	2,433.58	3,044.60	3,112.72
Transfer to Households & Enterprises	53.80	63.00	52.32	24.80	33.49
Transfer to Funds (Current) ..	72.00	89.20	61.29	70.80	78.84
Interest		9.20	12.35	64.40	18.33
Total	5,094.20	4,911.00	5,827.98	6,851.80	6,771.76
CAPITAL EXPENDITURE:					
Gross Fixed Capital Formation ..	1,304.20	1,992.20	1,565.80	1,176.40	1,866.05
Loan Repayment***	67.80	54.40	76.25	161.20	93.14
Transfer to Funds (capital)	33.80	8.80	14.28	..	..
Total	1,405.80	2,055.40	1,656.33	1,337.60	1,959.19
TOTAL EXPENDITURE	6,500.00	6,966.40	7,484.31	8,189.40	8,730.95

* Provisional.

** Estimates

*** Includes interest.

Table 6.18: MUNICIPAL COUNCILS: ECONOMIC ANALYSIS OF REVENUE, 1996/97 - 2000/01

Kshs million

	1996/97	1997/98	1998/99	1999/2000*	2000/01+
CURRENT REVENUE:					
Direct Taxes (Rates**)	1,742.40	1,742.40	1,598.52	1,723.20	1,756.65
Indirect Taxes (Licences and cesses)	563.00	359.80	324.67	336.20	358.37
Income from Property	419.60	309.20	328.98	376.20	408.52
Current Transfers	22.40	10.00	1.39	0.80	2.38
Sale of Goods and Services***	2,254.40	2,147.00	3,267.28	4,034.80	4,268.61
TOTAL	5,001.80	4,568.40	5,520.84	6,471.20	6,794.53
CAPITAL REVENUE:					
Loans Raised	62.00	818.20	422.34	293.20	387.53
Loan Repayment	9.40	8.20	7.39	8.40	10.37
TOTAL	71.40	826.40	429.73	301.60	397.90
TOTAL REVENUE	5,073.20	5,394.80	5,950.57	6,772.80	7,192.43

* Provisional.

** Paid by households and enterprises.

*** Includes service charge and LATF.

\+ Estimates

6.23. Economic analysis of expenditure and revenue for towns and county councils are shown on Table 6.19. The Local Authorities expect to have a deficit of about KSh 504.0 million in 2000/01 as compared to KSh 422.0 million in 1999/2000. The total expenditure is expected to register an 8.8 per cent increase, from KSh 2,669.8 million in 1999/2000 to KSh 2,904.8 million in 2000/01. Revenue is also estimated to record a 6.8 per cent rise from KSh 2,247.6 million during 1999/2000 fiscal year to KSh 2,400.7 million in 2000/01. Taxes and revenue from sale of goods and services continue to be the main source of income, accounting for 98 per cent of the total current revenue.

Table 6.19: TOWN AND COUNTY COUNCILS:
ECONOMIC ANALYSIS OF EXPENDITURE AND REVENUE, 1996/97 - 2000/01

Kshs million

	1996/97	1997/98	1998/99	1999/2000*	2000/01+
CURRENT EXPENDITURE:					
Labour Cost	890.20	1,133.80	1,423.75	1,600.60	1,642.36
Other Goods and Services	504.80	418.40	544.85	614.60	726.97
Transfer to households & Enterprises	80.60	154.80	146.43	137.20	163.98
Transfer to Funds (Current)	118.60	27.60	26.45	31.60	41.24
Interest	..	..	..	0.20	..
Total	1,594.20	1,734.60	2,141.48	2,384.20	2,574.55
CAPITAL EXPENDITURE:					
Gross Fixed Capital Formation	124.20	202.60	215.35	258.80	296.54
Loan Repayments**		13.00	16.84	26.80	33.69
Transfer to Funds (capital)	6.00				
Total	130.20	215.60	232.19	285.60	330.23
TOTAL EXPENDITURE	1,724.40	1,950.20	2,373.67	2,669.80	2,904.77
CURRENT REVENUE:					
Direct Taxes (Rates***)	264.40	79.40	124.32	208.40	204.37
Indirect Taxes (Licences and cesses)	325.40	267.40	254.26	451.60	440.69
Income from Property	37.60	15.00	22.35	38.20	44.33
Current Transfers	0.40	1.20	2.36	3.60	4.63
Sale of Goods and Services++	591.60	957.40	857.65	1,538.60	1,694.63
Total	1,219.40	1,320.40	1,260.94	2,240.40	2,388.63
CAPITAL REVENUE:					
Loans Raised	1.60	0.40	0.60	7.00	12.10
Loans Repayments	0.00	0.00	0.00	0.20	0.00
Total	1.60	0.40	0.60	7.20	12.10
TOTAL REVENUE	1,221.00	1,320.80	1,261.54	2,247.60	2,400.73

* Provisional.

** Includes Interest.

*** Paid by households and enterprises.

\+ Estimates

++ Includes service charge and LATF

CHAPTER 7

INTERNATIONAL TRADE AND BALANCE OF PAYMENTS

Overview

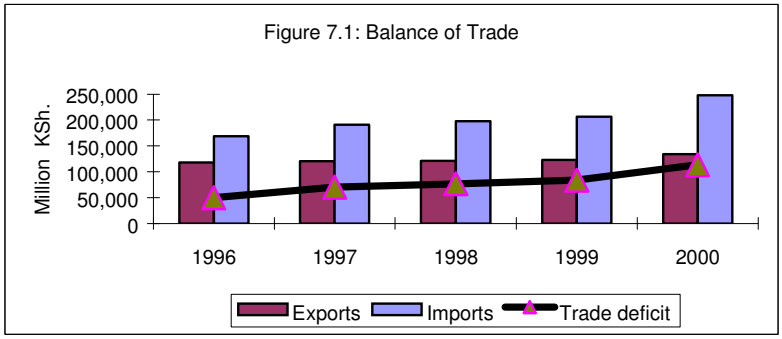
Major indicators of Kenya's international trade and balance of payments reveal a general poor performance in 2000. The trade deficit worsened considerably as a result of unmatched imports growth of 20.1 per cent. Exports value grew by only 9.8 per cent. The current account deficit therefore deteriorated while capital and financial account also performed poorly, registering a smaller surplus.

7.2. The trade deficit widened from KSh 83,842 million in 1999 to KSh 113,277 million in 2000. An increase of 15.0 per cent in import volumes and a 10.8 per cent rise in import prices caused the rapid expansion in imports value.

7.3. The poor performance in the general merchandise trade had the effect of offsetting any positive contribution to the rest of the current account. Thus, despite better than average growth from services and higher transfers, the current account deficit widened from KSh 6,875 million in 1999 to a deficit of KSh 18,145 million in 2000. Improved official capital inflows, however, led to a net change in foreign reserve assets of KSh 8,244 million in 2000 compared to KSh 411 million in 1999. The increase in the official capital inflows was a reflection of disbursements under the IMF supported Poverty Reduction and Growth Programme.

Balance of Trade

7.4. The value of international trade increased significantly as shown in Table 7.1. Domestic exports continued to perform poorly, increasing by only 3.8 per cent in 2000. However, re-exports more than doubled. Value of imports rose much faster, recording an increase of 20.1 per cent, largely due to increase in importation of crude petroleum and industrial machinery. These developments caused the trade deficit to widen by 35.1 per cent from KSh 83,842 million in 1999 to KSh 113,277 million in 2000. The deficit was about 84.0 per cent of the export earnings. The export to import ratio continued with the downward trend, standing at 54.0 per cent in 2000 compared to 59.0 per cent in 1999 and 70.0 per cent in 1996. Figure 7.1 shows the widening trend of the trade deficit.



7.5. The sluggish performance of export earnings was mainly occasioned by the fact that over three quarters of the principal export commodities had either their export quantities or prices reduced or both.

Table 7.1: BALANCE OF TRADE, 1996 - 2000

KSh million

DESCRIPTION	1996	1997	1998	1999	2000*
EXPORTS (f.o.b) :					
Domestic Exports	113,926	114,459	114,445	115,406	119,764
Re-exports	4,274	5,986	6,735	7,153	14,763
Total	118,200	120,445	121,181	122,559	134,527
IMPORTS (c.i.f) :					
Commercial	162,884	185,283	190,538	199,808	240,473
Government	5,602	5,391	7,251	6,592	7,331
Total	168,486	190,674	197,789	206,401	247,804
BALANCE OF TRADE	**-50,286**	**-70,228**	**-76,608**	**-83,842**	**-113,277**
TOTAL TRADE	**286,686**	**311,119**	**318,969**	**328,960**	**382,331**
COVER RATIO (EXPORT/IMPORT)..	**70**	**63**	**61**	**59**	**54**

*Provisional

Price Changes

7.6. Unit price indices for exports and imports grouped by Standard International Trade Classification (SITC) sections are presented in Table 7.2. Export and import price indices for all items rose by 7.6 per cent and 10.8 per cent respectively. The price index for non-oil exports remained at the 1999 level, while non-oil imports rose by 1.4 per cent.

7.7. Animals and vegetable oils and fats export price index went up by 30.7 per cent. Reductions in export prices of electrical bulbs, trailers and semi-trailers, and parts of motor vehicles, mainly caused export price indices for machinery and transport to drastically reduce by 40.1 per cent. On the other hand, export prices for manufactured goods and crude materials (inedible) went up by 36.7 per cent and 18.3 per cent, respectively. Higher prices were recorded for motorcar tyres, plywood, cigarette paper and, hand and machine tools that pushed up the export price index for manufactured goods. Overall, export price index increased by 7.6 per cent.

7.8. Import price of crude petroleum went up by 63.5 per cent while that for refined petroleum products increased by 19.3 per cent. The gradual depreciation of the Shilling against the US dollar and the escalation of crude oil prices in 2000 brought about the steep rise in oil import prices. Import price index for machinery and transport equipment, which fell by 9.1 per cent in 1999, went up by 9.2 per cent in 2000. Food and live animals, animals and vegetable oils and fats, and miscellaneous manufactured articles recorded price declines. Overall, import prices index rose by 10.8 per cent.

Table 7.2: PRICE INDICES, 1996 - 2000

1982=100

DESCRIPTION	1996	1997	1998	1999	2000*
EXPORTS:					
Food and live animals	530	752	755	651	613
Beverages and tobacco	632	633	619	614	641
Crude materials, (inedible)	625	669	670	563	666
Mineral fuels	383	351	346	370	575
Animal and vegetable oils and fats	229	173	247	274	358
Chemicals	529	621	546	611	545
Manufactured goods	677	636	644	673	920
Machinery and transport equipment	496	513	547	526	315
Miscellaneous manufactured articles	514	552	656	775	714
All Exports	**519**	**608**	**615**	**576**	**620**
Non-oil Exports	**549**	**679**	**689**	**631**	**632**
IMPORTS:					
Food and live animals	408	475	475	456	453
Beverages and tobacco	828	769	845	804	965
Crude materials, (inedible)	488	718	668	393	428
Mineral fuels	358	357	267	401	612
Animals and vegetable oils and fats	728	759	848	684	598
Chemicals	637	789	804	976	976
Manufactured goods	573	678	663	623	633
Machinery and transport equipment	767	792	1,040	945	1,032
Miscellaneous manufactured articles	676	756	840	958	876
All imports	**560**	**598**	**614**	**667**	**739**
Non-oil Imports	**577**	**629**	**718**	**700**	**710**

* provisional

Terms of Trade

7.9. Terms of trade, which is the ratio of export price index to import price index, are summarized in Table 7.3. As a result of the unit price changes detailed in the previous paragraphs, the unfavourable terms of trade recorded in the last two years deteriorated further in 2000, although at a slower pace. Terms of trade for all items and non-oil items fell by 2.3 per cent and 1.1 per cent respectively, which mirrors the continued sluggish performance of the export sector. This is a reflection of the relatively better prices enjoyed by imports over export prices at the international commodities market.

Table 7.3: TERMS OF TRADE, 1996 - 2000

1982=100

DESCRIPTION	1996	1997	1998	1999	2000*
All Items	93	102	100	86	84
Non-oil Items	95	108	96	90	89

* Provisional

Volume Changes

7.10. Changes in the volume of trade as measured by the quantum indices are summarized in Table 7.4. Export quantum index for all SITC sections increased except for manufactured goods and, animal and vegetable oils and fats, which slowed down by 25.4 per cent and 56.0 per cent respectively. Beverages and tobacco category increased by 20.4 per cent, mainly as a result of higher exports of beer, cigars and cigarettes, and spirits. Electrical batteries, parts of motor vehicles and motor vehicle trailers pushed up the index for the machinery and transport equipment, occasioning a high increase in quantum index of 64.2 per cent. Other notable increases were in the export quantities of miscellaneous manufactured

goods, which rose by 11.3 per cent. Overall, quantum index for all exports moved up by only 2.7 per cent in 2000, while that for non-oil exports grew by 4.8 per cent.

7.11. Quantum index for all imports went up by 15.4 percent, largely on account of substantial increases in import quantities of food and beverages and industrial supplies. Higher imports of rice, maize, milk and sugar mainly occasioned the substantial increase in quantum index for food and live animals by more than a half. Volume of rice and sugar imports almost doubled while that of maize shot up by more than five times. Quantities of chemicals imports grew by more than half while that of wheat flour and fertilizers slowed down by 23.7 per cent and 2.2 per cent, respectively. Trend of quantities of principal imports are detailed in Table 7.6.

Table 7.4: QUANTUM INDICES, 1996 - 2000

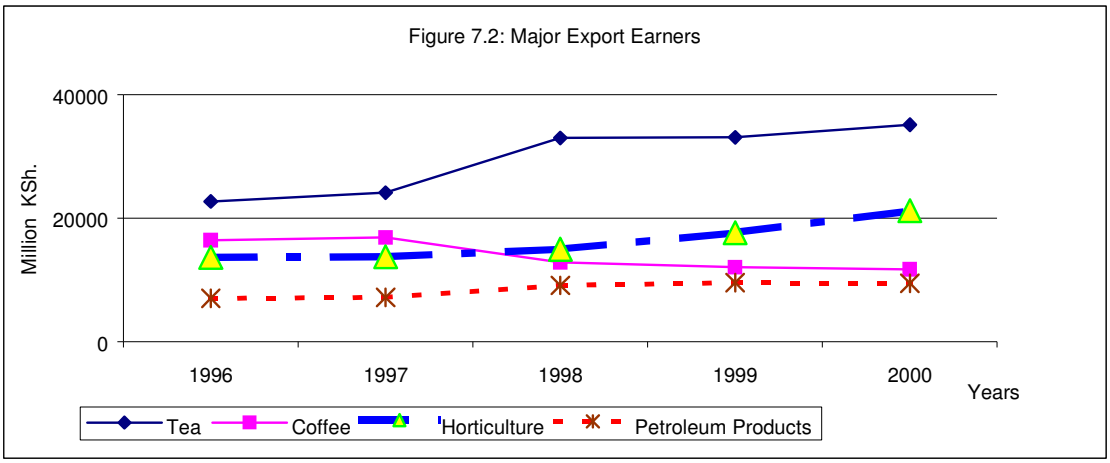
1982 =100

DESCRIPTION	1996	1997	1998	1999	2000*
EXPORTS:					
Food and live animals	200	138	148	172	194
Beverages and tobacco	1,112	988	971	755	909
Crude materials, (inedible)	170	158	150	203	202
Mineral fuels	74	106	106	105	109
Animal and vegetable oils and fats	9,237	13,601	10,241	8,257	3,637
Chemicals	383	332	366	334	348
Manufactured goods	308	340	267	240	179
Machinery and transport equipment	204	232	307	246	404
Miscellaneous manufactured articles	809	697	568	556	619
All Exports	**200**	**174**	**173**	**186**	**191**
Non-oil Exports	**239**	**193**	**191**	**209**	**219**
IMPORTS:					
Food and live animals	348	608	493	358	585
Beverages and tobacco	122	179	191	205	254
Crude materials, (inedible)	224	180	274	430	433
Mineral fuels	115	129	190	115	159
Animals and vegetable oils and fats	219	194	197	254	256
Chemicals	230	187	191	168	259
Manufactured goods	219	192	182	215	207
Machinery and transport equipment	142	150	125	130	144
Miscellaneous manufactured articles	200	202	222	247	237
All imports	**167**	**177**	**179**	**162**	**187**
Non-oil Imports	**216**	**225**	**204**	**207**	**228**

* provisional

Values of Principal Exports and Imports

7.12. Values of principal exports and imports are presented in Table 7.5. Tea, horticulture, coffee and petroleum products continued to be the leading export earners, they jointly contributed 64.7 per cent of the domestic export earnings in 2000.



7.13. Imports of industrial machinery went up to account for 15.9 per cent of the total import bill in 2000 compared to 14.9 per cent in 1999. The increase was largely as a result of importation of electrical generators worth KSh 8,161 million to cater for the short fall in power supply as a consequence of drought. The import value of crude petroleum rose faster by 87.5 per cent from KSh 22,355 million in 1999 to KSh 41,907 million in 2000 while that for petroleum products rose by 18.1 per cent from KSh 18,433 million in 1999 to KSh 21,773 million in 2000.

7.14. Import values of textile fibres and their waste, and second hand clothing recorded the largest declines of 65.5 per cent and 36.1 per cent respectively, partly as a result of the higher import duty imposed during the last budget. Imports of food items mainly wheat, rice, maize and sugar recorded huge increases due to shortfalls in local production of related food commodities occasioned by the drought of 2000. Imports of road motor vehicles and agricultural machinery and tractors fell by 18.9 per cent and 22.5 per cent respectively in 2000. Animal and vegetable fats and oils imports fell by 12.7 per cent, while the value of imported sugar almost doubled from KSh 1,468 million in 1999 to KSh 2,730 million in 2000, in order to meet the domestic supply deficit. Imports of chemical fertilizers remained at 1999 levels.

Table 7.5: VALUE OF PRINCIPAL EXPORTS AND IMPORTS, 1996 - 2000

Ksh million

Commodity	1996	1997	1998	1999	2000*
DOMESTIC EXPORTS					
Fish and fish preparations	3,293	3,076	2,791	2,267	2,953
Maize(raw)	2,000	56	130	488	33
Meals and flours of wheat	1,029	838	971	423	201
Horticulture**	13,631	13,752	14,938	17,641	21,216
Sugar confectionery	641	846	833	874	1,326
Coffee, unroasted	16,427	16,856	12,817	12,029	11,707
Tea	22,705	24,126	32,971	33,065	35,150
Margarine and shortening	650	997	1,413	1,309	246
Beer made from malt	895	684	638	202	69
Tobacco and tobacco manufactures	1,774	1,725	1,607	1,554	2,167
Hides and skins (undressed)	232	165	128	311	494
Sisal	814	723	689	636	606
Stone, sand and gravel	209	182	174	166	123
Fluorspar	358	366	213	501	644
Soda ash	1,155	1,325	1,236	1,280	1,440
Metal scrap	177	207	114	147	153
Pyrethrum extract	1,595	1,371	716	656	704
Petroleum products	7,018	7,156	9,127	9,555	9,429
Animal and vegetable oils	1,975	2,197	2,396	2,186	1,204
Medicinal and pharmaceutical products	1,624	1,796	1,663	1,657	2,350
Essential oils	3,302	3,267	3,364	3,361	2,116
Insecticides and fungicides	611	601	678	501	465
Leather	66	602	495	387	486
Wood manufactures n.e.s	240	297	371	384	388
Paper and paperboard	1,416	499	499	618	713
Textile yarn	2,007	493	308	303	488
Cement	2,544	2,289	1,443	1,248	1,358
Iron and steel	5,257	5,200	3,824	2,757	2,605
Metal containers	156	281	289	193	97
Wire products: nails screws, nuts, etc.	241	298	253	181	113
Footwear	824	1,135	914	1,121	1,140
Articles of plastics	1,691	1,737	1,999	1,573	2,104
All other commodities	17,368	19,318	14,444	15,831	15,476
GRAND TOTAL	**113,926**	**114,459**	**114,445**	**115,406**	**119,764**
IMPORTS					
Wheat, unmilled	6,378	4,204	4,794	5,899	6,989
Rice	699	982	918	1,013	1,968
Maize	73	12,619	4,758	906	4,664
Wheat flour	110	490	278	194	180
Sugars, molasses and honey	1,733	1,421	4,232	1,468	2,730
Textile fibres and their waste	1,361	1,356	1,411	4,747	1,636
Second hand clothing	212	672	2,043	3,695	2,360
Crude petroleum	13,504	16,825	15,036	22,355	41,907
Petroleum products	12,964	12,189	16,318	18,433	21,773
Animal/vegetable fats and oils	8,344	7,701	8,750	9,184	8,016
Organic & inorganic chemicals	4,913	4,256	4,490	4,418	4,546
Medicinal & pharmaceauticals products	5,157	5,563	6,559	6,373	5,976
Essential oils & pefumes	1,061	1,375	1,392	1,652	1,583
Chemical fertilizers	4,827	4,379	3,516	5,488	5,448
Plastics in primary & non-primary forms	7,281	7,337	7,128	7,083	8,446
Paper and paperboard	2,706	2,556	2,536	2,305	2,613
Iron and steel	9,634	10,759	7,900	9,103	8,604
Non-ferrous metals	2,709	2,635	2,109	2,153	2,404
Hand & machine tools	847	735	836	861	792
Industrial machinery	26,464	28,014	31,262	30,753	39,438
Agricultural machinery and tractors	1,778	1,506	1,537	1,247	966
Road motor vehicles	16,485	14,312	14,681	11,906	9,659
All other commodities	39,246	48,787	55,305	55,165	65,106
GRAND TOTAL	**168,486**	**190,674**	**197,789**	**206,401**	**247,804**

* Provisional

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

7.15. Table 7.6 gives a breakdown of quantities of principal exports and imports. The export quantities of horticulture decreased by 3.3 per cent, while that of coffee increased substantially by 21.5 per cent. The amount of tea exported reduced from 260,177 tonnes in 1999 to 217,282 tonnes in 2000 as a result of unfavourable weather conditions. Fluorspar, soda ash, cement, fish and fish preparations also registered notable increases. Export quantities of margarine and shortening, beer, pyrethrum extract, animal and vegetable oils, and essential oils registered substantial declines.

Table 7.6: QUANTITIES OF PRINCIPAL EXPORTS AND IMPORTS 1996 - 2000

Commodity	Unit of Quantity	1996	1997	1998	1999	2000*
DOMESTIC EXPORTS						
Fish and fish preparations	Tonne	18,769	17,438	14,332	15,951	16,855
Maize(raw)	Tonne	221,478	2,637	9,126	40,520	488
Meals and flours of wheat	Tonne	36,577	29,992	43,865	21,288	11,049
Horticulture **	Tonne	304,461	192,629	232,217	200,624	193,918
Sugar confectionery	Tonne	7,549	10,408	9,179	8,628	13,343
Coffee, unroasted	Tonne	116,731	70,066	51,578	71,581	86,982
Tea	Tonne	262,146	199,224	263,771	260,177	217,282
Margarine and shortening	Tonne	9,500	13,040	18,746	16,531	3,590
Beer made from malt	000 Lt.	36,790	24,902	23,486	7,978	2,142
Tobacco and tobacco manufactures	Tonne	13,364	8,520	6,993	6,706	8,452
Hides and skins	Tonne	2,301	2,564	2,118	7,302	7,555
Sisal	Tonne	21,672	19,154	17,650	16,830	16,753
Stone, sand and gravel	Tonne	46,208	432	56,907	596	52,483
Fluorspar	Tonne	37,764	72,300	45,618	83,707	103,944
Soda ash	Tonne	197,021	213,190	214,470	210,350	236,051
Metal scrap	Tonne	1,408	1,775	2,151	2,096	2,332
Pyrethrum extract	Tonne	717	441	216	623	165
Petroleum products	Mn. Lt.	567	587	792	765	1,155
Animal and vegetable oils	Tonne	30,794	40,120	40,751	31,651	23,056
Medicinal and pharmaceutical products ..	Tonne	12,315	4,083	3,758	3,621	3,149
Essential oils	Tonne	44,461	41,043	43,800	36,380	16,212
Insecticides and fungicides	Tonne	3,696	3,122	2,938	2,156	1,859
Leather	Tonne	5,414	5,864	4,602	3,899	5,915
Wood manufactures n.e.s	Tonne	1,354	1,765	2,246	1,814	2,110
Paper and paperboard	Tonne	7,567	8,692	11,340	14,074	13,874
Textile yarn	Tonne	6,160	1,990	1,123	1,361	2,814
Cement	Tonne	662,036	690,392	417,239	283,717	301,157
Iron and steel	Tonne	166,252	131,011	100,406	77,372	64,891
Metal containers	Tonne	38,528	1,819	2,243	1,969	645
Wire products: nails screws, nuts, etc.	Tonne	6,199	5,921	6,570	3,629	2,301
Footwear	' 000' Pairs	21,557	28,158	28,296	30,113	28,747
Articles of plastic***	-	-	-	-	-	-
IMPORTS						
Wheat, unmilled	Tonne	531,467	388,138	478,865	578,543	636,045
Rice	Tonne	39,159	62,435	62,893	53,358	105,803
Maize, unmilled	Tonne	6,759	1,101,105	368,761	73,520	409,416
Wheat flour	Tonne	7,502	23,560	15,307	13,777	10,512
Sugars, molasses and honey	Tonne	71,788	58,347	210,745	62,917	119,417
Textile fibres and their waste	Tonne	15,071	16,054	16,611	18,829	18,913
Second hand clothing	Tonne	5,946	18,417	50,876	50,274	47,956
Crude petroleum	Tonne	1,412,947	1,833,744	2,157,695	2,139,253	2,452,336
Petroleum products	Mn. Lt.	1,261	1,145	1,874	1,563	1,548
Animal/vegetable fats and oils	Tonne	239,233	234,998	217,048	263,956	270,450
Organic & inorganic chemicals	Tonne	95,046	84,929	105,107	54,330	81,934
Medicinal and pharmaceutical products	Tonne	12,629	7,286	9,403	6,032	6,341
Essential oils & pefumes	Tonne	5,007	5,633	7,513	9,343	6,758
Chemical fertilizers	Tonne	300,285	286,902	229,105	345,180	337,524
Plastics in primary & non-primary forms	Tonne	150,743	111,045	138,374	122,978	114,337
Paper and paperboard	Tonne	53,779	59,909	54,210	49,794	89,212
Iron and steel	Tonne	374,240	394,173	137,811	361,835	298,204
Non-ferrous metals	Tonne	23,992	24,707	18,180.30	18,581	16,382
Hand & machine tools	"000"No	11,877	9,148	9,428	9,246	10,057
Industrial machinery***	-	-	-	-	-	-
Agricultural machinery and tractors***	-	-	-	-	-	-
Road motor vehicles	Nos.	44,641	34,986	30,565	55,988	16,661

* Provisional.

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

*** Some of the items under this heading have either different quantities or none at all, hence the blank.

Domestic Export Prices

7.16. Table 7.7 summaries the trend of prices per unit quantity of principal exports and imports. Export price of horticulture rose for a second consecutive year while that of tea has risen steadily for the last five years registering a 27.6 per cent increase in 2000. The export price of coffee suffered severely from unfavourable world prices for the second consecutive year. In 2000, the price of coffee fell to 80.4 per cent of the 1999 price. Export prices of all mineral products exported namely: soda ash, fluorspar and cement almost remained at the 1999 levels, while their quantities registered increases. Notable decreases were in export prices of leather and textile yarn.

Table 7.7: PRICES OF PRINCIPAL EXPORTS AND IMPORTS, 1996- 2000

KSh./Unit

Commodity	Unit	1996	1997	1998	1999	2000*
DOMESTIC EXPORTS						
Fish and fish preparations	Kg	175	176	160	142	175
Maize(raw)	Tonne	9,032	21,083	14,210	12,044	68,675
Meals and flours of wheat	Kg	28,130	27,930	22,130	19,870	18,159
Horticulture	Kg	45	71	64	88	109
Sugar confectionery	Kg	85	81	91	101	99
Coffee, unroasted	Kg	142	247	253	168	135
Tea	Kg	87	121	125	127	162
Margarine and shortening	Kg	68	76	75	79	69
Beer made from malt	Lt.	24	27	27	25	32
Tobacco and tobacco manufactures	Kg	133	202	230	232	256
Hides and skins(undressed)	Kg	101	64	60	43	65
Sisal	Tonne	37,572	37,751	39,067	37,803	36,173
Stone, sand and gravel	Tonnes	4,523	421,657	3,058	278,523	2,344
Fluorspar	Tonne	9,479	5,059	4,675	5,984	6,196
Soda ash	Tonne	5,863	6,216	5,764	6,085	6,100
Metal scrap	Tonne	125,426	116,424	52,983	70,116	65,612
Pyrethrum extract	Kg	5,677	6,356	6,265	1,053	4,267
Petroleum products ..	Lt.	12	12	12	12	8
Animal and vegetable oils	Kg	64	55	59	69	52
Medicinal and pharmaceutical products	Kg	132	440	442	457	746
Essential oils	Kg	74	80	77	92	131
Insecticides and fungicides	Kg	165	192	231	233	250
Leather	Kg	122	103	108	99	82
Wood manufactures n.e.s	Tonne	177,474	168,039	165,274	211,383	184,062
Paper and paperboard	Tonne	47,360	57,440	44,000	43,908	51,391
Textile yarn	Kg	66	248	274	223	173
Cement	Tonne	3,843	3,316	3,459	4,398	4,509
Iron and steel	Tonne	31,621	31,276	38,082	35,639	40,144
Metal containers	Tonne	4,049	154,487	128,996	97,771	150,614
Wire products: nails screws, nuts, etc.	Tonne	38,877	50,329	38,508	49,879	49,103
Footwear	Pair	38	40	32	37	40
Articles of plastics	-	-	-	-	-	-
IMPORTS						
Wheat, unmilled	Tonne	12,000	10,832	10,012	10,196	10,988
Rice	Tonne	11,192	15,732	14,595	18,993	18,598
Maize, unmilled	Tonne	10,770	11,460	12,902	12,317	11,393
Wheat flour	Tonne	14,663	20,798	18,147	14,081	17,144
Sugars, molasses and honey	Tonne	24,140	24,347	20,081	23,332	22,862
Textile fibres and their waste	Tonne	90,324	84,463	84,937	252,112	86,514
Second hand clothing	Tonne	35,681	36,488	40,157	73,497	49,217
Crude petroleum	Tonne	9,557	8,200	6,969	10,450	17,089
Petroleum products	Lt.	10	11	9	12	14
Animal/vegetable fats and oils	Kg	35	33	40	35	30
Organic & inorganic chemicals	Kg	52	50	43	81	55
Medicinal & pharmaceuticals products	Kg	408	764	698	1,057	942
Essential oils & pefumes	Kg	212	244	185	177	234
Chemical fertilizers	Tonne	16,076	15,262	15,347	15,899	16,141
Hand & machine tools	No	71	80	89	93	79
Plastics in primary & non-primary forms	Tonne	48,303	66,076	51,510	57,598	73,871
Paper and paper products	Tonne	50,317	42,665	46,781	46,293	29,289
Iron and steel	Tonne	25,742	27,295	57,322	25,157	28,852
Non-ferrous metals	Tonne	112,913	106,650	116,047	115,854	146,718
Industrial machinery	-	-	-	-	-	-
Agricultural machinery and tractors	-	-	-	-	-	-
Road motor vehicles	No.	369,285	409,080	480,326	212,649	579,732

* Provisional.

7.17. Analysis of changes in value, quantity and prices of principal export commodities are shown in Table 7.8. The performance of principal exports was determined by mixed developments in their respective export prices and quantities. The quantity of coffee rose by 21.5 per cent, which could not offset the 19.9 per cent export price reduction, resulting in lower export earnings by 2.7 per cent. However, export values of tea and horticulture went up by 6.3 per cent and 20.3 per cent respectively, mainly due to better prices they enjoyed in the international markets, which offset declines in quantities exported. Export value of margarine and shortening, beer and essential oils drastically dropped mainly due to substantial reduction in their export prices. Only fish and fish preparations, tobacco manufactures, hides and skins, medicinal and pharmaceutical products registered significant increases in both their export quantities and prices.

Table 7.8: DOMESTIC EXPORTS CHANGE IN VALUE, QUANTITY AND PRICE *, 1999 - 2000

Commodity	Value (Ksh. million)				Quantity					Price per Unit - KSh.			
	1999	*2000***	*Changes*	*%-change*	*Unit*	*1999*	*2000***	*Changes*	*%-change*	*1999*	*2000***	*Changes*	*%-change*
Fish and fish preparations	2,267	2,953	686	30.26	Tonne	15,951	16,855	904	5.67	142,123	175,200	33,077	23.27
Maize(raw)	488	33	-455	-93.14	Tonne	40,520	488	-40,032	-98.80	12,044	68,675	56,631	470.22
Meals and flours of wheat	423	201	-222	-52.57	Tonne	21,288	11,049	-10,239	-48.10	19,870	18,159	-1,711	-8.61
Horticulture	17,641	21,216	3,575	20.26	Tonne	200,624	193,918	-6,706	-3.34	87,931	109,407	21,476	24.42
Sugar confectionery	874	1,326	452	51.72	Tonne	8,628	13,343	4,715	54.64	101,294	99,378	-1,916	-1.89
Coffee, unroasted ..	12,029	11,707	-322	-2.68	Tonnes	71,581	86,982	15,401	21.52	168,052	134,591	-33,461	-19.91
Tea	33,065	35,150	2,085	6.31	Tonne	260,177	217,282	-42,895	-16.49	127,087	161,771	34,685	27.29
Margarine and shortening	1,309	246	-1,063	-81.21	Tonne	16,531	3,590	-12,941	-78.28	79,206	68,524	-10,682	-13.49
Beer made from malt	202	69	-133	-65.86	000 Lt.	7,978	2,142	-5,836	-73.15	25,331	32,213	6,882	27.17
Tobacco and tobacco manufactures ..	1,554	2,167	613	39.47	Tonnes	6,706	8,452	1,746	26.04	231,695	256,389	24,694	10.66
Hides and skins (undressed)	311	494	183	58.90	Tonnes	7,302	7,555	253	3.46	42,577	65,387	22,811	53.58
Sisal	636	606	-30	-4.75	Tonnes	16,830	16,753	-77	-0.46	37,803	36,173	-1,630	-4.31
Stone, sand and gravel	166	123	-43	-25.90	Tonne	596	52,483	51,887	8705.87	278,523	2,344	-276,180	-99.16
Fluorspar	501	644	143	28.57	Tonne	83,707	103,944	20,237	24.18	5,984	6,196	212	3.54
Soda ash	1,280	1,440	160	12.51	Tonne	210,350	236,051	25,701	12.22	6,085	6,100	16	0.26
Metal scrap .. .	147	153	6	4.10	Tonne	2,096	2,332	236	11.26	70,116	65,609	-4,507	-6.43
Pyrethrum extract ..	656	704	48	7.27	Tonne	623	165	-458	-73.52	1,053,457	4,266,667	3,213,209	305.02
Petroleum products ..	9,555	9,429	-126	-1.32	Mn. Lt.	765	1,155	390	51.03	12,490,085	8,160,813	-4,329,272	-34.66
Animal and Vegatable oils	2,186	1,204	-982	-44.91	Tonne	31,651	23,056	-8,595	-27.16	69,050	52,221	-16,829	-24.37
Medicinal and pharmaceutical products	1,657	2,350	693	41.86	Tonne	3,621	3,149	-472	-13.04	457,443	746,269	288,826	63.14
Essential oils	3,361	2,116	-1,245	-37.05	Tonne	36,380	16,212	-20,168	-55.44	92,398	130,521	38,123	41.26
Insecticides and fungicides	501	465	-36	-7.27	Tonne	2,156	1,859	-297	-13.78	232,581	250,134	17,554	7.55
Leather	387	486	99	25.65	Tonne	3,899	5,915	2,016	51.71	99,203	82,164	-17,039	-17.18
Wood manufactures n.e.s	384	388	5	1.25	Tonne	1,814	2,110	295	16.28	211,383	184,062	-27,321	-12.92
Paper and paperboard	618	713	95	15.38	Tonne	14,074	13,874	-200	-1.42	43,908	51,391	7,484	17.04
Textile yarn	303	488	185	61.06	Tonne	1,361	2,814	1,453	106.76	222,623	173,419	-49,204	-22.10
Cement	1,248	1,358	110	8.82	Tonne	283,717	301,157	17,440	6.15	4,398	4,509	111	2.52
Iron and steel	2,757	2,605	-152	-5.53	Tonne	77,372	64,891	-12,481	-16.13	35,639	40,144	4,505	12.64
Metal containers	193	97	-95	-49.58	Tonne	1,969	645	-1,325	-67.27	97,771	150,614	52,843	54.05
Wire products: nails screws, nuts, etc.	181	113	-68	-37.58	Tonne	3,629	2,301	-1,328	-36.59	49,879	49,103	-777	-1.56
Footwear	1,121	1,140	19	1.66	' 000' Pairs	30,113	28,747	-1,366	-4.54	37,239	39,656	2,418	6.49
Articles of plastics	1,573	2,104	531	33.75	-	-	-	-	-	-	-	-	-
All other Commodities	15,831	15,476	-4,714	-29.78	-	-	-	-	-	-	-	-	-
TOTAL	**115,406**	**119,764**			**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

* Excluding Re-exports

** Provisional

Table 7.9: IMPORT CHANGE IN VALUE, QUANTITY AND PRICE, 1999 - 2000

Commodity	Value (Ksh. million)				Quantity					Price per Unit (KSh.)			
	1999	*2000**	*Change*	*%-change*	*Unit*	*1999*	*2000**	*Change*	*%-change*	*1999*	*2000**	*Change*	*%-change*
Wheat, unmilled	5,899	6,989	1,090	18	Tonne	578,543	636,045	57,502	10	10,196	10,988	792	8
Rice	1,013	1,968	954	94	Tonne	53,358	105,803	52,445	98	18,993	18,598	-395	-2
Maize	906	4,664	3,759	415	Tonne	73,520	409,416	335,896	457	12,317	11,393	-924	-7
Wheat flour	194	180	-14	-7	Tonne	13,777	10,512	-3,265	-24	14,081	17,144	3,063	22
Sugars, molasses and honey	1,468	2,730	1,262	86	Tonne	62,917	119,417	56,501	90	23,332	22,862	-471	-2
Textile fibres and their waste	4,747	1,636	-3,111	-66	Tonne	18,829	18,913	84	0	252,112	86,514	-165,598	-66
Second hand clothing	3,695	2,360	-1,335	-36	Tonne	50,274	47,956	-2,318	-5	73,497	49,217	-24,280	-33
Crude petroleum	22,355	41,907	19,552	87	Tonne	2,139,253	2,452,336	313,083	15	10,450	17,089	6,639	64
Petroleum products	18,433	21,773	3,340	18	Mn. Lt.	1,563	1,548	-15	-1	11,789,914	14,064,097	2,274,183	19
Animal/vegetable fats and oils	9,184	8,016	-1,168	-13	Tonne	263,956	270,450	6,495	2	34,794	29,639	-5,155	-15
Organic & inorganic chemicals	4,418	4,546	128	3	Tonne	54,330	81,934	27,604	51	81,318	55,478	-25,839	-32
Medicinal & pharmaceuticals products	6,373	5,976	-398	-6	Tonne	6,032	6,341	309	5	1,056,550	942,387	-114,163	-11
Essential oils & pefumes	1,652	1,583	-69	-4	Tonne	9,343	6,758	-2,586	-28	176,779	234,285	57,506	33
Chemical fertilizers	5,488	5,448	-40	-1	Tonne	345,180	337,524	-7,656	-2	15,899	16,141	242	2
Plastics in primary & non-primary forms	7,083	8,446	1,363	19	Tonne	122,978	114,337	-8,641	-7	57,598	73,871	16,273	28
Paper and paperboard	2,305	2,613	308	13	Tonne	49,794	89,212	39,418	79	46,293	29,289	-17,004	-37
Iron and steel	9,103	8,604	-499	-5	Tonne	361,835	298,204	-63,631	-18	25,157	28,852	3,695	15
Non-ferrous metals	2,153	2,404	251	12	Tonne	18,581	16,382	-2,199	-12	115,854	146,718	30,864	27
Hand & machine tools	861	792	-68	-8	"000"No	9,246	10,057	811	9	93,089	78,794	-14,295	-15
Industrial machinery	30,753	39,438	8,685	28	-	-	-	-	-	-	-	-	-
Agricultural machinery and tractors	1,247	966	-280	-22	-	-	-	-	-	-	-	-	-
Road motor vehicles	11,906	9,659	-2,247	-19	Nos.	55,988	16,661	-39,327	-70	212,649	579,732	367,083	173
All other commodities	55,165	65,106	9,940	-91	-	-	-	-	-	-	-	-	-
GRAND TOTAL	**206,401**	**247,804**	**41,404**	**20**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

* Provisional

Composition of Exports

7.18. Composition of domestic exports classified by Broad Economic Category (BEC) is presented in Table 7.10. In 2000, share of food and beverages export earnings stood at 56.3 per cent, of which 84.3 per cent export earnings were from primary products. Non-food industrial supplies constituted 19.1 per cent of total domestic exports compared to 17.9 per cent in 1999 and 18.3 per cent in 1998. Contribution to total domestic export earnings by transport equipment drastically dropped by almost a half from KSh 998.2 million in 1999 to KSh 557.0 million in 2000, constituting less than one per cent of the total export earnings. Export earnings from fuel and lubricants comprising mainly of processed products contributed 8.5 per cent of domestic export earnings.

7.19. Export earnings from non-food industrial supplies increased significantly by 11.7 per cent from KSh 20,511 million in 1999 to KSh 22,921 million in 2000. Export earnings from machinery and other capital equipment dropped by more than a half mainly due to reduction in exports of agricultural machinery and air pumps, its share contribution remained extremely low at less than one per cent. Export earnings from primary food and beverages increased by 8.9 per cent while earnings from processed food and beverages decreased by 15.6 per cent. Export earnings from consumer goods not elsewhere specified, which has been consistently on the rise, almost remained unchanged.

Table 7.10: DOMESTIC EXPORTS BY BROAD ECONOMIC CATEGORY, 1996 - 2000

Ksh million

DESCRIPTION	1996	1997	1998	1999	2000*
1 FOOD AND BEVERAGES	60,228.2	61,457.4	65,666.4	64,731.3	67,390.3
Primary	43,454.4	46,187.8	51,132.0	52,183.0	56,804.1
For Industry	16,622.4	17,284.8	12,957.0	12,119.0	11,805.5
For Household Consumption	26,832.0	28,903.0	38,175.0	40,064.0	44,998.5
Processed	16,773.8	15,269.6	14,534.4	12,548.3	10,586.2
For Industry	4,684.2	3,989.6	3,495.6	2,244.0	965.0
For Household Consumption	12,089.6	11,280.0	11,038.8	10,304.3	9,621.2
2. INDUSTRIAL SUPPLIES (Non-Food) ..	29,692.2	25,643.8	20,913.6	20,511.0	22,921.3
Primary	18,864.8	6,408.2	4,911.2	6,322.0	6,436.8
Processed	10,827.4	19,235.6	16,002.4	14,189.0	16,484.5
3. FUEL AND LUBRICANTS	7,559.8	10,318.4	10,448.8	9,430.0	10,241.4
Primary	0.4	6.2	4.8	3.0	4.6
Processed	7,559.4	10,312.2	10,444.0	9,427.0	10,236.9
Motor Spirit	2,241.8	3,482.6	4,176.0	4,429.0	3,629.5
Other	5,317.6	6,829.6	6,268.0	4,998.0	6,607.4
4. MACHINERY & OTHER CAPITAL EQUIPMENT ..	1,019.4	653.0	1,033.4	1,445.0	597.5
Machinery & Other Capital Equipment ..	577.6	522.0	873.0	1,345.0	431.9
Parts and Accessories	441.8	131.0	160.4	100.0	165.6
5. TRANSPORT EQUIPMENT	522.8	482.4	725.8	998.2	557.0
Passenger Motor Vehicles	52.2	0.0	0.0	392.0	149.2
Other	121.8	39.4	177.6	123.0	116.7
For Industry	113.4	36.0	166.4	56.0	98.7
Non-Industrial	8.4	3.4	11.2	67.0	18.0
Parts and Accessories	348.8	443.0	548.2	483.2	291.0
6. CONSUMER GOODS NOT ELSEWHERE SPECIFIED	14,903.6	15,904.4	15,657.0	18,291.0	18,044.6
Durable	424.2	191.8	261.8	321.0	274.2
Semi-Durable	7,482.8	3,962.6	3,172.0	4,056.0	3,912.6
Non-Durable	6,996.6	11,750.0	12,223.2	13,914.0	13,857.8
7. GOODS NOT ELSEWHERE SPECIFIED ..	0.0	0.0	0.4	0.0	11.6
TOTAL	**113,926.0**	**114,459.4**	**114,445.4**	**115,406.0**	**119,763.7**
PERCENTAGE SHARES:					
1. Food and Beverages	52.87	53.69	57.38	55.87	56.27
2. Industrial Supplies (Non-Food)	26.06	22.40	18.27	17.86	19.14
3. Fuel and Lubricants	6.64	9.01	9.13	8.21	8.55
4. Machinery and other Capital Equipment ..	0.89	0.57	0.90	1.26	0.50
5. Transport Equipment	0.46	0.42	0.63	0.87	0.47
6. Consumer Goods not elsewhere specified	13.08	13.90	13.68	15.93	15.07
7. Goods not elsewhere specified	-	-	0.00	0.01	0.01
TOTAL	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

* Provisional

Composition of Imports

7.20. Imports classified by Broad Economic Category are detailed in Table 7.11. Apart from consumer goods not elsewhere specified, all other import categories recorded growths. Imports of industrial supplies accounted for 27.4 per cent of total imports in 2000 compared to 32.6 per cent in 1999. Imports of transport equipment went up by 40.9 per cent in 2000 after declining by 5.3 per cent the previous year. This was mainly as a result of importation of private aircraft and related spare parts. However in this category, passenger motor vehicles and parts and accessories declined. The 85.2 per cent increase in primary fuel and lubricants is attributed to 87.5 per cent increase in the value of crude petroleum imported. On the other hand, imports of primary food and beverages for industry increased by 14.1 per cent as that of household consumption more than doubled. Processed food and beverages for industry shrunk by 4.3 per cent, while those for household consumption went up by almost half. Generally, imports of food and beverages shot up by 26.2 per cent.

Table 7.11: TOTAL IMPORTS BY BROAD ECONOMIC CATEGORY, 1996 - 2000

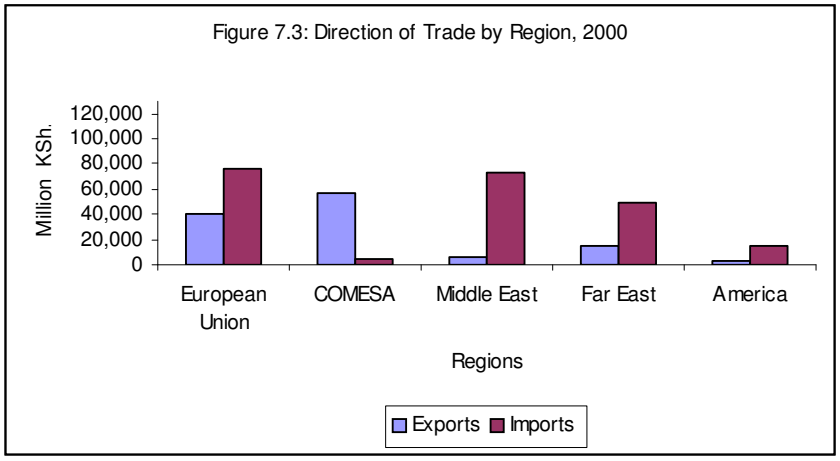
Ksh. million

DESCRIPTION	1996	1997	1998	1999	2000*
1. FOOD AND BEVERAGES	12,957	12,627	17,011	15,145	19,110
Primary	6,862	5,330	5,847	6,930	8,678
For Industry	6,521	4,538	5,101	6,263	7,148
For Household Consumption	341	792	746	667	1,530
Processed	6,095	7,297	11,164	8,215	10,431
For Industry	2,859	3,645	5,024	3,303	3,160
For Household Consumption	3,236	3,652	6,140	4,912	7,271
2. INDUSTRIAL SUPPLIES (Non-Food)	61,672	75,786	66,910	67,362	67,955
Primary	4,269	15,333	9,073	5,019	4,347
Processed	57,403	60,452	57,837	62,343	63,608
3. FUEL AND LUBRICANTS	27,110	29,558	31,911	41,644	63,311
Primary	14,007	17,359	15,273	22,787	42,198
Processed	13,102	12,199	16,639	18,857	21,113
Motor Spirit	2,548	2,570	4,503	3,303	2,287
Other	10,554	9,629	12,136	15,554	18,826
4. MACHINERY AND OTHER CAPITAL EQUIPMENT	30,594	32,246	34,867	33,739	39,227
Machinery and Other Capital Equipment	13,139	23,624	26,587	24,083	30,599
Parts and Accessories	17,454	8,622	8,280	9,656	8,628
5. TRANSPORT EQUIPMENT	24,298	27,505	30,998	29,346	41,356
Passenger Motor Vehicles	12,109	6,294	6,459	6,618	4,765
Other	11,398	14,993	16,530	15,060	29,160
Industrial	10,870	14,454	15,743	14,309	28,161
Non-Industrial	528	539	787	751	999
Parts and Accessories	791	6,218	8,009	7,667	7,431
6. CONSUMER GOODS NOT ELSEWHERE SPECIFIED	11,508	12,268	15,525	18,010	15,839
Durable	3,497	2,370	2,729	4,053	2,907
Semi-Durable	5,300	2,509	3,247	3,985	3,820
Non-Durable	2,711	7,389	9,548	9,972	9,112
7. GOODS NOT ELSEWHERE SPECIFIED	348	684	567	1,155	1,007
TOTAL	**168,486**	**190,674**	**197,789**	**206,401**	**247,804**
PERCENTAGE SHARES:					
1. Food and Beverages	7.69	6.62	8.60	7.34	7.71
2. Industrial Supplies (Non-Food)	36.60	39.75	33.83	32.64	27.42
3. Fuel and Lubricants	16.09	15.50	16.13	20.18	25.55
4. Machinery and other Capital Equipment	18.16	16.91	17.63	16.35	15.83
5. Transport Equipment	14.42	14.43	15.67	14.22	16.69
6. Consumer Goods not elsewhere specified ..	6.83	6.43	7.85	8.73	6.39
7. Goods not elsewhere specified	0.21	0.36	0.29	0.56	0.41
TOTAL	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

* Provisional

Direction of Trade

7.21. African countries continue to be the dominant market for Kenya's exports followed by the European Union (EU) as depicted in Table 7.12. In 2000, the market share of total exports to African countries and EU stood at 46.0 per cent and 29.8 per cent respectively. The share of total exports to the EU reduced by 1.3 percentage points while to African countries reduced by less than one percentage point. Exports to the Far East and Middle East edged up and accounted for 11.6 per cent and 4.9 per cent of total exports respectively.



7.22. Exports to the EU in 2000 increased by 4.9 per cent, while exports to Middle East, went up by 21.1 per cent. Exports to Uganda and Tanzania jointly accounted for 26.2 per cent of total exports. Exports to Tanzania declined by 19.4 per cent mainly due to drastic drop in exports of margarine and shortening, soaps and animals and vegetable oils, while exports to Uganda increased by 14.1 per cent.

Table 7.12: TOTAL EXPORTS BY DESTINATION, 1996 - 2000

Ksh. million

CONTINENT/COUNTRY	1996	1997	1998	1999	2000*
EUROPE					
WESTERN EUROPE:					
European Union:					
Belgium..	2,186	1,874	1,705	1,570	1,844
Finland	974	1,159	480	550	342
France	1,981	2,571	1,890	2,290	2,143
Germany, ...	8,820	7,651	5,550	5,773	5,577
Italy	2,072	2,254	1,748	1,650	1,519
Netherlands	6,393	5,693	5,284	6,152	7,293
Spain	1,366	894	756	567	510
Sweden	1,187	1,813	1,428	1,338	915
United Kingdom	12,332	13,884	16,228	17,014	18,655
Other	1,764	1,631	1,279	1,241	1,230
Total	**39,076**	**39,424**	**36,347**	**38,146**	**40,029**
Other Western Europe	1,345	1,395	925	983	1,162
Total Western Europe..	**40,420**	**40,818**	**37,273**	**39,128**	**41,191**
EASTERN EUROPE:					
Poland	165	244	3	355	555
Romania	38	20	273	11	1
Other	108	84	72	247	58
Total	**311**	**348**	**355**	**612**	**613**
TOTAL, EUROPE	**40,731**	**41,166**	**37,628**	**39,741**	**41,804**
AMERICA					
U.S.A	3,200	3,401	3,053	2,761	2,804
Canada	649	593	614	433	473
Other	77	87	109	92	312
TOTAL AMERICA	**3,926**	**4,081**	**3,776**	**3,286**	**3,588**
AFRICA					
South Africa	2,458	1,075	938	477	615
Rwanda	2,130	3,560	3,037	3,110	3,504
Egypt	4,296	3,062	5,694	6,739	7,107
Tanzania	15,508	15,790	16,116	13,767	11,092
Uganda	17,730	16,571	19,466	21,189	24,186
Other**.	15,229	16,140	12,375	12,043	15,430
TOTAL AFRICA	**57,350**	**56,198**	**57,627**	**57,326**	**61,935**
ASIA					
MIDDLE EAST:					
Iran	1,272	751	1,006	438	370
Israel	675	812	866	891	1,236
Jordan	126	64	96	137	172
Saudi Arabia	434	362	488	577	690
United Arab Emirates ..	537	909	1,346	2,000	2,657
Other	771	954	1,008	1,393	1,458
Total	**3,815**	**3,852**	**4,809**	**5,436**	**6,583**
FAR EAST					
China(Mainland)	53	36	78	273	323
India	729	1,187	1,825	1,736	1,361
Indonesia	124	62	80	129	108
Japan	947	887	941	1,061	1,450
Korea South	83	315	179	69	174
Pakistan	5,258	5,172	8,276	9,020	9,986
Singapore	1,561	765	554	416	433
Other	3,040	3,735	3,298	2,607	1,823
Total	**11,794**	**12,159**	**15,230**	**15,318**	**15,657**
TOTAL ASIA	**15,609**	**16,011**	**20,040**	**20,754**	**22,241**
AUSTRALIA & OCEANIC					
Australia	414	380	377	587	553
Other	80	94	85	67	62
TOTAL AUSTRALIA & OCEANIC	**495**	**474**	**461**	**654**	**615**
All Other Countries	263	48	396	232	2,601
Aircraft and Ships Stores	1,605	2,467	1,253	566	1,744
TOTAL	**1,867**	**2,515**	**1,648**	**798**	**4,345**
TOTAL EXPORTS	**118,200**	**120,445**	**121,181**	**122,559**	**134,527**

*Provisional

**See Table 7.14 for details

7.23. The EU countries continue to be one of the major sources of Kenya's imports with 30.5 per cent share of total imports as shown in Table 7.13. Imports from Tanzania almost doubled while those from Uganda increased by more than one half. Imports from South Africa dropped marginally by 3.2 per cent, but still constituted 72.9 per cent of total imports from the Africa. The share of imports from the Middle East rose from 20.9 per cent in 1999 to 29.7 per cent in 2000 while that of Far East dropped from 23.2 per cent to 19.8 per cent over the same period. Imports from the Middle East increased by almost three quarters due to the surge in import value of crude petroleum from Saudi Arabia and United Arab Emirates. There was a significant decrease of 18.4 per cent in imports from Japan due to a drop in value of imported motor vehicles from KSh 7,418 million in 1999 to KSh 5,654 million in 2000 as the number of units imported dropped from 55,988 to 16,661. This could partly be attributed to anti dumping duty imposed on imported used motor vehicles.

Table 7.13: IMPORTS BY COUNTRY OF ORIGIN, 1996 - 2000

Ksh. million

CONTINENT/COUNTRY	1996	1997	1998	1999	2000*
EUROPE					
WESTERN EUROPE:					
European Union.					
Belgium..	5,185	3,534	3,110	3,008	5,433
Finland	917	1,011	1,577	1,480	2,106
France	8,258	7,110	8,032	6,735	8,297
Germany, ...	10,246	12,728	11,139	11,210	8,714
Italy	5,494	4,635	5,103	4,815	7,206
Netherlands	4,784	4,759	5,396	5,030	8,674
Spain	1,267	1,708	1,030	2,336	1,691
Sweden	1,659	1,609	1,569	1,691	1,811
United Kingdom	22,265	21,557	24,355	23,123	25,136
Other	3,723	3,337	3,075	3,543	6,585
Total	**63,797**	**61,989**	**64,385**	**62,971**	**75,653**
Other Western Europe	3,587	2,776	3,504	3,565	3,553
Total Western Europe..	**67,384**	**64,764**	**67,473**	**66,536**	**79,205**
EASTERN EUROPE:					
Poland	131	103	44	47	53
Romania	348	416	126	167	346
Other	1,611	1,697	2,117	3,083	4,683
Total	**2,090**	**2,217**	**2,287**	**3,296**	**5,082**
TOTAL EUROPE	**69,474**	**66,981**	**69,760**	**69,831**	**84,287**
AMERICA					
U.S.A	8,802	14,110	16,509	13,190	10,084
Canada	1,792	1,593	1,393	1,735	986
Other	1,880	2,513	1,086	4,063	3,716
TOTAL AMERICA	**12,474**	**18,216**	**18,988**	**18,988**	**14,785**
AFRICA					
South Africa	12,773	21,753	14,198	17,134	16,586
Tanzania	928	865	610	480	928
Uganda	30	467	60	307	515
Other**	2,451	5,832	2,472	4,377	4,717
TOTAL AFRICA	**16,181**	**28,917**	**17,339**	**22,298**	**22,746**
ASIA					
MIDDLE EAST:					
Iran	122	691	555	1,345	1,452
Israel	1,410	1,623	1,456	1,431	2,198
Jordan	1	2	127	34	78
Saudi Arabia	8,470	10,216	12,384	10,873	15,004
United Arab Emirates	13,860	19,012	17,810	25,529	48,212
Other	3,316	1,142	3,571	3,860	6,561
Total	**27,179**	**32,686**	**35,903**	**43,072**	**73,505**
FAR EAST					
China	2,906	3,717	4,139	4,786	7,755
India	9,613	8,209	8,649	8,995	10,139
Indonesia	6,652	6,317	3,060	1,651	2,706
Japan	12,508	14,360	15,675	15,336	12,514
Korea South	2,318	1,795	2,647	3,203	2,861
Pakistan	550	1,008	1,006	609	864
Singapore	2,225	1,975	1,331	4,278	4,776
Other	4,664	4,021	9,690	9,115	7,548
Total..	**41,436**	**41,402**	**46,196**	**47,973**	**49,164**
TOTAL ASIA	**68,615**	**74,088**	**82,099**	**91,046**	**122,669**
AUSTRALIA & OCEANIC					
Australia	1,647	2,059	1,725	2,692	2,611
Other	49	126	352	136	68
TOTAL AUSTRALIA & OCEANIC	**1,696**	**2,185**	**1,884**	**2,829**	**2,679**
All Other Countries N.E.S.	45	287	7,717	1,408	638
TOTAL	**45**	**287**	**7,717**	**1,408**	**638**
GRAND TOTAL	**168,486**	**190,674**	**197,789**	**206,401**	**247,804**

* Provisional.

** See Table 7.14 for details

7.24. Table 7.14 summarizes trade with the Common Market for Eastern and Southern Africa (COMESA) and other African countries. Exports to COMESA rose marginally by 5.5 per cent and accounted for 42.1 per cent of the total value of exports in 2000. Uganda and Tanzania jointly absorbed 62.2 per cent of Kenya's total exports to the COMESA region. Major exports to Uganda were petroleum products, plastic articles, paper products, cement, textiles, medicinal products and footwear. Major exports to Tanzania were petroleum products, plastic articles, chewing gum, medicinal products, tobacco, paper and paperboard, and footwear. Tea was the dominant export to Egypt and Sudan.

7.25. The value of imports from COMESA countries rose by 45 per cent in 2000. Imports from Tanzania, Uganda, Zambia, Zimbabwe and Democratic Republic of Congo recorded exceptionally high increases. Major imports from Uganda were vegetable fresh and tobacco manufactures, while from Tanzania were articles of plastics, cotton, glassware, animal feeds, and maize. Tobacco was the major import from Democratic Republic of Congo and Zimbabwe. Maize and milk and cream were the major imports from Zambia and Zimbabwe. Imports from South Africa dropped by 3.2 per cent though she still dominated on the African countries, with a share of 72.9 per cent. Major imports from South Africa were maize, sugars, petroleum products, paper and paperboard, motor vehicles, fertilizers and medicinal products.

Table 7.14: TRADE WITH AFRICAN COUNTRIES, 1996 - 2000

KSh. '000 '

ZONES/COUNTRIES	TOTAL EXPORTS					IMPORTS				
	1996	1997	1998	1999	2000*	1996	1997	1998	1999	2000*
COMESA										
EAST AFRICAN COMMUNITY (EAC)										
Tanzania	15,507,661	15,789,648	16,116,362	13,766,581	11,092,107	927,976	864,566	212,569	480,050	927,724
Uganda	17,730,421	16,571,110	19,466,334	21,189,072	24,186,092	29,694	467,212	59,738	307,012	515,402
Sub-Total	**33,238,082**	**32,360,758**	**35,582,695**	**34,955,653**	**35,278,198**	**957,670**	**1,331,778**	**272,307**	**787,062**	**1,443,126**
OTHERS:										
Angola	42,523	15,026	13,817	37,001	6,474	-	146	264	3,234	1,359
Burundi	407,130	314,411	273,599	794,397	898,562	3,155	183	-	7,568	1,070
Comoros	180,231	195,971	194,866	435,551	730,890	-	-	-	-	18
Congo, D.R	1,911,928	2,243,855	2,014,776	2,031,041	3,042,502	39,170	186,447	7,544	88,708	250,892
Djibouti	93,835	201,858	160,307	120,555	315,960	13,759	8,018	2,794	17,604	13,421
Egypt**..	4,295,640	3,062,209	5,693,646	6,739,154	7,107,444	360,863	265,740	243,210	1,372,837	1,597,319
Eritrea	174,416	153,713	228,709	207,522	453,751	-	408	50,358	6,028	177
Ethiopia	2,290,418	2,072,657	1,535,040	1,412,371	2,056,609	2,879	610,309	70,485	7,042	63,463
Madagascar	216,859	223,467	127,753	62,835	104,019	17,217	7,353	2,847	2,220	12,672
Malawi	287,592	337,036	410,672	338,753	177,944	1,733	5,478	6,272	20,916	206,592
Mauritius	606,272	847,816	408,848	188,161	152,555	161,758	264,743	590,280	476,024	404,149
Namibia	330,602	329,498	2,246	3,606	2,369	19,047	3,527	10,176	49,631	10,128
Rwanda	2,130,005	3,560,410	3,037,229	3,110,314	3,504,082	5,514	173,215	8,508	3,542	2,719
Seychelles	227,327	233,806	144,685	124,685	239,623	3,006	8,170	3,658	645	23,504
Sudan	1,341,319	1,866,306	2,989,538	2,705,420	2,191,440	1,418	338,926	103,066	13,890	24,596
Swaziland	2,526,135	2,530,829	15,385	881	3,614	2,973	19,272	90,772	139,457	208,531
Zambia	243,328	278,793	228,520	141,756	168,000	264,154	149,100	126,898	214,929	310,943
Zimbabwe	419,371	520,057	544,139	321,368	244,500	275,065	3,295,423	515,727	373,049	633,483
Sub-Total	**17,724,931**	**18,987,717**	**18,023,774**	**18,775,368**	**21,400,339**	**1,171,712**	**5,336,458**	**1,832,859**	**2,797,326**	**3,765,036**
Total, COMESA	**50,963,013**	**51,348,474**	**53,606,469**	**53,731,022**	**56,678,538**	**2,129,382**	**6,668,236**	**2,105,166**	**3,584,388**	**5,208,162**
OTHER COUNTRIES										
Algeria & Libya	36,874	65,102	158,137	17,590	27,940	1,001,124	-	3,741	6,343	203
Ghana & Nigeria	312,199	179,702	169,638	179,201	686,717	80,266	120,006	81,847	167,121	68,052
Lesotho ..	4,725	13,591	-	164	-	399	577	-	-	-
Mozambique	245,560	89,426	55,784	44,203	133,024	-	139,957	6,970	90,576	174,472
Reunion ..	270,636	245,895	302,776	353,823	303,287	1,302	292	181	6,275	1,319
Somalia ..	2,413,263	2,000,437	1,842,335	2,051,513	2,940,278	7,278	614	3,041	1,108	5,032
South Africa	2,457,597	1,075,055	937,916	477,483	614,586	12,772,628	21,753,245	14,197,593	17,134,097	16,585,575
All Other African Countries	646,514	1,180,619	554,265	470,594	550,215	189,085	234,282	940,754	1,097,434	702,939
Sub-Total	**6,387,368**	**4,849,827**	**4,020,852**	**3,594,570**	**5,256,047**	**14,052,082**	**22,248,973**	**15,234,126**	**18,502,954**	**17,537,593**
TOTAL AFRICA	**57,350,381**	**56,198,302**	**57,627,321**	**57,325,592**	**61,934,585**	**16,181,464**	**28,917,209**	**17,339,292**	**22,298,459**	**22,745,755**
Percentage of all Exports/Imports	48.5	46.7	47.6	46.8	46.0	9.6	15.2	8.8	10.8	9.2

* Provisional

** Egypt joined COMESA in 1998

Note : Tanzania ceased to be a member of COMESA in september 2000

Import Duty

7.26. Values of import duty collected on commodities classified by Standard International Trade Classification (SITC) sections are summarized in Table 7.15. Import duty collected rose marginally by 1.7 per cent despite a 20.1 per cent rise in total imports. The amount realized from mineral fuels and machinery and transport equipment constituted 23.5 per cent and 25.7 per cent respectively while that from food and live animals accounted for 19.8 of the total amount collected.

Table 7.15: IMPORT DUTY, 1996-2000

Ksh. million

Description	1996	1997	1998	1999	2000*
Food and live animals..	1,979.10	2,122.06	4,198.62	4,264.09	5,321.46
Beverages and tobacco..	101.26	111.90	110.26	129.53	158.09
Crude materials, inedible,except fuels..	287.36	362.26	745.42	751.15	1,212.75
Mineral fuels..	4,423.86	4,220.86	5,897.62	6,307.79	6,326.64
Animal and vegetable oils and fats..	886.18	795.66	808.86	826.43	386.75
Chemicals..	1,870.96	1,713.04	1,676.46	1,741.02	1,527.06
Manufactured goods	3,397.92	3,232.64	3,403.54	3,914.53	3,313.38
Machinery and transport equipment..	6,424.28	6,589.60	6,679.16	6,752.45	6,910.34
Miscellaneous manufactured articles..	1,045.68	1,083.52	1,283.02	1,741.76	1,724.89
Miscellaneous transactions and commoditie	0.02	0.74	-	0.42	0.04
Total..	**20,416.62**	**20,232.28**	**24,802.96**	**26,429.17**	**26,881.40**

* Provisional

Balance of Payments

7.27. The three-year time series of balance of payments estimates up to the year 2000 are detailed in Table 7.16. The current account deteriorated to a deficit of KSh 18,145 million from a deficit of KSh 6,875 million in 1999 as a result of higher imports value and reduced earnings from the tourism sector. The visible trade deficit widened to KSh 96,785 million in 2000 compared to a deficit of KSh 69,143 million in 1999 while the invisible trade balance excluding transfers recorded a surplus of KSh 8,379 million in 2000 compared to a surplus of KSh 14,408 million in 1999. Transfers to the private and public sectors shot up by KSh 22,402 million to KSh 70,262 million in 2000 reflecting increased inflow of grants towards relief efforts following the severe drought spell in the year.

7.28. The capital and financial account also deteriorated in 2000 to register a smaller surplus of KSh 17,844 million compared to 1999 and 1998 surpluses of KSh 23,019 million and KSh 37,285 million respectively. The smaller surplus was occasioned mainly by net portfolio investment out flows and reduced short-term capital inflows. However, long-term capital inflows increased to KSh 16,233 million in 2000 reflecting disbursements to support Poverty Reduction and Growth Programme from KSh 9,006 million and KSh 14,743 million in 1999 and 1998 respectively.

7.29. Trading in the foreign investment portfolios at the Nairobi Stock Exchange was characterized by net capital outflows throughout 2000, which in turn influenced the portfolio investment account, to record a net outflow of KSh 1,096 million.

Table 7.16: BALANCE OF PAYMENTS, 1998 - 2000

KSh. million

	1998+			1999+			2000*		
	Liabilities	Assets	Net	Liabilities	Assets	Net	Liabilities	Assets	Net
A. -CURRENT ACCOUNT									
1. Goods	121,762	182,834	-61,072	122,973	192,116	-69,143	135,089	231,874	-96,785
2. Transportation	18,457	18,653	-196	26,433	16,596	9,837	31,318	26,016	5,303
3. Foreign Travel	17,509	11,463	6,046	21,367	8,059	13,308	19,593	10,018	9,574
4. Other Services - Private	2,098	8,057	-5,959	2,868	10,865	-7,997	2,524	14,644	-12,120
5. Government Services, n.i.e.	12,069	3,766	8,304	15,052	4,596	10,456	20,275	4,514	15,761
6. Income	2,490	12,958	-10,468	2,230	13,426	-11,196	3,426	13,566	-10,140
7. Current Transfers	34,929	272	34,657	48,194	334	47,860	70,582	320	70,262
Government	3,101	-	3,101	2,216	-	2,216	8,473	-	8,473
Private	31,828	272	31,556	45,978	334	45,644	62,109	320	61,788
TOTAL CURRENT ACCOUNT	**209,314**	**238,002**	**-28,688**	**239,117**	**245,992**	**-6,875**	**282,807**	**300,953**	**-18,145**
of which:									
Visible Balance	121,762	182,834	-61,072	122,973	192,116	-69,143	135,089	231,874	-96,785
Invisible Balance	87,552	55,168	32,383	116,144	53,876	62,268	147,719	69,079	78,640
B. - CAPITAL & FINANCIAL ACCOUNT									
8.Capital Account	5,091	-	5,091	3,894	-	3,894	3,775	-	3,775
9.Direct Investment	689	-	689	972	-	972	8,448	-	8,448
10.Portfolio Investment	80	-	80	-560	-	-560	-269	828	-1,096
11.Other Investment	62,876	31,451	31,425	55,015	36,302	18,713	40,342	33,625	6,717
Long Term	14,743	28,772	-14,029	9,006	31,075	-22,069	16,233	33,225	-16,992
Short Term	48,134	2,679	45,454	46,009	5,227	40,782	24,110	401	23,709
TOTAL CAPITAL & FINANCIAL ACCOUNT	**68,737**	**31,451**	**37,285**	**59,321**	**36,302**	**23,019**	**52,297**	**34,453**	**17,844**
C. -ERRORS AND OMISSIONS			**-8,887**			**-15,734**			**8,545**
D. OVERALL BALANCE			-290			411			8,244
E. -RESERVE ASSETS									
12.Special Drawing Rights	-		-	-		-	-		-
13.Reserve Position in the Fund	-43		-43	96		96	62		62
14.Foreign Exchange	348		348	-515		-515	-8,291		-8,291
15.Other claims	-14		-14	8		8	-14		-14
Total Foreign Reserves	**290**		**290**	**-411**		**-411**	**-8,244**		**-8,244**

* *Provisional.*

** *Official reserves are now defined to exclude Commercial Banks' foreign assets.*

\+ *Revised.*

7.30. Other details of the Balance of Payments are set out in Table 7.17. Adjusted exports of goods expanded by KSh 12,116 million while the adjusted imports of goods bill increased by KSh 39,758 million. Net services and income earnings dropped by KSh 6,029 million in 2000 compared with an increase of KSh 16,681 million in 1999. The reduced net earnings from tourism and transportation resulted in decrease in services and income accounts. The changes in current account and net long-term capital flows led to a deficit in the basic balance of KSh 628 million in 2000 compared to a deficit of KSh 12,220 million in 1999.

Table 7.17: CHANGES IN KENYA BALANCE OF PAYMENTS MAGNITUDES , 1998 -2000

KShs. Million

		1998**	1999**	2000*
1.	Exports Goods	+624	+1,211	+12,116
2.	Imports Goods	-9,667	-9,282	-39,758
3.	Services & Income (net)	+6,153	+16,681	-6,029
4.	Current Transfers(net)	+1,030	+13,203	+22,401
5	**Changes on current account .. ..**	**-1,859**	**+21,814**	**-11,270**
6.	Capital account	+580	-1,197	-119
7.	Direct investment	-340	+283	+7,476
8.	Portfolio investment	-1,927	-640	-536
9.	Other investment - Long term	+5,562	-8,040	+5,077
10.	Change on basic balance (net balance on lines 5-9)	+2,016	+12,220	+628
11.	Other investment - Short term	+13,757	-4,672	-17,073
12.	Errors and ommisions (net)	-11,825	-6,847	+24,279
13	Net change on all above items (5 - 10) (Net changes on Reserves assets)	+3,948	+700	+7,833

* Provisional.

** Revised

\1. A positive entry indicates a change that improves the balance of payments outcome; a negative entry indicates a change worsening the BOP outcome. Thus, an increase in imports or reduction in exports are marked as negative entries.

\2. Exports and imports of goods are derived from Goods Account.

International Liquidity

7.31. Table 7.18 shows foreign assets of the Monetary Authorities. Total net foreign reserves of Monetary Authorities steadily rose in the year to stand at KSh 55,945 million in December 2000 from KSh 46,353 million in December 1999. Gross foreign reserves of Central Bank increased from KSh 56,041 million in 1999 to KSh 66,570 million partly due to rescheduling of government loan repayments under the Paris Club Framework. The reserve position in the Fund stood at KSh 1,263 million as at December 2000. The holding of SDRs declined substantially from KSh 177 million in December 1999 to KSh 21 million in December 2000. The total foreign liability of the banking system stood at KSh 27,482 million at the end of 2000 compared to KSh 29,262 million at the end of 1999.

Table 7.18: CENTRAL MONETARY AUTHORITIES: FOREIGN EXCHANGE RESERVES, 1997 - 2000

KSh. Million

As at end of	Central Bank Of Kenya					Central Government			Total Net Foreign Reserves of Central Monetary Authorities
	S.D.R.'s	Foreign Reserves	External Banks' Deposits	Use of Fund Credit	Total Net Foreign Reserves of Central Bank*	Reserve Position in IMF	Other Holdings	Total Net Foreign Reserves of Central Government	
1997..	86	48,128	19	15,797	32,436	1,046	19	1,064	33,500
1998..	36	46,980	89	14,448	32,657	1,070	31	1,100	33,757
1999..	177	56,041	79	11,213	45,084	1,241	28	1,269	46,353
2000..									
January ..	168	56,041	86	11,445	44,849	1,215	22	1,237	46,086
February ..	39	60,869	152	11,421	49,640	1,221	19	1,240	50,880
March	40	59,983	299	11,354	48,969	1,251	53	1,303	50,272
April	40	59,883	147	11,197	48,873	1,226	47	1,273	50,146
May	45	61,675	131	10,813	51,038	1,257	42	1,299	52,337
June	66	61,470	113	10,230	51,418	1,295	35	1,330	52,748
July	62	59,252	83	10,131	49,266	1,215	29	1,244	50,509
August ..	22	65,512	97	11,113	54,518	1,255	25	1,280	55,798
September	23	66,205	97	11,113	55,211	1,268	21	1,288	56,499
October ..	297	64,347	96	13,140	51,600	1,267	20	1,288	52,888
November .	23	66,570	96	12,907	53,783	1,267	20	1,288	55,070
December .	21	66,570	96	12,055	54,633	1,263	50	1,313	55,945

Source: Central Bank of Kenya.

* Reserves constitute foreign assets which are readily available for meeting external financial needs

7.32. Table 7.19 shows the nominal mean exchange rate of the Kenya Shilling against selected world currencies. The Shilling weakened against the US dollar by 6.5 per cent. However, it strengthened against Sterling Pound, Deutsche Mark and 100 Japanese Yen by 1.4 per cent, 1.3 per cent, and 4.8 per cent respectively. Generally, the Shilling appreciated against most of the selected world currencies in 2000. By the end of the period, the Shilling exchanged at KSh 101.7 from KSh 100.4 in 1999 to the SDR. As measured by the trade weighted exchange rate index, the Shilling strengthened by 2.1 per cent against all the selected currencies. The strength of the Shilling against Sterling Pound and Japanese yen reflected the substantial weakening of these currencies against the US Dollar in the international markets.

Table 7.19: FOREIGN EXCHANGE RATES OF KENYA SHILLING FOR SELECTED CURRENCIES, 1994 - 2000

	31st Dec. 1994	31st Dec. 1995	31st Dec. 1996	31st Dec. 1997	31st Dec. 1998	31st Dec. 1999	31st Dec. 2000
1 US Dollar	44.8390	55.9390	55.0211	62.6778	61.9056	72.9306	78.0361
1 Pound Sterling	69.9490	86.5590	93.0495	103.9223	103.0364	118.1058	116.4113
1 Deutsche Mark	28.8890	38.9300	35.3431	35.0413	36.8852	37.5535	37.0800
1 French Franc	8.3730	11.4070	10.5058	10.4726	11.0014	11.1969	11.1024
1 Swiss Franc	34.1350	48.5040	40.8195	43.1151	44.8502	45.7615	47.6709
1 Dutch Guilder	25.7780	34.7650	31.5221	31.0739	32.7275	33.3259	32.9112
1 Swedish Kroner	6.0300	8.3910	7.9967	7.9299	7.6254	8.5658	8.1826
1 Norwegian Kroner .. .	6.6010	8.8160	8.5385	8.5692	8.1745	9.0868	8.7767
1 Zambian Kwacha** ..	0.0650	..	..	..	0.0353	0.0274	0.0173
1 Austrian Schilling	4.1150	5.5430	5.0433	4.9804	5.2449	5.3376	5.2726
1 Belgian Franc	1.4080	1.8950	1.7239	1.7037	1.7965	1.5257	1.7984
1 Danish Kronor	7.3660	10.0710	9.1951	9.1942	9.6941	9.8533	9.6953
1 Canadian Dollar .. .	31.9310	41.0900	40.1700	43.7286	40.1036	50.2010	51.9565
1 Finnish Marka	9.4470	12.8130	11.8523	11.5478	11.7583	12.3474	12.1948
1 Australian Dollar	34.5420	..	43.8243	40.9106	38.0010	47.6820	43.2317
100 Japanese Yen ..	44.9530	54.3800	47.3897	48.2813	53.6138	71.4283	67.9709
100 Italian Lira	2.7660	3.5480	3.6003	3.5813	3.7387	3.7883	3.7406
1 Indian Rupee	1.4340	1.6090	1.5391	1.6060	1.4584	1.6764	1.6725
1 Pakistan Rupee**	1.4420	..	1.3818	1.4085	1.3457	1.4131	1.3448
100 Burundi Francs** ..	18.1700	..	..	15.3500	12.2500	11.6024	9.9991
100 Rwanda Francs** .	32.3200	..	..	20.5700	19.2831	20.8653	21.7353
Overall Weighted Index* 1982=100	419.83	551.56	510.72	527.18	542.89	607.18	594.20

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

** Via US$ Exchange Rates (Australian, Pakistan, Zambia, Rwanda and Burundi).

.. not available.

Export Market Developments

Trade Policy, Facilitation and Regulatory Framework

7.33. The Export Promotion Council (EPC) in 2000 continued with the identification of trade obstacles, both tariffs and non-tariffs, affecting exports, particularly to East African Community (EAC), Common Market for East and Southern Africa (COMESA), South Africa and the European Union (EU).

Trade Information Delivery

7.34. The Centre for Business Information in Kenya continued to provide vital information to the business community. The Centre undertook data collection exercises in fifteen countries within Africa and Middle East. The information has been collated and catalogued for access at the Centre by the business community and other stakeholders.

Product Development

7.35. The main goal of activities under the Product Development Programme is to assist producers and exporters to develop and adapt their products to suit specific market requirements. Strategies being pursued to achieve the broad objectives include:

- Studies to establish supply capacity and identify new exportable products;
- Demand studies to identify markets, establish demands, market trends, consumer preferences, appropriate packaging, entry requirements and competition in order to adapt the new products appropriately;
- Firm level assistance to provide private exporting enterprises with technical assistance to supplement in project identification and development; improvement of production techniques and quality control; product design, development and test marketing; and product packaging, branding and labelling.

7.36. In pursuance of the above strategies, it is expected that Kenya's export base will expand and that more enterprises will join the export business resulting in increased employment and wealth creation. During the year, under this pillar, the focus was in encouraging the enhancement of quality of export products through implementation of quality management systems, understanding of the market requirements and encouraging the self-regulation by industry through adherence to codes of practice.

Future Outlook

7.37. With the constraints on the supply side namely drought, power shortages, water shortages and recent rises of fuel prices, the export sector should do whatever is possible to reduce production costs, to improve its competitive edge, and to continue with aggressive marketing and quality improvement in order to maintain Kenya's presence and share in international markets. The future is not that bleak; there are sectors where positive developments have been attained. The tourism sector has picked up. The availability and quality of telecommunications services is expanding, while the cost is expected to continue going down. The EPC is expected to continue with its export drive, whose success owes a lot to the partnership between the public and private sectors.

7.38. The impetus and momentum arising from the corrective measures being put in place by the Government should start bearing fruit in the near future and the economy will once more be buoyant. The Council is expected to continue co-ordinating and harmonizing export development activities so as to ensure higher sustained growth of the economy. Future efforts should focus on the consolidation and expansion of market share in our traditional markets, diversification to emerging markets and promotion of non-traditional exports in order to diversify and expand the export basket.

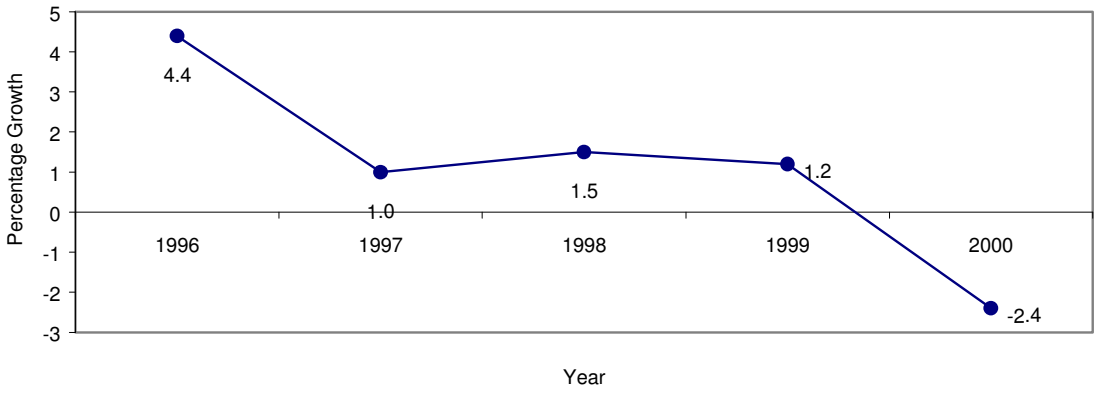
CHAPTER 8

AGRICULTURE

Overview

Agricultural sector GDP growth decelerated from 1.2 per cent in 1999 to negative 2.4 per cent in the year 2000. Factors contributing to the continued poor performance of the sector include bad weather, poor world commodity prices and poor infrastructure. Poor international coffee prices were as a result of a glut in the international market. Prices of sisal, wheat, seed cotton and milk also declined. On the other hand, the prices of sugarcane, pyrethrum (extract equivalent), tea, maize and bacon pigs increased in the year. For a second consecutive year, maize production declined by 12.0 per cent from 25.0 million bags in 1999 to 22.0 million bags in 2000, resulting in the importation of 409.4 thousand tonnes of maize valued at KSh 4.7 billion for relief and commercial purposes. Wheat production increased from 55.4 thousand tonnes in 1999 to 73.8 thousand tonnes in 2000. Despite management difficulties in the coffee co-operatives sub-sector, total coffee production increased from 68.1 thousand tonnes in 1998/99 crop year to 100.7 thousand tonnes in 1999/2000 crop year. Processed tea declined by 5.0 per cent from 248.7 thousand tonnes in 1999 to 236.3 thousand tonnes in 2000. The decline in tea production in 2000 was attributed to frost and low temperatures at the beginning of the year. The volume of marketed milk declined from 180 million litres in 1999 to 136.7 million litres in 2000. This was attributed to livestock deaths resulting from inadequate pasture and water. The quantity of horticulture exports increased marginally to 99.2 thousand tonnes in 2000. The value of horticultural exports declined by 2.1 per cent from KSh 14.2 billion in 1999 to KSh 13.9 billion in 2000. The high prices of jet fuel in 2000 constrained horticultural exports due to limited cargo space. The sub sector was also faced with stiff competition from other African countries.

Figure 8.1: Agricultural Gross Domestic Product Growth, 1996-2000



8.2. Total value of agricultural output at current prices declined further by 9.9 per cent from KSh 155,574 million in 1999 to KSh 140,189 million in 2000. Total inputs at current prices increased by 0.9 per cent from KSh 15,638 million in 1999 to KSh 15,778 million 2000. At constant prices, total value of agricultural output decreased by 2.1 per cent from KSh 27,999 million in 1999 to KSh 27,407 million 2000 while total inputs increased by 0.8 per cent from KSh 2,574 million in 1999 to KSh 2,594 million in the year 2000.

Table 8.1: AGRICULTURAL OUTPUT AND INPUT, 1996 - 2000

Kshs million

	1996	1997	1998	1999	2000*
AT CURRENT PRICES-					
Total Output	135,572	151,614	163,086	155,574	140,189
Less Inputs	10,912	13,615	15,068	15,638	15,778
Value Added	124,660	137,999	148,018	139,936	124,411
AT CONSTANT (1982) PRICES-					
Total Output	27,073	27,019	27,576	27,999	27,407
Less inputs	2,566	2,268	2,455	2,574	2,594
Value Added	24,507	24,751	25,122	25,425	24,813

* Provisional.

Marketed Production

8.3. Total recorded marketed production increased by 7.5 per cent from KSh 73,313.2 million in 1999 to KSh 78,775.0 million in 2000 as shown in Table 8.2. The total value for all crops increased by 11.3 per cent from KSh 58,269.8 million in 1999 to KSh 64,826.3 million in 2000. This was attributed to better prices for pyrethrum, maize, tea and sugar cane coupled with higher marketed production volumes for wheat and coffee. The value of marketed cereals improved by 3.7 per cent from KSh 5,414.4 million in 1999 to KSh 5,617.1 million in 2000. This was mainly due to higher prices for marketed maize. However, the quantity of marketed maize declined by 10.0 per cent to 201.2 thousand tonnes in year 2000 as shown in Table 8.11. The values of coffee and tea increased from KSh 10,050.0 million and KSh 31,087.6 million in 1999 to KSh 11,282.0 million and KSh 35,969.8 million in 2000 respectively.

Table 8.2: RECORDED MARKETED PRODUCTION AT CURRENT PRICES, 1996 - 2000

Kshs million

	1996	1997	1998	1999	2000*
CEREALS-					
Maize	3,118.0	2,809.2	2,800.0	3,098.0	2,915.4
Wheat	2,114.0	2,198.0	2,986.0	1,006.0	1,132.9
Others	1,364.0	1,288.0	994.0	1,310.4	1,568.8
Total	6,596.0	6,295.2	6,780.0	5,414.4	5,617.1
TEMPORARY INDUSTRIAL CROPS-					
Sugar-cane	7,126.0	6,644.0	7,968.0	7,639.4	7,942.2
Pineapples	588.0	588.0	935.0	1,079.8	1,122.9
Pyrethrum	334.0	322.0	350.0	405.8	729.3
Others	316.0	704.0	727.0	846.6	734.2
Total	8,364.0	8,258.0	9,980.0	9,971.6	10,528.6
OTHER TEMPORARY CROPS	320.0	454.0	478.0	522.8	246.1
PERMANENT CROPS-					
Coffee	14,358.0	16,546.0	13,198.0	10,050.0	11,282.0
Tea	20,336.0	23,636.0	39,138.0	31,087.6	35,969.8
Sisal	546.0	786.0	796.0	874.0	809.9
Others	290.0	378.0	322.0	349.4	372.8
Total	35,530.0	41,346.0	53,454.0	42,361.0	48,434.5
TOTAL CROPS	50,810.0	56,353.2	70,692.0	58,269.8	64,826.3
LIVESTOCK AND PRODUCTS-					
Cattle and Calves ..	7,262.0	8,714.0	8,878.0	8,886.4	8,039.8
Dairy Produce ..	3,864.0	2,862.0	1,946.0	2,693.6	2,051.2
Chicken and eggs	1,384.0	1,344.0	1,400.0	1,431.4	1,540.0
Others	1,726.0	1,860.0	1,886.0	2,032.0	2,317.7
Total	14,236.0	14,780.0	14,110.0	15,043.4	13,948.7
GRAND TOTAL	65,046.0	71,133.2	84,802.0	73,313.2	78,775.0

* Provisional.

The drought in livestock producing areas resulted in livestock deaths and an over supply of weak livestock for slaughter. The consequential fall in livestock and

livestock products prices caused a 7.3 per cent decrease in value from KSh 15,043.4 million in 1999 to KSh 13,948.7 million in 2000. The value of dairy produce sold centrally decreased by 23.8 per cent from KSh 2,693.6 million in 1999 to KSh 2,051.2 million in 2000. Likewise, the volumes declined from 180.3 million litres in 1999 to 136.7 million litres in 2000.

Table 8.3: VOLUME AND PRICE INDICES OF SALES TO MARKETING BOARDS, 1996 - 2000

1982=100

		1996	1997	1998	1999	2000*
QUANTUM INDICES	Cereals	54.6	46.3	54.3	35.5	37.7
	Temporary Industrial Crops ..	104.0	91.9	96.7	96.1	85.3
	Permanent Crops	175.0	136.1	158.2	147.0	162.2
	TOTAL CROPS	143.9	112.3	131.3	120.4	129.5
	Livestock and Products	126.7	104.8	98.0	75.1	72.9
TOTAL GROSS MARKETED PRODUCTION		140.5	112.4	125.5	111.5	118.3
PRICE INDICES	Cereals	923.2	1,151.3	1,088.5	1,161.6	1,158.7
	Temporary Industrial Crops ..	646.4	650.7	792.4	794.0	1,002.9
	Permanent Crops	456.0	753.0	820.0	608.3	583.5
	TOTAL CROPS	568.0	803.4	854.1	729.9	744.4
	Livestock and Products**	393.9	500.0	497.7	638.9	425.4
TOTAL GROSS MARKETED PRODUCTION		533.7	733.8	789.4	673.3	681.6

* Provisional.

**Data on livestock is from slaughter houses

8.4. The overall price index of sales to marketing boards increased by 8.3 points in 2000. As shown in Table 8.3, the quantum index for cereals increased from 35.5 in 1999 to 37.7 in 2000, mainly due to increases in marketed wheat. The price index for cereals decreased marginally from 1,161.6 in 1999 to 1,158.7 in 2000, mainly due to a decrease in the price of marketed wheat. The increase of 208.9 points in the price index of temporary crops could be attributed to higher prices for pyrethrum and sugar cane in 2000 compared to 1999. The overall crop price index increased from 729.9 in 1999 to 744.4 in 2000. The price index for livestock and products decreased significantly from 638.9 in 1999 to 425.4 in 2000. The decrease could be due to low prices of livestock slaughtered.

8.5. As shown in Table 8.4, the prices of coffee, sisal, wheat, beef (third grade) and seed cotton declined in the year 2000. The decline of 26.4 per cent in coffee prices was due to poor international prices as a result of a glut in the international market. The prices of sugarcane, tea, and bacon pigs increased by 16.5 per cent, 21.8 per cent, and 10.5 per cent respectively. The average price of pyrethrum extract (pyrethrin) almost doubled as a result of increasing demand in the world market. The sisal price declined by 5.3 per cent from KSh 3,989.9 in 1999 to KSh 3,779.4 in 2000.

Table 8.4: AVERAGE GROSS COMMODITY PRICES* TO FARMERS, 1996 - 2000

KSh. per stated unit

	UNIT	1996	1997	1998	1999	2000**
Coffee	100kg	13913.60	25150.00	25718.00	15632.22	11508.74
Tea	,,	7908.00	10680.00	13300.00	12500.00	15222.99
Sisal	,,	1915.00	3891.00	3973.90	3989.92	3779.39
Sugar-cane	Tonne	1553.00	1553.00	1730.00	1730.00	2015.00
Pyrethrum (extract equivalent)	Kg	3600.00	3600.00	5200.00	5200.00	9835.00
Seed Cotton	100Kg	2136.00	2000.00	2096.00	2000.00	1910.39
Maize	,,	1055.00	1373.20	1284.40	1385.90	1449.36
Wheat	,,	1563.00	1770.00	1690.10	1815.00	1651.71
Beef (third grade)	,,	3400.00	5987.64	8824.43	10676.68	8153.79
Bacon Pigs	,,	6600.00	8173.52	7651.13	8164.10	9021.64
Milk	100 litres	1250.00	1450.00	1549.00	1494.00	1500.00

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

** Provisional.

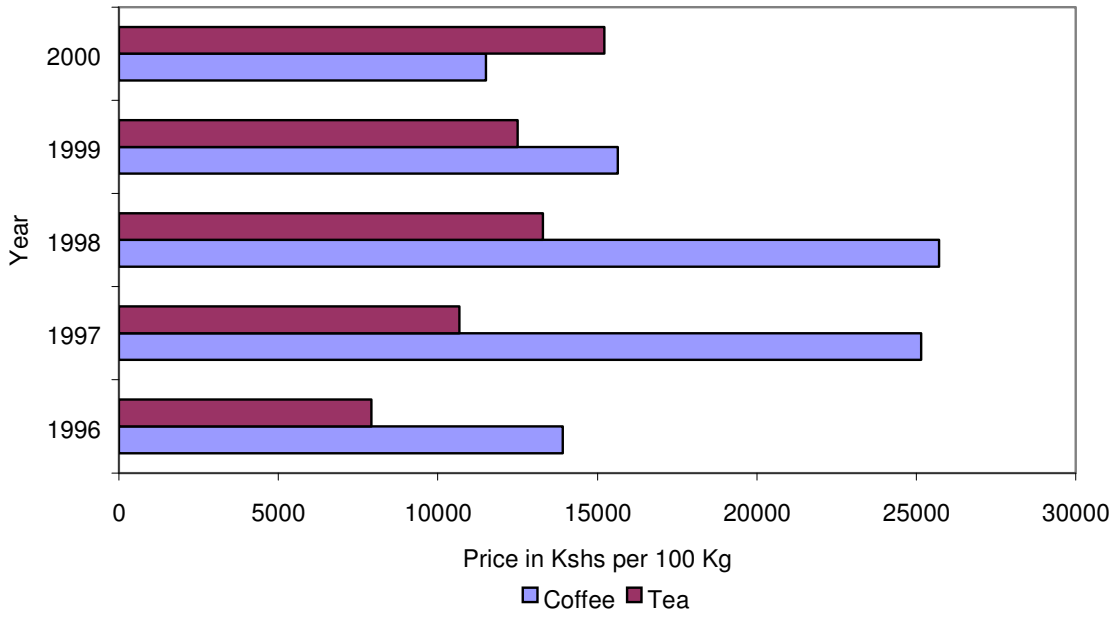
8.6. Total sales to marketing boards recorded a growth of 7.5 per cent in 2000 following a decline of 13.5 per cent in the previous year. The small farms annual percentage growth increased by 7.7 per cent. The share of small farms was 70.0 per cent in 2000, reflecting the continued importance of the smallholder farms in overall output production.

Table 8.5: SALE TO MARKETING BOARDS FROM LARGE AND SMALL FARMS, 1996 -2000

YEAR	LARGE FARMS		SMALL FARMS		TOTAL		PERCENTAGE SHARE OF SMALL FARMS
	Kshs mn.	Annual Percentage change	Kshs mn.	Annual Percentage change	Kshs mn.	Annual Percentage change	
1996	20,294.4	5.54	44,751.6	7.52	65,046	6.90	68.80
1997	21,468.2	5.78	49,665.8	10.98	71,133	9.36	69.82
1998	25,576.0	19.14	59,226.0	19.25	84,802	19.21	69.84
1999	22,104.0	-13.58	51,209.0	-13.53	73,313	-13.54	69.85
2000*	23,633.0	6.92	55,142.5	7.68	78,775	7.45	70.00

* Provisional.

Figure 8.2: Annual Trend in Coffee and Tea Auction Prices, 1996-2000



8.7. As shown in Table 8.6, the quantum index for total material inputs rose by 15.4 points from 143.2 in 1999 to 158.6 in 2000. The price index for total material inputs increased from 647.2 in 1999 to 667.2 in 2000 as a result of increases in the prices of manufactured feeds, purchased seeds, fuel and power, which rose substantially by 315.3 points, 302.5 points, and 45.3 points in 2000 respectively. The overall price index for total inputs rose from 607.5 in 1999 to 608.2 in the year 2000.

Table 8.6: AGRICULTURAL INPUT INDICES*, 1996 - 2000

1982=100

	1996	1997	1998	1999	2000**
QUANTUM INDICES-					
Fertilizers	115.2	124.7	99.6	87.0	121.6
Fuel and Power	129.1	114.9	118.4	159.5	164.6
Bags	110.9	133.3	135.6	140.1	142.9
Manufactured Feeds	273.6	240.4	232.3	245.0	176.4
Purchased Seeds	128.2	125.3	142.7	123.8	112.7
Other Material Inputs	100.3	101.5	104.6	109.8	112.4
Total Material Input	127.2	139.6	138.9	143.2	158.6
Service Inputs	120.8	115.7	127.3	128.6	131.6
TOTAL INPUTS	125.8	132.8	128.2	129.1	136.7
PRICE INDICES-					
Fertilizers	232.8	389.7	446.9	528.4	401.9
Fuel and Power	730.6	804.4	851.5	859.1	904.4
Bags	301.6	296.1	337.4	296.1	301.9
Manufactured Feeds	621.7	886.6	946.5	740.6	1,055.9
Purchased Seeds	937.4	1,166.8	1,679.7	1,556.0	1,858.5
Other Material Inputs	378.9	386.2	408.8	340.3	325.0
TOTAL MATERIAL INPUT	489.9	585.6	656.7	647.2	667.2
SERVICE INPUTS	230.4	250.0	265.0	286.2	210.0
TOTAL INPUTS	465.2	549.4	613.8	607.5	608.2

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

** Provisional.

8.8. Table 8.7 shows the value of purchased agricultural inputs sold to the agricultural sector. The value of total inputs rose from KSh 11,926 million in 1999 to KSh 12,066 million in 2000. The value of fuel and power, which accounts for nearly half of total material inputs, increased by 4.1 per cent from KSh 5,477 million in 1999 to KSh 5,702 million in 2000. This was attributed to increases in power tariffs coupled with rises in fuel pump prices recorded in the year. The value of fertilizers sold declined by 12.0 per cent from KSh 2,052 million in 1999 to KSh 1,805 million in 2000.

Table 8.7: PURCHASED AGRICULTURAL INPUTS*, 1996 - 2000

Kshs million

	1996	1997	1998	1999	2000**
MATERIAL INPUTS-					
Fertilizers	1,044	1,934	1,738	2,052	1,805
Other Agricultural Chemicals	304	356	320	378	340
Livestock Drugs and Medicines	512	574	607	640	583
Fuel and Power	2,938	4,832	5,036	5,477	5,702
Bags	356	483	512	451	497
Manufactured Feeds	760	720	761	749	748
Purchased Seeds	924	1,085	1,758	1,464	1,686
Other Material Inputs	234	241	252	210	234
Total	7,073	10,227	10,985	11,422	11,595
SERVICE INPUTS	436	453	489	504	471
TOTAL INPUTS	7,509	10,680	11,475	11,926	12,066

* Except labour.

** Provisional.

Table 8.8 gives details of agricultural terms of trade. The general index of agricultural output prices increased from 642.0 in 1999 to 681.6 in 2000 in response to better prices offered for agricultural commodities such as tea, pyrethrum, sugar cane and maize. Total inputs price index increased from 607.5 in 1999 to 608.2 in 2000 due to higher prices of farm inputs such as manufactured

feeds, purchased seeds, fuel and power. Overall, terms of trade in the agricultural sector improved from 105.2 in 1999 to 108.7 in 2000.

Table 8.8: PRICE AND TERMS OF TRADE INDICES FOR AGRICULTURE, 1996 - 2000

1982=100

	1996	1997	1998	1999	2000*
General Index of Agricultural Output Prices**	460.7	568.7	676.0	642.0	681.6
PRICE PAID					
Purchased Inputs	465.2	549.4	613.8	607.5	608.2
Index of Purchased Consumer Goods-Rural Areas	632.3	650.4	683.6	727.3	793.5
INDICES OF PRICES PAID	523.7	565.4	630.0	610.0	630.2
Agricultural Sector terms of Trade	88.0	100.6	107.3	105.2	108.2

* Provisional.

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

8.10. In the year 2000, there were significant drops in the production of beans, potatoes and sorghum of 62.5 per cent, 50.0 per cent and 33.3 per cent respectively. Maize production also dropped by 12.0 per cent. Only millet production recorded an increase of 50.0 per cent in the year under review due to its resistance to drought conditions.

Table 8.9: ESTIMATED PRODUCTION OF SELECTED AGRICULTURAL COMMODITIES, 1996 - 2000**

CROP	Unit	1996	1997	1998	1999	2000*
Maize	million bags	24.00	24.60	27.30	25.00	22.00
Beans	"	2.30	1.55	3.00	4.00	1.50
Potatoes	million tonnes	0.74	0.37	0.90	0.90	0.45
Sorghum	million bags	0.40	0.39	0.56	0.90	0.60
Millet	"	0.26	0.26	0.37	0.40	0.60

* Provisional.

Source: Ministry of Agriculture & Rural Development

8.11. **Rural Market Prices**: - Rural market prices per kilogram for selected agricultural commodities are presented in Table 8.10. Commodity prices offered for maize and beans were relatively higher compared to the previous year, whereas the price of millet tended to be lower. This is attributed to inadequate supply of such commodities due to drought. Prices of maize was slightly higher in September compared to March, while the prices for millet were slightly better in March 2000. Prices for beans and potatoes varied across Provinces.

Table 8.10: RURAL MARKET PRICES FOR SELECTED FOOD CROPS, 1997-2000

KSh. per Kg.

CROP	Province	1997		1998		1999		2000	
		March	Sep-tember	March	Sep-tember	March	Sep-tember	March	Sep-tember
Maize	Coast	24.7	21.8	17.4	18.3	18.8	19.7	27.0	29.3
	Eastern	14.1	12.3	13.8	12.8	14.6	13.6	17.2	19.2
	Central	10.9	11.9	12.6	12.9	12.8	13.4	15.6	21.6
	Rift Valley	12.7	13.3	12.4	11.6	13.6	12.7	17.0	15.5
	Nyanza	12.7	15.5	14.2	12.2	14.6	13.3	13.2	14.8
	Western	12.2	13.7	13.1	11.7	13.2	12.9	14.5	15.0
Beans	Coast	32.6	37.3	34.9	34.8	36.4	37.2	47.2	52.5
	Eastern	24.0	21.4	19.5	22.5	20.7	23.8	31.4	30.3
	Central	24.5	20.6	23.8	22.4	24.6	23.9	27.3	36.3
	Rift Valley	25.3	20.4	22.0	22.3	23.7	23.8	31.7	39.9
	Nyanza	24.5	22.8	23.5	21.4	23.9	22.3	28.8	27.1
	Western	24.7	23.6	24.6	23.4	25.2	24.7	34.1	30.0
Potatoes	Coast	22.7	22.6	14.4	14.3	15.2	14.9	14.7	18.3
	Eastern	13.8	13.5	10.9	11.2	11.1	11.6	17.9	15.0
	Central	10.6	11.2	10.6	10.7	11.3	11.6	10.3	10.1
	Rift Valley	12.7	13.1	10.7	10.7	11.4	11.8	12.9	15.2
	Nyanza	12.8	11.6	11.8	12.1	12.1	12.6	11.3	11.0
	Western	12.9	13.6	12.9	12.6	13.9	13.4	12.3	15.0
Sorghum	Eastern	14.8	10.1	12.8	13.2	13.5	14.5	18.0	18.0
	Nyanza	12.1	12.4	12.5	13.7	13.1	14.8	15.2	15.0
	Western	16.7	15.0	15.5	14.5	16.0	15.3	14.0	13.3
Millet	Eastern	22.5	27.5	20.5	21.5	22.5	22.8	20.0	22.0
	Rift Valley	26.1	30.4	29.1	30.4	31.6	33.0	25.0	20.0
	Nyanza	27.2	53.2	28.7	30.4	29.9	31.3	24.3	26.1
	Western	26.4	14.2	29.4	30.6	30.6	31.9	30.3	21.9

Production by Crop

8.12. The drought experienced in most parts of the country in 1999 continued into the better part of 2000. This negatively impacted on the production of some cereal crops, including maize, prompting importation to cover the deficit. In addition, inadequate supply of quality seeds, poor crop husbandry and high cost of farm inputs further contributed to the decline in production. However, wheat production increased from 55.4 thousand tonnes to 73.8 thousand tonnes in 2000.

Table 8.11: SALE OF SOME MAJOR CROPS TO MARKETING BOARDS, 1996 - 2000

CROP	UNIT	1996	1997	1998	1999	2000*
Maize++	'000 tonnes	295.5	204.6	218.0	223.5	201.2
Wheat+	"	130.0	124.2	176.7	52.9	70.5
Rice Paddy + ...	"	15.9	14.4	11.7	24.3	18.7
Cotton+	"	0.5	0.5	0.5	0.2	0.5
Coffee	"	103.2	68.0	51.3	64.3	98.0
Tea	"	257.2	220.7	294.2	248.8	236.3
Sisal	"	28.1	20.1	19.9	21.9	21.4
Sugar-cane+	mn. tonnes	3.9	4.3	4.6	4.4	3.9
Pyrethrum (Extract Equivalent)	tonnes	93.0	89.4	67.4	78.1	74.2

* Provisional.

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

++ Includes maize purchases by NCPB and millers.

8.13. **Maize:** In 2000, overall maize production declined to 22.0 million bags from 25 million bags in 1999. As shown in Table 8.11, centrally marketed maize declined from 223.5 thousand tonnes in 1999 to 201.2 thousand tones. Consequently, 409.4 thousand tonnes of maize valued at KSh 4.7 billion was imported to cover the deficit. The production deficit was largely due to inadequate rainfall in the maize

growing regions during the crop season coupled with low supply of quality seeds, high cost of farm inputs, infestation of maize farms by armyworms and poor crop husbandry.

Table 8.12: PRODUCTION AND IMPORTS OF WHEAT, 1996 - 2000

'000 Tonnes

YEAR	PRODUCTION*	IMPORTS	TOTAL
1996	135.0	486.9	621.9
1997	125.8	388.1	513.9
1998	177.1	478.9	656.0
1999	55.4	583.8	639.2
2000**	73.8	636.0	709.8

* Includes retention for seed.

** Provisional.

8.14. **Wheat:** Production of wheat has been low for the last two years, 1999 and 2000 registering 55.4 thousand tonnes and 73.8 thousand tonnes respectively compared with a record 177.1 thousand tonnes produced in 1998. An additional 636.0 thousand tonnes of wheat valued at KSh 7.0 billion was imported in 2000 to meet the production deficit. The low production could be partly attributed to drought, low wheat prices offered by millers, invasion of wheat farms by wildlife as a result of drought in the game parks.

8.15. **Coffee: –** In 1999/2000 crop year, coffee production increased by 47.9 per cent from 68.1 thousand tonnes in 1998/99 crop year to 100.7 thousand tonnes. This was in response to high prices during the previous coffee seasons coupled with improved crop husbandry. Estates recorded 34.1 per cent increase in production while co-operatives registered an increase of 57.9 per cent. The area under coffee remained at 42 and 128 thousand hectares for estates and co-operatives respectively. Increased world production and stocks from previous seasons explain the low global coffee prices. The effect of low prices and drought experienced in 2000 is expected to reverse the trend in increased production in the 2000/2001 season. Managerial problems within the coffee co-operative sub-sector adversely affected the sector. Poor infrastructure and lack of access to credit has in some cases resulted in substitution of coffee with other crops such as tea and horticultural crops.

Table 8.13: PRODUCTION, AREA, AND AVERAGE YIELD OF COFFEE BY TYPE OF GROWER, 1995/96-1999/00

	1995/96	1996/97	1997/98	1998/99	1999/00*
AREA (Ha) '000-					
Co-operatives	122.7	122.7	122.6	128.0	128.0
Estates	38.4	38.4	39.7	42.0	42.0
TOTAL	161.1	161.1	162.3	170.0	170.0
Production (tonnes) '000-					
Co-operatives	56.9	38.3	32.1	39.4	62.2
Estates	40.1	29.7	21.3	28.7	38.5
TOTAL	97.0	68.0	53.4	68.1	100.7
Average yield (kg./Ha.)-					
Co-operatives	463.7	312.0	261.8	308.0	485.9
Estates	1,045.0	774.0	536.5	683.0	916.7

* Provisional.

8.16. **Tea**:- Production of tea, as indicated in Table 8.14, declined by 5.0 per cent from 248.7 thousand tonnes in 1999, to 236.3 thousand tonnes in 2000.

Smallholder tea production recorded a 5.4 per cent decline to stand at 145.6 thousand tonnes in 2000 while estates production fell by 4.3 per cent to 90.7 thousand tonnes. The decline in tea production in the last two years was attributed to the dry weather in 1999 and 2000. Low temperature and frost in some tea growing areas adversely affected tea production in the early part of year 2000. Total area planted with tea, however, increased by 1.5 per cent from 124.2 thousand hectares in 1999 to 126.1 thousand hectares in 2000. Consequently, the average yield increased from 1,729.15 Kg/ha in 1999 to 1,775.17 Kg/ha in 2000 for smallholders and from 3,278.77 Kg/ha to 3,477.27 Kg/ha for estates. Improved crop husbandry, roads and proper and timely application of inputs has resulted in the increased productivity. Greater autonomy for the Kenya Tea Development Authority in year 2000, where farmers have more control of the overall operations of the organization, could further boost the farmers' morale and hence lead to increased production during the current year 2001.

Table 8.14: PRODUCTION, AREA AND AVERAGE YIELD OF TEA BY TYPE OF GROWER, 1996 - 2000

	1996	1997	1998	1999	2000*
AREA (Ha) '000					
Smallholder	81.16	86.14	87.87	90.32	91.67
Estates	32.52	32.69	33.09	33.88	34.39
Total	113.68	118.83	120.96	124.20	126.06
PRODUCTION (Tonnes) '000					
Smallholder	144.07	129.71	175.63	153.85	145.55
Estates	113.09	91.01	118.54	94.85	90.74
Total	257.16	220.72	294.17	248.70	236.29
AVERAGE YIELD (Kg/Ha)					
Smallholder	1,383.16	1,539.27	1,523.15	1,729.15	1,775.17
Estates	2,816.24	3,106.18	2,819.73	3,278.77	3,477.27

* Provisionsal

8.17. **Cotton**:- Intake of seed cotton by ginneries increased from 200 tonnes in 1999 to 508 tonnes in 2000. However, the price of a 100 kg bale of cotton declined slightly from KSh 2,000.0 in 1999 to KSh 1, 910.4 in the year under review. Second hand imported clothes and managerial problems in the cotton sub-sector explain the generally low cotton production level.

8.18. **Sugarcane**:- Sugarcane production declined by 10.7 per cent from 4.4 million tonnes in 1999 to 3.9 million tonnes in 2000. The average yield reduced to 60.5 tonnes/ha in 2000 from 78.4 tonnes/ha in 1999. Sugar production fell by 14.6 per cent to stand at 402.0 thousand tonnes in 2000. As shown in Table 8.16, sugar imports rose by 104.5 per cent from 57.7 thousand tonnes to 118.0 thousand tonnes as a result of the supply-demand gap in 2000. The decline in sugar production was attributed to the long spell of dry weather and high incidence of cane fires in 1997-98, coupled with refusal of millers to crush burnt cane and various administrative problems faced by the industry.

Table 8.15: AREA UNDER SUGAR CANE, AREA HARVESTED, PRODUCTION, AND AVERAGE YIELD, 1996 - 2000

	1996	1997	1998	1999	2000*
Area under cane (Ha)	131,130	127,560	117,657	108,793	107,985
Area harvested (Ha)**	39,249	43,814	50,111	51,833	57,243
Production (Tonnes)	3,870,479	4,278,273	4,661,361	4,415,801	3,941,524
Average yield (Tonnes/Ha)	90.86	90.81	85.51	78.42	60.52

* Provisionsal

** Does not include area harvested by non-contracted farmers

Source: Kenya Sugar Authority

Table 8.16: PRODUCTION, IMPORTS AND CONSUMPTION OF SUGAR, 1996 - 2000**

'000 Tonnes

YEAR	PRODUCTION	IMPORTS	CONSUMPTION+	EXPORTS
1996	389.00	65.80	570.00	24.50
1997	401.61	52.37	580.00	25.05
1998	449.13	186.52	587.13	-
1999+	470.79	57.70	609.43	-
2000*	401.98	118.01	631.20	2.09

* Provisional

** Source: Kenya Sugar Authority

\+ Figures revised

8.20. **Horticulture**:- As shown in Table 8.17, the volume of horticultural exports rose marginally by 0.2 per cent from 99.0 thousand tonnes in 1999 to 99.2 thousand tonnes in 2000. The volume of exports was 38.8 tonnes of cut flowers, 45.0 tonnes of vegetables and 15.4 tonnes of fruits. The value of horticultural exports however, declined by 2.1 per cent from the previous year to stand at KSh 13.9 billion. The corresponding value of exports was KSh 7.3 billion for cut flowers, KSh 5.5 billion for vegetables and KSh 1.1 billion for fruits. Production was adversely affected by drought, poor infrastructure especially the rural feeder roads and limited cargo capacity for cut flowers.

8.21. **Pyrethrum**: Production of pyrethrum extract (pyrethrin) declined by 5.0 per cent from 78.1 thousand tonnes in 1999 to 74.2 thousand tonnes in the year 2000. The slight drop could be attributed to adverse weather experienced in the pyrethrum growing areas. Prices of pyrethrum (extract equivalent) improved from Ksh. 5,200 per Kg in 1999 to Ksh. 9835 per Kg in 2000 (see table 8.4). The improvement is attributed to favourable world market prices despite competition from synthetic substitutes.

Table 8.17: EXPORTS OF FRESH HORTICULTURAL PRODUCE*, 1996 - 2000

YEAR	VOLUME '000 Tonnes	VALUE Kshs billion
1996	84.8	7.7
1997	84.2	8.7
1998	78.4	9.7
1999	99.0	14.2
2000**	99.2	13.9

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

** Provisional.

8.21. **Sisal:**– Sisal production declined by 2.3 per cent from 21,923 tonnes in 1999 to 21,429 tonnes in 2000. As indicated in Table 8.4, sisal prices dropped by 5.3 per cent from KSh 39,899 per tonne in 1999 to KSh 37,794 per tonne in 2000.

8.22. **Irrigation:** – Information regarding the development and production in the irrigation schemes in Kenya is presented in Table 8.18. The area cropped in the irrigation schemes increased by 34.8 per cent for the 1999/2000 crop year. The increase was attributed to inclusion of rice production outside Mwea irrigation scheme. However, plot holders outside Mwea irrigation scheme are not included in the total number of plot holders. The total gross value of output increased substantially by 78.1 per cent from KSh 770 million in 1998/99 to KSh 1,371 million in 1999/2000. However, recorded payment to plot holders declined from KSh 50 million in 1998/99 to KSh 10 million in 1999/00 as this excludes the Mwea

plot holders who did not deliver their rice paddy to the National Irrigation Board (NIB). Total paddy production increased by 32.6 per cent from 36.5 thousand tonnes in 1998/99 to 48.4 thousand tonnes in 1999/00. All the irrigation schemes with the exception of Mwea recorded a decrease in paddy production. Lack of money to maintain equipment and canals contributed to the low rice paddy production. Mwea recorded an increase of 40.6 per cent in rice paddy production from 31.9 thousand tonnes in 1998/99 to 44.8 thousand tonnes in 1999/2000. Onion production from Pekera irrigation scheme decreased by 77.2 per cent while Chillies production was 101 tonnes in 1999/2000. The crisis in Mwea irrigation scheme has culminated to difficulties in rice marketing with Mwea farmers' co-operative society holding massive amounts of rice paddy in stock. Other problems include variety mix up, use of non-certified seeds, and a high incidence of pests and diseases associated with continuous cropping.

Table 8.18: PRODUCTION FROM IRRIGATION SCHEMES, 1993/94 - 1999/00*

	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00**
MWEA-						
Area cropped-Hectares	5,882	5,901	6,145	6,000	6,052	8,617
Plot-holders-Number***	3,242	3,243	3,270	3,392	3,381	3,500
Gross value of output-Kshs million ..	237	353	435	323	715	1,327
Payments to plot-holders by NIB -Kshs million ..	134	231	286	178	20	-
ALL SCHEME AREAS-						
Area cropped-Hectares	8,910	9,039	7,551	7,611	7,531	10,150
Plot-holders-Number	7,109	7,243	4,471	4,679	4,475	4,777
Gross value of output-Kshs million ..	320	445	506	394	770	1,371
Payments to plot-holders by NIB -Kshs million ..	163	278	324	204	50	10
CROPS PRODUCED - Tonnes						
Mwea-Paddy	24,205	25,987	27,488	21,352	31,876	44,830
Ahero-Paddy	2,712	2,054	412	968	1,836	1,497
W.Kano-Paddy	2,997	1,645	2,847	1,606	1,976	1,580
Bunyala-Paddy	1,073	920	812	728	837	500
Total Paddy	30,987	30,606	31,559	24,654	36,525	48,406
Pekera-Onions	997	889	45	239	443	101
-Chillies	160	-	50	44	-	101
-Cotton	75	208	37	116	-	-
-Water Melon	264	303	13	18	-	-
-Paw-paw	265	129	9	152	-	-

* Source: National Irrigation Board

** Provisional

*** Farmers outside Mwea scheme

Livestock and Livestock Products

8.23. Total recorded milk production declined by 23.9 per cent from 180 million litres in 1999 to 137 million litres in 2000. Unfavourable weather and delay in payment of farmers contributed to the decrease in production. Processed whole milk and cream increased by 9.1 per cent from 55 million litres to 60 million litres. As a result of severe drought and hence reduced milk intake, KCC undertook massive reconstitution of milk powder thus leading to the increase in processed whole milk and cream. Butter and ghee decreased by 57.8 per cent from 268 tonnes to 113 tonnes. Cheese production increased from 257 tonnes to 315 tonnes but remains well below the 1997 level of 464 tonnes.

8.24. As shown in Table 8.19, the total number of livestock slaughtered went up for all categories in 2000. Drought in many parts of the country affected the livestock sub-sector with the resultant shortage of water and pasture for livestock. This led to increased livestock death and number of livestock slaughtered as farmers disposed a large number of their stock. The number of cattle and calves slaughtered went up by 5.7 per cent, sheep and goats increased by 5.0 per cent while pigs increased by 19.6 per cent.

Table 8.19: PRODUCTION AND SALE OF LIVESTOCK AND DAIRY PRODUCTS*, 1996 - 2000

	UNIT	1996	1997	1998	1999	2000**
Recorded Milk Production	Mn. Litres	257	197	126	180	137
Milk Processed:						
Wholemilk and cream	Mn. Litres	167	132	83	55	60
Butter and ghee	Tonnes	1,964	1,521	360	268	113
Cheese	"	426	464	342	257	315
Livestock slaughtered						
Cattle and Calves..	'000 Head	1,219	1,320	1,800	1,805	1,908
Sheep and Goats	"	1,407	1,603	3,983	4,355	4,573
Pigs	"	98	88	153	158	189

* Figures are revised for milk processed and livestock, 1997-1999

** Provisional.

Agricultural Training

8.25. Table 8.20 shows the enrolment in Agricultural training Institutions. The total number of students enrolled for agricultural degree courses in public universities increased by only 1.0 per cent from 3,915 students in 1999 to 3,956 students in 2000. However, enrolment of female students over the same period increased by 4.6 per cent. However, the number of males enrolled was almost three times the number of female students. Diploma courses in public universities registered an increase of 1.0 per cent but the number of females fell by 2.3 per cent. Overall, female students constituted less than 30.0 per cent of total students enrolled for both degree and diploma courses. Enrolment rates of certificate courses increased by 3.6 per cent in 2000, while enrolment in the animal Health Training institutes went up by 2.8 per cent. Short term vocational courses offered at Naivasha and Athi River recorded a notable 6.3 per cent increase in enrolment.

Table 8.20: ENROLMENT IN AGRICULTURAL TRAINING INSTITUTIONS, 1996 - 2000

Number

	1996			1997			1998			1999			2000*		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
DEGREE LEVEL -Public Universities															
Nairobi	609	130	739	542	140	682	567	169	736	496	131	627	501	133	634
Moi	-	-	-	-	-	-	12	2	14	26	7	33	44	18	62
Jomo Kenyatta (JKUCAT).	302	78	380	402	78	480	412	121	533	412	121	533	412	142	554
Egerton	1,477	769	2,246	1,487	706	2,193	1,597	788	2,385	1,999	723	2,722	1,972	734	2,706
Total	**2,388**	**977**	**3,365**	**2,431**	**924**	**3,355**	**2,588**	**1,080**	**3,668**	**2,933**	**982**	**3,915**	**2,929**	**1,027**	**3,956**
DIPLOMA LEVEL -Public Universities															
Jomo Kenyatta (JKUCAT).	186	59	245	232	54	286	263	97	360	263	97	360	255	97	352
Egerton	587	229	816	707	295	1,002	649	386	1,035	1,035	420	1,455	1,073	408	1,481
Total	**773**	**288**	**1,061**	**939**	**349**	**1,288**	**912**	**483**	**1,395**	**1,298**	**517**	**1,815**	**1,328**	**505**	**1,833**
DIPLOMA LEVEL - MOA & RD**															
Bukura Institute of Agriculture	84	35	119	89	39	128	98	33	131	78	22	100	78	23	101
CERTIFICATE LEVEL-															
Kilifi Institute of Agiculture	119	67	186	123	65	188	150	70	220	160	55	215	153	72	225
Naivasha Dairy Training Institute	48	25	73	30	30	60	50	27	77	42	19	61	40	21	61
Total	**167**	**92**	**259**	**153**	**95**	**248**	**200**	**97**	**297**	**202**	**74**	**276**	**193**	**93**	**286**
Animal Health Training Institutes-															
Kabete	92	27	119	68	34	102	90	29	119	95	23	118	95	32	127
Nyahururu	45	31	76	44	25	69	41	28	69	48	27	75	48	26	74
Ndomba	80	34	114	78	36	114	76	41	117	84	45	129	84	46	130
Total	**217**	**92**	**309**	**190**	**95**	**285**	**207**	**98**	**305**	**227**	**95**	**322**	**227**	**104**	**331**
SHORT-TERM VOCATIONAL COURSE															
Naivasha Dairy Training School	48	25	73	30	30	60	50	27	77	42	19	61	26	25	51
Athi River M.T. School	39	10	49	52	11	63	45	8	53	29	6	35	40	11	51
Total	**87**	**35**	**122**	**82**	**41**	**123**	**95**	**35**	**130**	**71**	**25**	**96**	**66**	**36**	**102**

* Provisional.

** Ministry of Agriculture and Rural Development

Co–operatives

8.26. Table 8.21 shows the number of societies and unions by type. The number of societies increased by 3.2 per cent from 9,151 in 1999 to 9,443 in 2000. The total number of agricultural societies went up by 3.6 per cent from 4,199 in 1999 to 4,349 in 2000. The total non-agricultural societies increased by 2.9 per cent from 4,863 in 1999 to 5,005 in 2000.

8.27. The increase in the number of agricultural societies can be explained by the fact that, after liberalization of the Co-operative Societies Act in 1997, several agricultural co-operative societies have been splitting into smaller co-operatives coupled with continued member education by the department of Co-operative Development resulting in increased awareness. The increase in the number of SACCOs is explained by the high rates of interest charged by banks

Table 8.21: NUMBER OF SOCIETIES AND UNIONS BY TYPE, 1996 - 2000

Number

TYPE OF SOCIETY	1996	1997	1998	1999	2000*
Coffee	248	279	308	335	366
Sugar-cane	95	98	99	108	112
Pyrethrum	62	65	66	71	73
Cotton	79	78	78	86	86
Dairy	291	313	323	331	337
Multi-produce	1,236	1,342	1,446	1,504	1,560
Farm Purchase	450	677	698	717	731
Fisheries	71	72	74	79	82
Other Agricultural Societies	803	860	915	968	1,002
TOTAL	3,335	3,784	4,007	4,199	4,349
Savings and Credit	3,031	3,169	3,305	3,538	3,627
Other Non-Agricultural Societies	1,116	1,276	1,272	1,325	1,378
TOTAL	4,147	4,445	4,577	4,863	5,005
Unions	82	83	85	89	89
TOTAL	7,564	8,312	8,669	9,151	9,443

* Provisional

8.28 Sale of selected agricultural produce by co-operatives and their contribution to the recorded marketed production is reflected in Table 8.22 showing Gross Farm Revenue (GFR). The value of coffee that was delivered through co-operatives increased by 0.4 per cent from KSh 7,712 million in 1999 to KSh 7,741 million in 2000, with the result that the percentage share declined from 76.7 in 1999 to 68.6 in 2000. Milk delivery to the co-operative remained same as in 1999 but its contribution to the GFR increased from 56.8 in 1999 to 74.5 in 2000. The overall contribution of the co-operatives to the GFR decreased from 13.3 in 1999 to 12.4 in 2000.

Table 8.22: SALE OF SELECTED AGRICULTURAL PRODUCE BY CO-OPERATIVE AND THEIR CONTRIBUTION TO GROSS FARM REVENUE, 1996 - 2000

YEAR	COFFEE	SUGAR-CANE	PYRETHRUM	COTTON	MILK	TOTAL
	Sale Kshs million					
1996	6,933	296	119	5	2,782	10,135
1997	7,188	308	122	5	2,421	10,044
1998	7,661	332	128	5	1,501	9,627
1999	7,712	340	129	5	1,530	9,716
2000*	7,741	345	129	5	1,529	9,749
	Percentage Share of marketed production (Table 8.2)					
1996	48.3	4.2	35.6	47.1	72.0	15.9
1997	43.4	5.7	37.9	47.1	84.6	16.6
1998	58.1	4.2	36.6	40.9	77.1	11.4
1999	76.7	4.5	31.8	33.8	56.8	13.3
2000*	68.6	4.3	31.8	31.5	74.5	12.4

* Provisional.

CHAPTER 9

ENVIRONMENT AND NATURAL RESOURCES

Overview

The year 2000 witnessed one of the worst droughts experienced in most parts of the country in the recent past. This impacted negatively on fisheries, forestry, water resources and wildlife sub-sectors. The quantity of fresh and marine fish landed declined by 1.6 per cent to stand at 209,916 metric tonnes, compared to 213,396 metric tonnes in 1999. The recorded area under forest plantation remained at their 1999 level while the population of most wildlife animals decreased in year 2000. However, the quantity of mineral production rose by 2.0 per cent to record 777,530 metric tonnes in 2000 from 762,080 metric tonnes in 1999. The development expenditure on water supplies and related services went up from KSh 1,504.0 million in 1999/2000 to KSh 1,983.4 million in 2000/2001.

Water Supply

9.2. The overall goal of the Government is to ensure that all Kenyans have access to safe drinking water within a reasonable walking distance. Despite significant investment in the water sub-sector, the current estimates indicate that only 70 per cent of the country's urban population has access to safe drinking water, while only 50 per cent of the rural population have access to potable water. The proportions are declining due to non-performance of some of the existing water supply schemes. This decline in water supply has necessitated a change in water policy approach to that of participatory management. The focus of the current policy allows the Government through the Department of Water Resources in the Ministry of Environment and Natural Resources (MENR), to play the role of providing an enabling environment and regulations to all actors in the water sector. The role of provision of water and sanitation is gradually being handed over to local authorities, communities, Non-Governmental Organisations (NGOs) and the private sector.

9.3. During the period under review, the Government in conjunction with the other stakeholders, continued with the drilling of boreholes and maintenance of water purification points across the country as shown in Table 9.1. The number of boreholes drilled increased by 3.9 per cent from 232 in 1999/2000 to 241 in 2000/2001 while the number of water purification points went up by 15.6 per cent from 282 points in 1999 to 326 points in

Table 9.1: WATER PURIFICATION POINTS AND BOREHOLES DRILLED, 1998/99 - 2000/2001

Province	1998/99		1999/2000		2000/2001*	
	W.P.P	B.H	W.P.P	B.H	W.P.P	B.H
Central	44	28	41	28	56	28
Coast	16	26	16	28	19	31
Eastern	38	42	38	42	40	42
N/Eastern	4	13	4	13	8	13
Nyanza	46	36	46	43	55	46
R/Valley	105	36	107	72	117	75
Western	30	6	30	6	31	6
Total	283	187	282	232	326	241

Source: Ministry of Environment and Natural Resources -Department of Water Resources
W.P.P - Water purification point
BH - Borehole
* Provisional

2000.

9.4. Development Expenditure on water supplies and related services during the fiscal year 2000/2001 is summarised in Table 9.2. Total Development Expenditure is expected to grow by 31.9 per cent from KSh 1,504.0 million in 1999/2000 to KSh 1,983.4 million in 2000/2001. This is mainly due to increased allocation to the National Water Conservation and Pipeline Corporation (NWC&PC). The increase also reflects Government's additional funds allocated for the rehabilitation of existing water facilities

Table 9.2: DEVELOPMENT EXPENDITURE ON WATER SUPPLIES AND RELATED SERVICES, 1996/97 - 2000/2001

Kshs '000

	1996/97	1997/98	1998/99**	1999/2000**	2000/2001*
Water Development	338,549	131,416	342,576	716,278	574,500
Training of Water Development Staff	11,410	10,498	11,890	21,000	26,300
Rural Water Supplies	433,136	300,917	196,934	209,404	530,543
Self-Help Water Supplies*** ..	229	747	490	445	-
County Council and Urban Water Supplies	38,183	28,349	20,380	153,000	227,000
Miscellaneous and Special Water Programmes	15,324	38,355	231,956	56,650	51,000
Water Conservation and Pipeline Corporation	1,221,020	1,245,646	538,984	347,209	574,062
TOTAL	2,057,851	1,755,928	1,343,210	1,503,986	1,983,405

Sources: Ministry of Environment and Natural Resources, National Water Conservation and Pipeline Corporation

* Provisional.

** Approved estimates

*** Includes contributions by the Ministry of Environment and Natural Resources

across the country.

9.5. Allocated Development Expenditure on water supplies by the NWC&PC rose by 65.3 per cent in 2000/2001. The expenditure on rural water supplies more than doubled increasing from KSh 209.4 million in 1999/2000 to KSh 530.5 million in 2000/2001. Expenditure on county council and urban water supplies grew by 48.4 per cent from KSh 153.0 million in 1999/2000 to KSh 227.0 million in 2000/2001, while expenditure on training of water development staff grew by 25.2 per cent. In general, the growth in development expenditure on water supplies and related services is attributed to rehabilitation of existing water projects being given a higher priority within the Mid-Term Expenditure Framework (MTEF) budgetary context. However, the government withdrew its financial contribution to self help water projects during 2000/2001 as a result of shift in the water policy to participatory management. Expenditure on water development declined by 19.8 per cent from KSh 716.3 million in 1999/2000 to KSh 574.5 million in 2000/2001. On the other hand, expenditure on special water programmes dropped by 10.0 per cent, mainly due to reduced donor participation in these water projects.

Fisheries

9.6. The quantity and value of fish landed for the period between 1996 and 2000, is shown in Table 9.3. The total quantity of fish landed in 2000 decreased from 213,396 tonnes in 1999 to 209,916 tonnes in year 2000, a fall of 1.6 per cent. Lake Victoria continued to be the major source of fresh water fish in the country, accounting for 96.2 per of the total fish landed in

the year 2000. The quantity of freshwater fish landed decreased from 208,164 tonnes in 1999 to 204,430 tonnes in 2000, a decline of 1.8 per cent. In Lake Naivasha a record 452 tonnes of fish was registered in 1999 compared to only 14 tonnes in 2000, resulting to a decline in fish output and culminated to a total ban on fishing in this lake by the Fisheries Department. The other reason for the decline in fish landed is the ban on Kenyan fish exports to the European Union markets.

Table 9.3: QUANTITY AND VALUE OF FISH LANDED, 1996 - 2000

	1996	1997	1998	1999	2000*
Quantities - Tonnes:					
Freshwater fish-					
Lake Victoria	166,460	164,174	158,876	200,159	196,714
Lake Turkana	4,799	4,866	4,268	5,237	5,305
Lake Naivasha	54	69	50	452	14
Lake Baringo	72	99	141	409	392
Lake Jipe	109	130	97	99	103
Fish Farming	1,089	1,086	994	887	899
Other areas	2,488	2,360	3,421	921	1,003
TOTAL ..	175,071	172,784	167,847	208,164	204,430
Marine fish	4,915	4,790	3,966	4,090	4,261
Crustaceans	461	458	800	880	927
Other marine products ..	887	881	232	262	298
GRAND TOTAL ..	181,334	178,913	172,845	213,396	209,916
Value - Kshs' 000					
Freshwater fish ..	5,429,920	6,480,620	6,446,840	7,401,515	7,310,855
Marine fish	234,340	133,780	185,660	201,359	233,639
Crustaceans	65,280	99,060	132,020	96,533	101,274
Other marine products	76,120	85,040	14,240	14,721	16,223
TOTAL ..	5,805,660	6,798,500	6,778,760	7,714,128	7,661,991

* Provisional.

Source : Fisheries Department

9.7. There were marginal increases in the landing of marine fish, crustacean and other marine products of 4.2 per cent, 5.3 per cent and 13.7 per cent respectively in 2000. The overall value of the fish landed decreased marginally from KSh 7,714.1 million in 1999 to KSh 7,662.0 million in 2000. The value for the marine fish, crustacean and other marine products all recorded increases while that of fresh water fish decreased by 1.2 per cent.

Forestry

9.8. The acquisition of land for human settlement continued in the year 2000. The average Kenyan household continued to utilise forest products, namely firewood and charcoal, as their main source of fuel. However, during the period under review, the government maintained a total ban on exploitation of timber that has been in existence since October 1999. This ban did not however cover area under Pan Paper mills and Raiply. This led to no variation in forest plantation area in the year 2000 compared to 1999 as

Table 9.4: FOREST PLANTATION AREA, 1996 - 2000

'000 Hectares

Type of Forest	1996	1997	1998	1999	2000*
Indigenous softwood	1.4	4.5	4.5	4.5	4.5
Indigenous hardwood	13.0	7.8	7.8	7.8	7.8
Exotic softwoods-					
Cypress	73.6	71.4	69.3	64.1	64.1
Pines	53.4	50.6	47.3	40.0	40.0
Exotic hardwoods-					
Timber	6.0	7.9	7.9	7.9	7.9
Fuel	12.2	10.4	10.4	10.4	10.4
TOTAL AREA	159.6	152.6	147.2	134.7	134.7

* Provisional.

Source : Ministry of Environment and Natural Resources

shown in Table 9.4. The area under indigenous softwood timber which is mainly cedar is not exploited, in addition the indigenous hardwood are not mature for exploitation. The area under fuelwood did not change because the Forest Department does coppice cutting.

9.9. The variation in recorded sale of forest products for the period 1996 to 2000 are shown in Table 9.5. The Table shows that there was a significant decrease in the volume of timber sold in 2000, decreasing from 345.7 thousand cubic metres in 1999 to 216.8 thousand cubic metres. There was no recorded sale of hardwood timber while sales of fuelwood/charcoal in thousand cubic stacks and power and telegraph poles, respectively, declined from 61.9 units and 24.6 units in 1999 to 0.8 units and 0.5 units in 2000. The decrease in sales of power and telegraph poles was mainly due to Postal Corporation of Kenya and Kenya Power and Lighting Company (KPLC) using

Table 9.5: RECORDED SALE OF FOREST PRODUCTS, 1996 - 2000

Forest Product	1996	1997	1998	1999	2000*
Timber - '000 true cu. metres-					
Soft wood	193.7	314.5	287.7	345.7	216.8
Hardwood	8.7	1.9	0.4	0.0	0.0
TOTAL	202.4	316.4	288.1	345.7	216.8
'000 stacked cu. metres-					
Peels/Veener logs/Plywoods	142.0	140.7	-	-	-
Pulpwood/Paper production..	136.8	137.3	-	-	-
Fuelwood /Charcoal	30.0	63.2	36.3	61.9	0.8
Power &Telegraph Poles	14.6	19.9	4.9	24.6	0.5

* Provisional.

Source : Ministry of Environment and Natural Resources.

alternative sources such as farmers and county councils authorities.

Mining

9.10 The quantity and value of mineral production for the period 1996-2000 are shown in Table 9.6. The overall quantity of mineral production recorded a marginal increase of 2.0 per cent in 2000. Notable increases were in the output of crushed refined soda and fluorspar, which increased by 14.1 per cent and 6.9 per cent, respectively. Declines were recorded in soda ash, salt, and 'other' category. It is worth noting that the prospects are high for the starting of mining of titanium in Kwale district

Table 9.6: QUANTITY AND VALUE OF MINERAL PRODUCTION, 1996 - 2000

Mineral	1996	1997	1998	1999	2000*
Quantities - Tonnes:					
Minerals-					
Soda Ash	223,000	257,640	242,910	245,680	238,190
Fluorspar	83,000	68,700	60,854	93,602	100,102
Salt	41,000	6,280	21,742	44,886	16,359
Limestone Products**	31,935	32,668	32,000	32,000	32,000
Crushed Refined Soda	375,000	392,000	370,000	335,230	382,556
Other	10,276	10,934	9,823	10,682	8,323
TOTAL	764,211	768,222	737,329	762,080	777,530
Value - Kshs'000:					
Soda Ash***	1,702,000	1,894,020	1,473,360	1,848,520	1,955,500
Fluorspar***	416,320	331,100	341,720	651,260	627,860
Salt	30,860	23,540	66,260	136,240	51,740
Limestone Products	30,180	31,120	31,600	31,600	31,600
Crushed Refined Soda	34,040	37,900	29,480	36,980	42,200
Other	396,600	322,440	318,540	738,240	933,380
TOTAL	2,610,000	2,640,120	2,260,960	3,442,840	3,642,280

Source : Department of Mines and Geology.

* Provisional.

** Excluding limestone used as input into cement product.

*** Including Export Value.

9.11. The value of the mineral production increased marginally from KSh 3,444.82 million in 1999 to KSh 3,642.3 million in 2000. The value of crushed refined soda, soda ash and 'Other' mineral category increased by 14.1 per cent, 5.8 per cent and 26.4 per cent, respectively. Table 9.7 records the average export prices of soda ash and fluorspar. While the export price of soda ash increased from KSh 7,820 per tonne to KSh 8,520 per tonne that of fluorspar decreased from KSh 6,960 per tonne in 1999 to KSh 6,280 per tonne in 2000.

Table 9.7 AVERAGE EXPORT PRICES OF SODA ASH AND FLUORSPAR, 1996 - 2000

Kshs per tonne

Mineral	1996	1997	1998	1999	2000*
Soda Ash	7,340	7,340	6,876	7,820	8,520
Fluorspar	5,020	4,820	5,616	6,960	6,280

* Provisional

Wildlife conservation

9.12. The long drought situation experienced in 2000 led to lack of adequate pastures and insufficient drinking water for animals and this may have caused massive loss of animals in the rangeland. The most affected species were some of the large herbivores, most of which either died from lack of forage or migrated to more suitable areas away from their habitats as shown in Table 9.8.

9.13. The population of all wildlife animals decreased in 2000 except for grevy's zebra, wildebeest, gerenuk, grant's gazelle, warthog and ostrich. The worst affected species included giraffes, elands, waterbucks, elephants, buffalos, kongoni, oryx and h. hartbeest, which recorded more than 30 per cent decrease in 2000.

Table 9.8: WILDLIFE POPULATION IN THE KENYA RANGELANDS, 1996 - 2000

'000 Number

SPECIES	1996	1997	1998	1999	2000*
Elephant	21.5	15.9	17.1	16.4	11.1
Buffalo	34.1	29.0	28.8	27.5	18.5
Giraffe	50.2	40.4	38.6	36.6	21.6
Burchell's Zebra	207.2	181.4	170.8	170.0	138.8
Grevy's Zebra	4.2	6.8	7.3	7.2	14.4
Topi	88.9	57.6	57.6	57.4	46.6
Kongoni	25.2	15.5	12.9	12.2	8.5
Wildebeest	167.3	322.4	311.0	301.0	324.9
Oryx	32.6	27.4	26.4	26.2	17.7
Eland	14.1	18.6	15.6	15.4	5.9
H. Hartbeest	1.6	1.7	1.6	1.8	1.2
Waterbuck	2.5	6.8	6.2	6.0	3.1
Kudus	7.9	10.3	10.4	10.3	10.3
Gerenuk	22.4	26.5	26.7	26.5	41.8
Impala	103.9	78.5	77.6	77.2	58.9
Grant's Gazelle	150.3	123.3	12.8	127.1	220.1
Thompson's Gazelle	61.9	49.4	56.2	56.2	52.6
Warthog	19.0	14.6	14.4	14.1	21.3
Ostrich	30.9	29.7	26.9	27.0	27.6

Source : Department of Resource Survey and Remote Sensing (DRSRS)

* Provisional

Refuse management

9.14. Table 9.9 shows the expenditure on public health by Nairobi City Council. Industrial and domestic waste management has remained a very serious environmental problem in most urban centres. In Nairobi for example, daily refuse collection by Nairobi City Council and the private collectors is only 600 metric tonnes, representing only 45 per cent of the total daily solid waste generated. This is due to a number of factors including inadequate financial resources, insufficient refuse storage facilities, inadequate distribution of disposal vehicles, tipping sites and low participation by both individuals and private companies in solid waste management.

Table 9.9: EXPENDITURE ON PUBLIC HEALTH BY THE NAIROBI CITY COUNCIL, 1996 - 2001

Kshs '000

	1996/97	1997/98	1998/99	1999/2000	2000/2001*
Cleaning and Administration	32,610.0	36,700.0	39,430.0	75,734.0	83,166.0
Cleaning - General	134,998.0	139,514.0	139,714.0	163,344.0	164,196.0
Refuse Removal	50,248.0	25,124.0	28,744.0	70,112.0	74,304.0
Conservancy	318.0	322.0	322.0	494.0	496.0
Total	218,174.0	201,660.0	208,210.0	309,684.0	322,162.0

Source : Nairobi City Council.

* Provisional

9.15. Overall expenditure rose marginally by 4.0 per cent from KSh 309.7 million in 1999/2001 to KSh 322.2 million in 2000/2001. The expenditure on cleaning and administration, cleaning general, refuse removal and conservancy increased by 9.8 per cent, 0.5 per cent, 5.9 per cent, and 0.4 per cent, in 2000/2001, respectively.

Resources Management and Monitoring

9.16. Since the 1972 UN conference on human settlement, many countries have been reviewing their environmental situations as a way of responding to public demands for environmental information. In order to enhance integration of environmental issues to development, the Kenya government ensures that all public and private projects have undergone a thorough Environmental Impact Assessment (EIA) before being implemented.

9.17. The central issue in Kenya today is poverty and its interrelationship to natural resources management, environmental degradation and social equity. In this regard, the country has a GOK-UNDP Country Co-operation 'Framework' (CCF) in environment and natural resources for the period 1999 – 2003. It focuses on local community participation as this helps to link poverty eradication to better environment and natural resources management for sustainable development.

9.18. Pollution enhances poverty through effects on human health and costs of mitigating such impacts. Pollution control and waste management is one way of achieving good environmental governance. The Government is encouraging an industrial sector which complies with environmental standards and clean production technologies, in addition to promoting waste recycling and re-use, and protection of the atmosphere.

9.19. On the protection of the ozone layer, the MENR is currently coordinating an institutional strengthening project for a three-year period to enable the country develop this capability. The project will strengthen the Ozone Office in Kenya in line with actions by other parties in order to streamline the phase out of Ozone Depleting Substances (ODS) without disrupting the economic, social and developmental progress of the country.

9.20. On protection of the atmosphere, Kenya has undertaken several activities in line with the requirements of the United Nations Framework Convention on Climate Change (UNFCCC) ratified in 1994. Under a United Nation Development Programme / Global Environment Facility (UNDP/GEF) project, studies were undertaken in the areas of natural inventories of green house gases sources and sinks; climate change mitigation options; and climate change impacts vulnerability and adoption. The exercise is on going under the co-ordination of MENR and it is expected that by June 2001, the first compilation of the initial national communication will be complete.

9.21. On forestry resource, the general direction of the Government is to strengthen its management, increase public and community involvement, and encourage further private sector participation. These instruments will strengthen efforts to maintain and manage the forest base, through the use of public hearings and the adoption of Environment Impact Assessment (EIA) process. In addition, the mechanism of a forestry fund proposed in the new forestry bill would support rehabilitation of degraded forestland and local forest management.

9.22. The catchments of Lake Victoria have continued to experience serious environmental degradation, inappropriate land-use methods which have led to deforestation, soil infertility, bio-diversity loss, floods and siltation in the lower areas of the basin. In this regard, the Lake Basin Development Authority (LBDA) carried out an integrated feasibility study on river Nyando

basin. Persistent issues addressed by the authority include amounts of semi-treated industrial and domestic discharges on river Nyando, high soil erosion and Biological Oxygen Demand (BOD) levels.

9.23. The study revealed wide variations in BOD levels ranging from 150 mg/l for E.A sugar industries to 2,800 mg/l for Agro-chemical Food Company. Most of the municipalities do not have waste treatment works resulting in very high BOD levels of 390 mg/l for Kakamega and 303 mg/l for Kisumu. Poor management and insufficient maintenance of the waste treatment plants are some of the reasons given for the municipalities' environmental deterioration.

9.24. To boost production of fish in the country the Kenya Marine and Fisheries Research Institute is conducting research on the use of Fish Aggregating Devices (FAD) in marine waters. The use of FADs is a technology that helps in improving fish catches and redirecting fishing activities from traditional fish grounds, which are already threatened with overexploitation.

CHAPTER 10

ENERGY

Overview

In March 1999, the Organization of Petroleum Exporting Countries (OPEC) and non-OPEC members agreed on output cuts to boost the sagging crude oil prices. The outcome was a 27.8 per cent price rise between January and October 2000 for Murban Adnoc Benchmark from US $ 25.2 to US $ 32.2 a barrel. This was the highest price level since the 1990 Gulf War. Due to the high prices prevailing in year 2000, the OPEC members took three subsequent decisions to boost output. This led to a total increase to about 4 million barrels per day for that year. Consequently crude oil prices dropped in the month of December, 2000 to US $ 23.0 per barrel for Murban Adnoc Benchmark.

10.2. The instability of world oil prices translated into erratic price movements of refined petroleum products in the domestic economy. The rapid price changes of petroleum products were attributed to the rise in import prices of crude oil coupled with the weakening of the Kenya shilling against the US dollar. Sales of petroleum products went up by 5.9 per cent from 2,311.5 thousand tonnes in 1999 to 2,448.1 thousand tonnes in 2000. This was partly due to the increased demand on power generation in the light of declining hydro-power generation. The volume of crude oil imports increased by 14.6 per cent while those of refined petroleum fuels declined substantially by 30.1 per cent to 874.9 thousand tonnes in 2000, down from 1,250.9 thousand tonnes imported in 1999. The import bill rose significantly by 60 per cent during the period under review.

10.3. In an attempt to meet the rising electricity demand, power generation capacity rose by 23.3 per cent to 1,147.2 Megawatts (MW) in 2000, over the 930.2 MW registered in 1999. This was as a result of enhancement of generation capacity by commissioning of a third unit at Gitaru power station, early commencement in generation by Olkaria III geothermal station, generation by the Independent Power Producers (IPPs) and the temporary installation of emergency generators. In spite of this improvement, there was a substantial decline in power generation attributable to a 41.4 per cent drop in hydro-based electricity generation, which has been the main source of electricity. As a result, total generation fell by 8.8 per cent from 4,581.8 Gigawatt Hour (GWH) in 1999 to 4,178.9 GWH in 2000. The result was a prolonged period of power rationing which had a major negative impact on the overall performance of the national economy. During the period under review, a duty rebate on fuel usage to establishments operating generators with a capacity of over 100 KVA was adopted. Also adopted was a compensation for extra costs incurred by those establishments using generators as a source of power in place of the grid power. In order to ease power rationing, the Government continued to encourage private sector participation through the IPPs in power generation in addition to contracting emergency generators under the Emergency Power Project.

Petroleum

10.4. Petroleum fuel is a major source of energy used in the modern energy sector. Kenya relies entirely on imports for both crude and refined petroleum products as there are no proven oil reserves, thus resulting in a heavy drain on foreign exchange resources. During the period under review crude oil and imported petroleum

products accounted for 25.7 per cent of the total country import bill compared to 19.8 per cent in 1999.

10.5. Table 10.1 shows imports and exports of crude petroleum products for the period 1996 to 2000. Crude petroleum imports rose by 14.6 per cent from 2,139.3 thousand tonnes in 1999 to 2,452.3 thousand tonnes in 2000, while the value nearly doubled from KSh 22,355.4 million to KSh 41,907.2 million in 2000. The overall imports of crude and refined products declined marginally by 1.9 per cent from 3,432.5 thousand tonnes in 1999 to 3,368.1 thousand tonnes in 2000. Total import bill increased from KSh 39,345.8 million in 1999 to KSh 63,112.3 million in 2000, as a result of increase in the crude oil prices coupled with the weakening of the Kenya shilling against the US dollar. Crude petroleum imports accounted for 72.8 per cent of the total oil imports in 2000 compared with 62.3 per cent in 1999. Imports of petroleum fuels recorded a decline of 30.1 per cent in volume while lubricating greases recorded a substantial increase of 12.5 per cent.

Table 10.1 : Quantity and Value of Imports and Exports of Petroleum Products*, 1996 - 2000

	Quantity ('000 Tonnes)					Value (KSh Mn)				
	1996	1997	1998	1999	2000**	1996	1997	1998	1999	2000**
IMPORTS:										
Crude Petroleum	1,413.0	1,833.7	2,157.7	2,139.3	2,452.3	13,504.0	16,825.0	15,036.6	22,355.4	41,907.2
Petroleum Fuels	963.9	895.7	1,387.8	1,250.9	874.9	9,431.0	11,366.2	14,451.0	15,746.2	19,622.2
Lubricating Oils	30.9	29.5	38.2	41.5	40.0	886.0	773.6	1,087.0	1,144.8	1,473.4
Lubricating Greases ..	0.4	0.3	2.2	0.8	0.9	45.2	33.4	124.4	99.4	109.6
TOTAL	2,408.1	2,759.2	3,585.8	3,432.5	3,368.1	23,866.2	28,998.2	30,699.0	39,345.8	63,112.3
EXPORTS:										
Petroleum Fuels	450.8	653.0	640.6	627.3	441.9	7,393.4	9,869.4	9,169.2	9,147.2	9,077.7
Lubricating Oils	8.4	9.7	8.1	3.9	4.8	451.6	414.0	491.8	230.8	355.0
Lubricating Greases ..	0.3	0.2	0.2	0.2	0.1	20.2	11.2	29.4	13.0	12.5
TOTAL	459.5	662.8	648.9	631.4	446.8	7,865.2	10,294.6	9,690.4	9,391.0	9,445.3
NET BALANCE						16,001.0	18,703.6	21,008.6	29,954.8	53,667.0

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

** Provisional

Figure 10.1 : Quantity of Imports and Exports of Petroleum Products, 1996 -2000



10.6. Table 10.1 and figure 10.1 show that exports of petroleum products have not been performing as well as imports for the last five years. The quantity of exported petroleum products declined by 29.2 per cent to 446.8 thousand tonnes in 2000, which was the lowest level since 1996. While there was a decrease in both quantities and values of exports of petroleum fuels and lubricating greases, increase was recorded in lubricating oils. Petroleum fuel, which is the most important petroleum export product, recorded a remarkable drop of 29.6 per cent from 627.3 thousand tonnes in 1999 to 441.9 thousand tonnes in 2000. This is attributed to direct importation by Kenya's traditional export markets, namely Uganda, Burundi, Rwanda and the Democratic Republic of Congo. Export earnings in this sector, on the other hand went up from KSh 9,391.0 million in 1999 to KSh 9,445.3 million in 2000 but failed to reach the 1997 or 1998 levels. The net effect between higher imports and lower exports was a near doubling of the deficit on trade in petroleum products, from KSh 30 billion in 1999 to KSh 53.7 billion in 2000.

10.7. Table 10.2 shows the intake of crude oil at the Kenya Petroleum Refineries Limited (KPRL) by type during the period 1996 to 2000. Total intake at the refinery rose by 18.5 per cent to 2,012.8 thousand tonnes in 2000, up from 1,698.1 thousand tonnes the previous year. This was the highest crude oil intake since liberalisation of the petroleum sector in 1994. The rise was attributed to the increase of crude oil intake, particularly Murban and Iranian Heavy, which recorded rises of 40.5 per cent and 110.4 per cent respectively in 2000, compared with the previous year. Murban crude remained the most important crude oil intake at the refinery owing to it's high yield of white oils, accounting for 87.4 per cent of total crude intake, with the other 12.6 per cent shared among Zakum, Iranian Heavy and Arabian Medium. Although no Arabian Medium had been imported in the course of the previous five years, 73.1 thousand tonnes were imported in 2000. No imports of Arabian Heavy and Kuwait were recorded in 2000.

Table 10.2: Crude Oil intake at the Refinery by Type, 1996 - 2000

'000 Tonnes

Crude intake	A.P.I.** Gravity	1996	1997	1998	1999	2000*
Arabian Heavy	27.9	..	27.6	25.0	54.2	..
Arabian Medium	31.0	..	..	..	..	73.1
Iranian Light	33.9	1.0	..	..	..	..
Iranian Heavy	30.4	56.3	76.8	84.2	30.7	64.6
Kuwait	32.0	68.0	..	..	49.9	..
Zakum	40.1	657.6	582.8	562.0	309.5	115.2
Murban	39.6	834.1	960.2	1,050.4	1,252.7	1,759.9
Marib Light	..	144.2	..	..	..	..
Slops	..	..	..	..	1.1	..
TOTAL	..	1,761.2	1,647.4	1,721.6	1,698.1	2,012.8

* Provisional.

A.P.I means American Petroleum Institute

10.8. Table 10.3 gives the production of various petroleum products processed at the KPRL during the period 1996 to 2000. Overall production in 2000 went up by 18.5 per cent above the 1999 output of 1,698.0 thousand tonnes to stand at 2,012.8 thousand tonnes. The output of all finished products recorded increases over the previous reference period. Fuel oil remained the most important output product, registering an increase of 21.4 per cent to 615.8 thousand tonnes in 2000 compared to 507.2 thousand tonnes in 1999. Illuminating kerosene and jet/turbo fuel, and light diesel oil registered an increase of 18.7 per cent and 18.8 per cent respectively. Demand for fuel oil and light diesel was high during the year as they were

extensively used for power generation during the drought period. Bitumen output went up by 5.9 per cent from 20.3 thousand tonnes in 1999 to 21.5 thousand tonnes in 2000, a factor attributed to the increase in road rehabilitation activities implemented under the El Nino Rehabilitation Programme and the Kenya Urban Transport Infrastructure Project (KUTIP).

Table 10.3: Finished Petroleum Products, ** 1996 - 2000

'000 Tonnes

	1996	1997	1998	1999	2000*
OUTPUT-					
Liquefied petroleum gas	26.8	23.5	29.0	27.1	34.0
Motor gasoline premium	176.2	131.5	158.9	157.9	201.6
Motor gasoline regular***	128.6	144.2	137.4	127.4	133.2
Illuminating kerosene and Jet/turbo fuel ..	380.4	334.6	355.1	337.4	400.4
Light diesel oil	394.1	385.6	401.2	406.0	482.2
Heavy diesel oil and Marine diesel oil ..	28.1	26.1	27.6	25.1	28.6
Fuel oil***	513.1	496.8	499.1	507.2	615.8
Bitumen***	11.7	12.0	19.8	20.3	21.5
Additives	-0.5	-0.5	-0.6	-0.6	-0.8
Refinery usage	102.8	93.6	94.1	90.2	96.3
THROUGHPUT=TOTAL OUTPUT	1,761.3	1,647.4	1,721.6	1,698.0	2,012.8

* Provisional.

* Excludes lubricants.

*** Revised series

10.9. The petroleum supply and demand balance sheet shown in Table 10.4 reveals that domestic demand has been increasing over the last four years. Total domestic sales of petroleum products increased by 5.9 per cent from 2,311.6 thousand tonnes in 1999 to 2,448.1 thousand tonnes in 2000. The growth is mainly attributable to the high domestic consumption of petroleum fuels to overcome power rationing experienced during the second half of the year 2000. Significant increases in sales were recorded in light diesel oil and fuel oil. Demand for light diesel accounted for 29.1 per cent of the total demand and increased by 18.5 per cent over 1999. Fuel oil and heavy diesel increased by 11.5 per cent and 9.3 per cent, respectively. The demand for motor spirit (premium and regular) declined further, from 384.6 thousand tonnes in 1999 to 365.7 thousand tonnes in 2000. This drop of 4.9 per cent could be related to the overall poor performance of the economy, higher pump prices (refer to Table 10.7) and low consumption in the poorly performing agriculture sector. Demand for kerosene, which had recorded an increase of 27.8 per cent in 1999, declined by 5.7 per cent in 2000 to record 383.7 thousand tonnes down from 406.8 thousand tonnes recorded in 1999. This drop is a result of the enforced tight measures by the government to discourage adulteration of refined petroleum products with kerosene by introduction of kerosene marking system. The sharp rise in the price of kerosene during the year may also have contributed, partially, to this drop. The variations of adjustment figures arise as a result of inconsistency of the data from Customs, Oil marketing firms and Kenya Petroleum Refinery Limited (KPRL)

Table 10.4: Petroleum Supply and Demand Balance, 1996 - 2000

'000 Tonnes

	1996	1997	1998	1999	2000*
DEMAND-					
Liquefied petroleum gas ..	31.2	30.7	31.3	32.2	33.4
Motor spirit (premium and regular)	399.3	390.6	395.8	384.6	365.7
Aviation spirit	4.6	4.1	3.2	2.5	2.2
Jet/turbo fuel	444.6	431.9	419.4	418.7	432.2
Illuminating kerosene ..	253.8	267.6	318.2	406.8	383.7
Light diesel oil	646.3	615.9	607.5	601.7	712.8
Heavy diesel oil	26.6	47.6	26.4	25.7	28.1
Fuel oil	424.2	386.9	397.3	439.4	490.0
TOTAL	2,230.5	2,175.2	2,199.1	2,311.6	2,448.1
Refinery usage	102.8	93.6	94.1	90.2	96.3
TOTAL DOMESTIC DEMAND	2,333.3	2,268.9	2,293.2	2,401.8	2,544.4
Exports of petroleum fuels ..	450.8	653.0	640.6	627.3	441.9
TOTAL DEMAND**	2,784.1	2,921.9	2,933.8	3,029.1	2,986.3
SUPPLY-					
Imports:					
Crude oil	1,412.9	1,833.7	2,157.7	2,139.3	2,452.3
Petroleum fuels	963.9	895.7	1,387.8	1,250.9	874.9
TOTAL	2,376.8	2,727.4	3,545.5	3,390.2	3,327.2
Adjustment* .. .. ..**	407.3	194.5	-611.7	-361.1	-340.9
TOTAL SUPPLY**	2,784.1	2,921.9	2,933.8	3,029.1	2,986.3

* Provisional.

** Difference is due to rounding.

10.10. The transport sector (road, rail, marine and aviation) continued to be the main consumer of petroleum products as shown in Table 10.5. The sector accounted for 69.1 per cent of the total net sales of 2,448.1 thousand tonnes in 2000, compared to 71.4 per cent of the total sales figure of 2,311.5 thousand tonnes consumed by the sector in 1999. Notable increases in the transport sector were recorded in retail pump outlets and road transport by 6.8 per cent, while sales to rail transport and marine fell by 18.5 per cent and 33.6 per cent, respectively. The agriculture sector, which had recorded a decline of 18.2 per cent in 1999, recorded a marginal growth of 1.2 per cent. This was as a result of increase in diesel consumption, mainly by tea factories as a result of the dry spell experienced during the period under review. Fuel sales for power generation increased by 3.6 per cent from 279.3 thousand tonnes in 1999, to 289.3 thousand tonnes in 2000. The rise may be attributed to increase in thermal-based generation to back up hydro- power production. Industrial, commercial and other related consumers increased their share of consumption by 16.3 per cent, rising from 355.9 thousand tonnes in 1999 to 413.8 thousand tonnes in 2000. This was caused by rise in usage of diesel oil to generate power as a result of grid power rationing experienced during the second half of the year.

Table 10.5: Net Domestic Sale of Petroleum Fuels by Consumer Category,1996 - 2000

'000 Tonnes

User	1996	1997	1998	1999	2000*
Agriculture	99.4	86.6	109.5	89.6	90.7
Retail pump outlets & road transport	1,069.7	1,061.9	1,115.8	1,109.7	1,184.8
Rail transport	20.3	21.6	20.3	15.7	12.8
Tourism**	12.8	12.1	10.9	10.6	10.7
Marine (excl. Naval Forces)	46.5	56.7	73.5	103.5	68.7
Aviation (excl. Government)	445.8	409.5	392.3	421.0	424.4
Power Generation	122.3	149.5	152.0	279.3	289.3
Industrial, Commercial and Other	425.8	403.1	374.4	355.9	413.8
Government	34.4	31.4	23.5	18.6	21.9
Balancing Item	-46.5	-57.2	-73.1	-92.4	-69.0
TOTAL	2,230.5	2,175.2	2,199.1	2,311.5	2,448.1

* Provisional

** Comprises sales to tour operators

10.11. Table 10.6 and Figure 10.2 show changes in wholesale prices for petroleum products at Mombasa. The higher prices in 2000 reflect the increases in crude oil prices coupled with the weakening of the Kenya shilling against the US dollar. All petroleum products registered a significant increase over the 1999 prices, led by illuminating kerosene, which recorded a 20.3 per cent rise. Industrial diesel oil registered a 20.1 per cent rise from KSh 35,090 per tonne in 1999 to KSh 42,140 per tonne in 2000. Light diesel, regular, premium, LPG and fuel oil registered rises of 15.9 per cent, 7.4 per cent, 14.0 per cent, 11.8 per cent and 12.0 per cent respectively

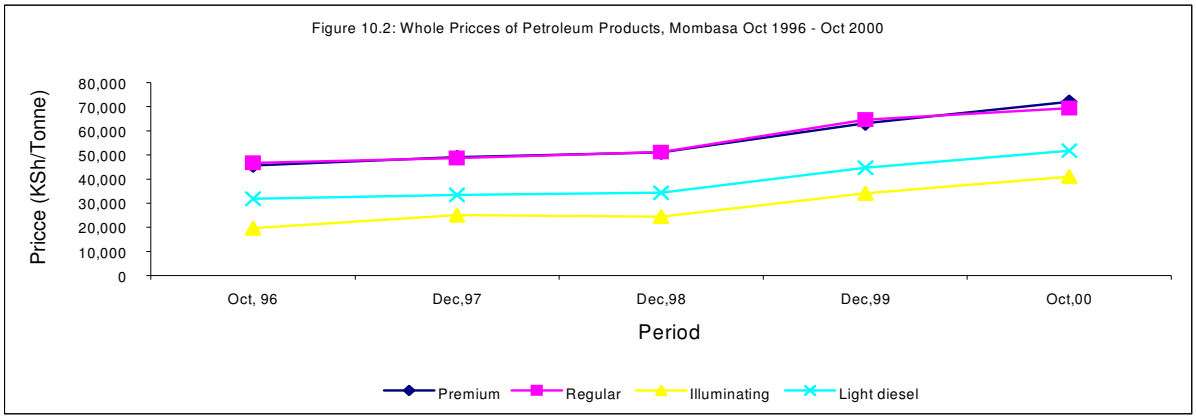
Table 10.6: Wholesale Prices* of Petroleum Products at Mombasa 1996 - 2000

Ksh. Per tonne

	Oct, 96	Dec,97	Dec,98	Dec,99	Oct,00
Liquefied petroleum gas**	36,000	45,000	42,000	51,000	57,000
Premium motor gasoline	45,712	49,002	51,049	63,200	72,057
Regular motor gasoline	46,661	48,672	51,196	64,600	69,400
Illuminating kerosene	19,634	25,031	24,504	34,069	41,000
Light diesel oil	31,788	33,456	34,267	44,700	51,800
Industrial diesel oil	24,326	23,798	23,912	35,090	42,140
Fuel oil	18,364	18,372	17,675	25,900	29,014

* Including duties and VAT.

** Series revised

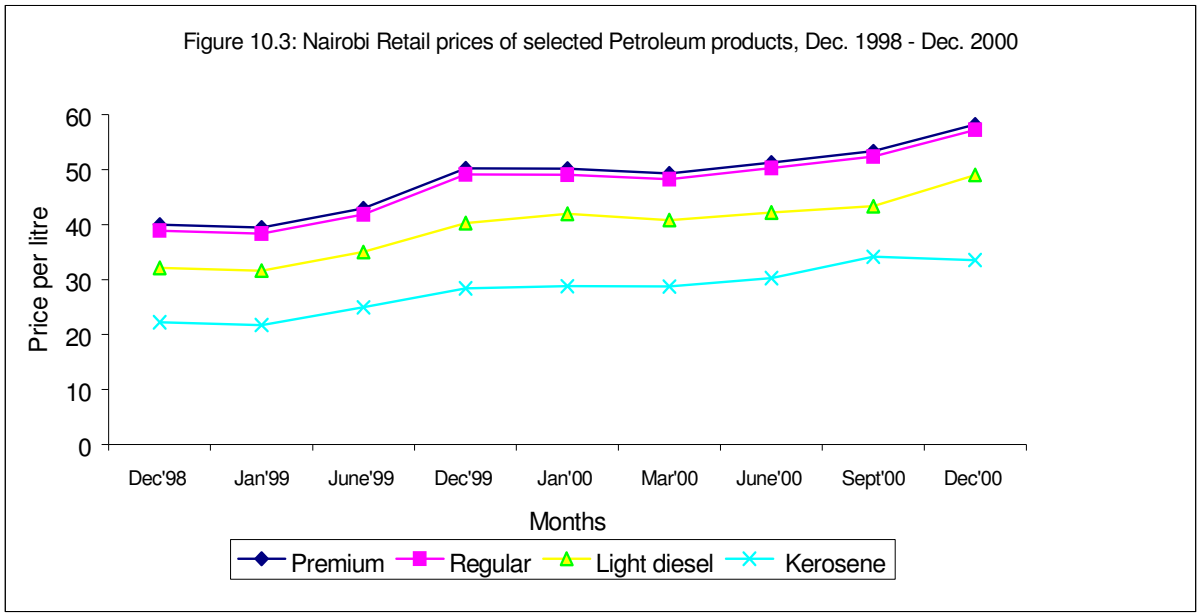


10.12. Table 10.7 and Figure10.3 show changes in Nairobi retail prices of selected petroleum products between December 1998 and December 2000. In the first quarter of the year 2000, the prices of premium and regular decreased by 1.8 per cent as a result of lowering of crude oil prices. However, prices of all products started moving upwards from the month of June to reach the peak level in December, 2000. By December 2000, the retail prices of premium, regular, gas oil and illuminating kerosene had risen by 15.9 per cent, 16.4 per cent, 21.8 per cent and 18.1 per cent, respectively, over those of December, 1999. The changes in the retail prices are partly attributed to variations in the international crude oil prices and fluctuations of the Kenya shilling against the US dollar.

Table 10.7: Nairobi Average Retail Prices of Selected Petroleum Products, Dec1998 - Dec 2000

KSh per litre

Date	Motor Spirit		Gas Oil	Illuminating Kerosene
	Premium	Regular		
Dec'98	39.97	38.89	32.10	22.21
Jan'99.....	39.41	38.33	31.60	21.71
June'99	42.94	41.82	34.98	24.92
Dec'99	50.19	49.12	40.27	28.4
Jan'00	50.15	49.07	41.97	28.78
Mar'00	49.29	48.22	40.79	28.74
June'00	51.25	50.28	42.18	30.22
Sept'00	53.35	52.33	43.33	34.13
Dec'00	58.17	57.19	49.03	33.55



Electricity

10.13. Electricity is the second most important source of formal sector commercial energy supply after the petroleum fuels. Commercial and industrial establishments as well as institutions and households in the country use it. The power rationing which began from September 1998 worsened in the second half of year 2000 as a result of a prolonged drought. This drought resulted in hydro-power stations operating below the capacity due to low water levels in the dams. Consequently,

Kenya Power and Lighting Company (KPLC) effected countrywide power rationing which negatively affected the overall performance of the economy. As a consequence of this power rationing, consumer cost went up due to expensive thermal generation.

10.14. Details of installed capacity and generation of electricity from 1996 to 2000 are presented in Table 10.8. The total installed capacity rose by 23.3 per cent to 1,147.2 MW in 2000 over the 1999 capacity level of 930.2 MW, after remaining almost at the same level for the previous three years. Out of this total, 105 MW were from a temporal installation of emergency generators contracted by the Government under World Bank funding, therefore, strictly do not represent a numerical increase in permanent capacity nor an increase in the sector's gross fixed capital formation. The share for hydro-based power generation capacity went up by 13.5 per cent after commissioning of the third unit at the Gitaru power station. This makes the station's total installed capacity 225 MW. Geothermal-based installation recorded a 26.7 per cent increase from 45 MW in 1999 to 57 MW in 2000. Olkaria III made this possible by an early commencement in generation as part of emergency power project, which operated at a 12 MW capacity. Thermal-based capacity increased by 43.0 per cent from 290.7 MW in 1999 to 415.7 MW in 2000. The new level of thermal based capacity is as a result of 20MW capacity installation by various industrial establishments with generation capacity of over 100 KVA and the previously mentioned 105 MW by emergency generators.

Table 10.8 : Installed Capacity and Generation of Electricity + 1996 - 2000

	Installed Capacity MW **				Generation GWH ***					
	Hydro	Ther-mal Oil	Geo-ther-mal	Total	Hydro****	Thermal oil		Geo-thermal	Wind	Total
						Thermal	IPP			
1996	594.5	148.1	45.0	787.6	3,534.8	349.2	..	392.3	..	4,276.3
1997	598.5	216.7	45.0	860.2	3,373.4	459.9	186.8	369.0	..	4,389.1
1998	594.5	217.2	45.0	856.7	3,497.6	280.8	391.4	388.6	0.2	4,558.6
1999	594.5	290.7	45.0	930.2	3,062.5	716.0	420.1	383.0	0.2	4,581.8
2000*	674.5	415.7	57.0	1,147.2	1,793.8	1,201.1	816.7	367.1	0.2	4,178.9

* Includes generation for industrial establishment with generation capacity of over 100KVA plus emergency supply of 105 MW by contracted generators

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

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

**** Includes import from Uganda

\+ Figures revised to reflect Calendar year

10.15. Total electricity generation fell by 8.8 per cent from 4,581.8 GWH in 1999 to 4,178.9 GWH in 2000. This decrease was as a result of a major drop in hydro-based generation which normally accounts for between 70 per cent and 80 per cent of overall electricity generation. Figure 10.4 presents the picture of the three main generation sources since 1996. Production of hydro-based generation dropped from 3,062.5 GWH in 1999 to 1,793.8 GWH in 2000, a significant 41.4 per cent. The total hydro-generation includes import from Uganda which went up to 220.5 GWH from 149.6 GWH in 1999. This was the highest decline experienced for last five years. As explained above, the decline was attributable to the prolonged drought experienced during the year under review following failure of the long rains. Overall, thermal-based generation (KenGen and Independent Power Producers) registered 2,017.8 GWH in 2000 from 1,136.1 GWH in 1999,a significant increase of 77.6 per cent. This was a result of a step-up in generation by both the Independent

Power Producers (IPPs) by 94.4 per cent and the public sector (KenGen) by 67.8 per cent over the 1999 generation. The increase in generation by KenGen may be ated to hired emergency generators and steam turbine rehabilitation at Kipevu. Industrial establishments with generation capacity of over 100KVA produced 110 GWH during the second half of the year under review. These generators were metered in order for the government to reimburse extra costs incurred by these companies and institutions for using generators instead of grid power. The government also provided rebate on fuel duty for fuel used by these generators. Wind energy, which is an alternative type of energy, has been contributing 0.2 GWH annually to the grid for the last three years. This is an indicator that if this type is fully exploited it can supplement, where appropriate, the major sources of energy.

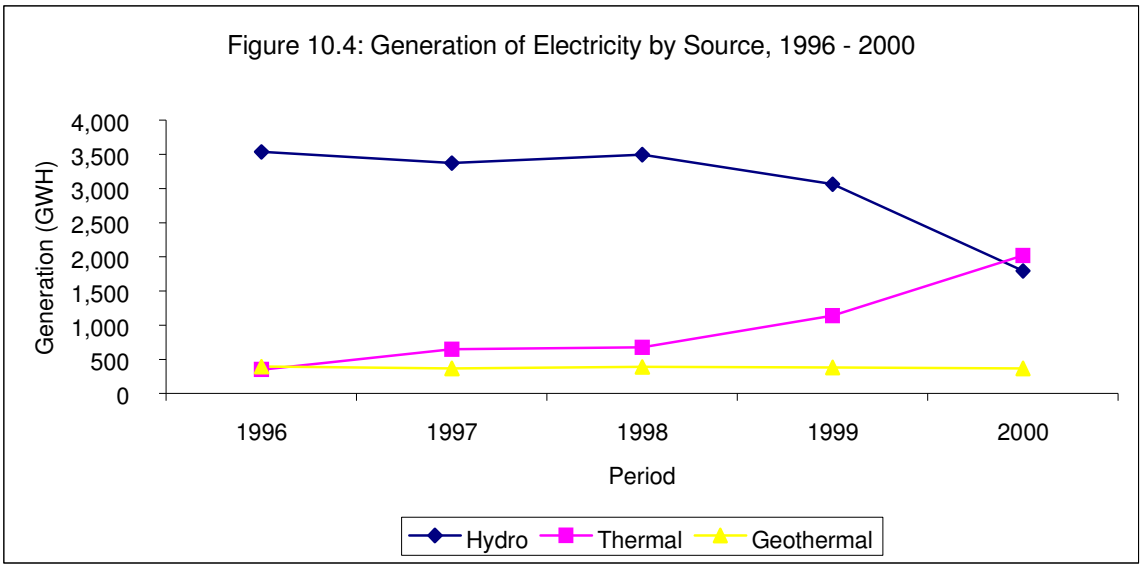


Table 10.9: Electricity Energy Supply and Demand Balance +, 1996 - 2000

Million KWH

	1996	1997	1998	1999	2000*
DEMAND-					
Domestic and Small Commercial	1,086.9	1,165.8	1,212.6	1,256.8	1,065.6
Large Commercial and Industrial	2,146.9	2,261.4	2,137.3	2,180.8	2,061.8
Off-peak	94.7	89.2	86.7	84.9	59.8
Street Lighting	9.8	11.2	10.1	10.7	8.8
Rural Electrification	149.6	144.1	155.1	152.0	124.7
TOTAL	3,487.9	3,671.7	3,601.8	3,685.2	3,320.7
Transmission losses and unallocated demand	788.4	717.4	956.8	896.6	858.2
TOTAL DEMAND = TOTAL SUPPLY	4,276.3	4,389.1	4,558.6	4,581.8	4,178.9
of which imports from Uganda ..	136.8	149.5	138.9	149.6	220.5
Net generation	4,139.5	4,239.6	4,419.7	4,432.2	3,958.4

* Includes generation of industrial establishment with generation capacity of over 100KVA

\+ Figures are in calendar year

10.16. Electricity energy supply and demand balance for the period between 1996 and 2000 is shown in Table 10.9. Sales for electricity recorded a significant decline

of 9.9 per cent in 2000 from 3,685.2 GWH in 1999 to 3,320.7 GWH in 2000. This decline was partly due to reduced consumption by all categories of consumers as a result of power rationing that was occasioned by KPLC, starting from June to December 2000, and partly due to higher tariffs. Demand for electricity by domestic and small commercial consumers decreased by 15.2 per cent to record 1,065.6 GWH in 2000, compared with 1,256.0 GWH in 1999. The proportion of total sales accounted for by large commercial and industrial consumers was 62.1 per cent in 2000, compared to 59.2 per cent in 1999. Off-peak consumption fell by 25.1 GWH, while street lighting dropped by 1.9 GWH during the reference period compared with 1999. Rural electrification registered a drop of 18.0 per cent, from 152.0 GWH in 1999 to 124.7 GWH in 2000. Out of the 3320.7 GWH supplied to the economy, 220.5 GWH or 6.6 per cent was imported from Uganda compared with 4.1 per cent imported in 1999, an increase of 47.4 per cent in 2000 over the 1999 level.

10.17. Kenya's reliance on imported energy is shown in Table 10.10. Total energy consumption in 2000, went up to 2,700.1 thousand tonnes of oil equivalent, out of which net imports accounted for 81.5 per cent compared with 1999 when imports were 63.1 per cent of the total energy consumption. Consumption of hydro and geothermal based electricity fell significantly from 296.3 thousand tonnes of oil equivalent in 1999 to 185.9 thousand tonnes of oil equivalent in 2000, a drop of 37.3 per cent. This is as a result of a drop in hydro-power generation occasioned by prolonged drought during the year under review. The consumption of coke and coal mainly used for cement production lines declined further by 7.6 per cent in 2000, after a decline of 2.4 per cent in 1999. This is attributable to fall in cement production. Energy consumption per capita expressed in kilograms of oil equivalent dropped by 1.3 per cent after remaining at the same level in 1999 and 1998. The variations of the stock changes and balancing item is as a result of inconsistency of data from customs, oil marketing firms and Kenya Petroleum Refinery Limited (KPRL) as mentioned earlier.

Table 10.10 : Production, Trade and Consumption of Energy** Expressed in Terms of Primary Sources, 1996 - 2000

'000 Tonnes Oil Equivalent

	1996	1997	1998	1999	2000*
COAL AND COKE CONSUMPTION	89.2	91.5	73.2	71.5	66.1
Imports of crude oil	1,412.9	1,833.7	2,157.7	2,139.3	2,452.3
Net exports of petroleum	410.3	147.0	653.1	533.4	336.7
Stock changes and balancing item + ...	407.3	194.5	-611.7	-361.1	-340.9
TOTAL CONSUMPTION OF LIQUID FUELS	2,230.5	2,175.2	2,199.1	2,311.6	3,129.9
HYDRO AND GEOTHERMAL ENERGY:-					
Local production of hydro power + ...	292.2	277.3	288.8	250.5	135.3
Local production of geothermal power + ...	33.7	31.7	33.4	32.9	31.6
Imports of hydro power + ...	11.8	12.9	11.9	12.9	19.0
TOTAL CONSUMPTION OF HYDRO AND GEOTHERMAL ENERGY	337.7	321.9	334.1	296.3	185.9
TOTAL LOCAL ENERGY PRODUCTION	325.9	309.0	322.2	283.4	166.9
TOTAL NET IMPORTS	1,103.6	1,791.1	1,589.7	1,690.3	2,200.7
TOTAL ENERGY CONSUMPTION	2,657.4	2,588.6	2,606.4	2,679.4	3,381.9
LOCAL PRODUCTION AS PERCENTAGE OF TOTAL	12.3	11.9	12.4	10.6	4.9
PER CAPITA CONSUMPTION IN TERMS OF KILOGRAMS OF OIL EQUIVALENT	101.0	95.5	93.4	93.4	94.1

* Provisional.

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

\+ Revised series

Table 10.10 : Production, Trade and Consumption of Energy** Expressed in Terms

Rural Electrification.

10.18 During the year 1999/2000, a total of KSh 708 million was spent on the Rural Electrification Programme (REP). This brought the cumulative capital expenditure of the programme to about KSh 5.0 billion, since its inception in 1973. The number of customers under the REP programme grew by 9.9 per cent from 61,436 in 1998/99 to 67,542 in 1999/2000. The units sold under the programme recorded a significant drop, of 18.0 per cent from 152 GWH in 1999 to 124.7 GWH in 2000. The drop in sales was as a result of less consumption as a result of power rationing.

10.19. Following an evaluation of the first stage of Phase I of the Coffee Factories Rural Electrification Programme (COFREP), which is financed from the Stabilization Exports (STABEX) Fund of the European Union, an additional 55 factories are earmarked for electrification by June 2002. This will bring the total number of factories electrified under the Programme to 112 out of the targeted 168. The balance of 56 factories were declared in-eligible.

10.20. During the year 1999/2000, implementation of 32 projects commenced under PhaseI of the Spanish Rural Electrification credit facility of US $ 10.6 million. The projects are expected to be completed by October 2001. Implementation of additional projects under Phase II of Spanish funding of US $ 10.3 million is expected to start towards the end of 2001.

Development and Future Prospects in Power Sub–sector

10.21. The persistent drought experienced in the country for the last two years, coupled with lack of adequate investments in new generation capacity, has severely affected power generation in the country. To augment electricity output from the national grid and reduce the negative impact associated with power shortages, the Government will focus on enhancing and strengthening public and private participation in power generation, transmission and distribution. This will allow for increased efficiency and delivery of services at competitive prices. The completion of the projects identified in the Least Cost Development Plan, which includes Kipevu II, Olkaria III and Sondu Miriu, will all boost the generation capacity by 318 MW. Plans to upgrade the Kenya-Uganda transmission line from the present 132KV to 220 KV under funding from the Uganda Electricity Board (UEB) are also in place. Kenya and Tanzania have also signed a Memoradum Of Understanding (MOU) for a study towards construction of a power inter-connector between Arusha and Nairobi.

Wood Fuel Resources

10.22. Wood fuel refers to both fuelwood and charcoal. According to the Ministry of Energy, approximately 80 per cent of Kenya's population is dependent on wood fuel for its domestic energy needs. In aggregate, wood fuel supplies over 70 per cent of Kenya's final energy demand and provides over 93 per cent of rural household energy requirement. Traditionally, most Kenyans use fireplaces made up of three stones as conversion devices for firewood. There is also extensive use of traditional fuels at the rural informal industrial level for such undertakings as brick making and pottery, among others. In urban areas, charcoal is more predominantly used than firewood. At least 80 per cent of urban households' wood fuel demands are met by charcoal. The current Government wood fuel policy emphasises provision of adequate supplies of wood to satisfy demand through a sustained yield while, at the same time, preserving the environment. To achieve this objective, programmes aimed at promoting and developing efficient energy appliances like improvised varieties of stoves, have been adopted. Farmers are also encouraged, through public

information and educational programmes, to plant trees seedlings for sustainable firewood supply.

Alternative Sources of Energy

10.23. Alternative sources of energy in Kenya include solar power, biogas and wind. These sources help to conserve and supplement, where appropriate, the three major sources of energy ; namely; wood fuel, petroleum and electricity.

10.24. **Solar energy :** Solar energy, as an alternative source, has been accepted as a viable source of energy because its technologies are environmentally friendly and do not contribute to the global warming phenomenon. It is particularly suitable for water heating and household lighting due to its minimal attendance requirements during operation and its low maintenance requirements. Solar Photo-voltaic (PV) system are proving very popular and appear to be an attractive option, especially for the rural households who are unlikely to be connected to national electricity grid in the foreseeable future. Major constraints hampering the use of solar energy include poor quality of local batteries, lack of adequate consumer information, high prices of Photo-voltaic (PV) systems and lack of qualified PV technical manpower. To address this problem the Ministry of Energy in conjunction with World Bank is carrying out a study aimed at recommending an appropriate taxation regime for PV systems and quality standard for PV systems.

10.25. **Biogas:** A biogas is one of the sources of alternative energy adopted in Kenya. The use of biogas devices can help to lower household demand for wood fuel and commercial fuels. The operation of the units is suitable in the high potential agricultural zones, especially where farmers practice zero-grazing. To promote this source of energy, the Government will continue to strengthen biogas training and extension programmes through the Energy Centres, co-operate with NGOs and commercial sectors on dissemination of proven and cost-effective technologies.

10.26. **Wind:** Wind energy is a potential source of natural energy which can be available day and night for the production of economical power to pump water or to generate electricity. A major advantage of wind energy is the cost-effectiveness of incremental development of wind potential at a particular site. The major constraints hampering exploitation of this source of energy has been lack of appropriate technology, lack of upto date data on wind regimes in the country and poor promotion strategies, as well as initial cost of investment to the ordinary person.

Conclusion

10.27. Kenya relies on electricity as one of the major factors for economic growth. The power rationing experienced last year as a result of prolonged drought coupled with high crude oil prices had adverse impact on the economy. In order to improve the situation, the Government has embarked on measures to implement power generation projects with total capacity of 373 MW intended to be commissioned by the year 2003/4. About 313 MW of this capacity is thermal, reflecting Government's deliberate policy of diversifying from a hydro-power dominated system to one with complementary thermal capacity. Once this is achieved it will enhance the restoration of the economic growth and hence generation of more wealth and economic development that will ultimately reduce incidence of poverty.

CHAPTER 11

MANUFACTURING

Overview

In 2000, real output in the manufacturing sector declined by 1.5 per cent in contrast to the optimistic targeted growth in the current National Development Plan. The devastating effects of the power rationing, which was introduced as a consequence of the drought, compounded the existing structural weaknesses in the sector contributing to the poor performance. Metred power supply to the commercial and industrial sector declined by 5.4 per cent, leading to increased use of generators as an alternative source of power. Consequently, there was reduced plant capacity utilisation leading to less output, loss of jobs and increases in product prices. The effects of depressed local demand and restrictions in the European and American markets on manufactured products, were cushioned by increased volume of trade in favour of Kenya within the COMESA market as local manufactures took advantage of the favourable tax regime. The growth of the export market is set to meet competitiveness hurdles in the light of high domestic costs from high interest rates and poor infrastructure. On the other hand, local manufacturers have taken advantage of the tariff cuts initiative for raw materials not produced in the country and a removal of minor inspection fees as outlined in the 2000/2001 budget. The government had earlier put in place an anti-dumping and countervailing duty legislation to curb restrictive practices that disadvantage local manufacturers.

11.2. Agro-based industries were worst hit by the severe weather with output in the grain milling, sugar, tobacco, and bakery products industries dropping by big margins. Output in the clothing and leather industries stabilized in 2000, while that in the textiles, chemicals and transport industries continued with the downward trend. Investment in the sector was at an all time low as indicated by the amount of credit advanced to manufacturing related ventures. On the positive front, output indicators at the Export Processing Zones (EPZ) recorded improved performance in 2000.

Employment

11.3. The slowdown in the manufacturing sector was reflected in the decline in employment from 219,600 persons in 1999 to 218,000 persons in 2000. The decline was partly attributed to the reduced number of working shifts in 2000 due to lower capacity utilisation. The worst affected industries were food processing, textiles and motor vehicle assembly.

Manufacturing Sales and Stocks

11.4. A combination of depressed effective demand coupled with the general poor economic environment in 2000 led to a further decline in total sales in nominal terms, in the manufacturing sector. During this period, total sales was KSh 202.9 billion compared with KSh 220.1 billion and KSh 267.0 billion in 1999 and 1998 respectively. The value of stocks and work in progress as at 31st December, 2000 was KSh 235,000 million.

Industrial Output

11.5. Table. 11.1 depicts the manufacturing output, Gross Domestic Product and intermediate consumption at current prices for the last five years. Despite the decline in output and intermediate consumption by 10.9 per cent and 14.0 per cent respectively, value added in current prices grew by 12.1 per cent. Labour compensation to workers as provided by the annual Labour and Enumeration Survey grew by 10.0 per cent in 2000 although this was bellow that in 1997, 1998 and 1999. Wage cost as a percentage of value added has averaged 34.7 per cent over the last five years.

Table 11.1: Manufacturing Sector - Output , Wage and Product, at Current Prices, 1996 - 2000

KSh Million

YEAR	Value of Output	Intermediate Consumption	Value Added	Total Wages Paid
1996	576,400	525,400	51,000	19,200
1997	675,200	616,900	58,300	20,200
1998	703,000	631,400	71,600	24,600
1999	742,500	656,800	85,700	29,000
2000*	661,200	565,100	96,100	31,900

* Provisional.

Quantum Indices

11.6. Physical output in several manufacturing industries in 2000 declined by big margins as detailed in Table 11.2. The agro-based industries recorded the worst performance with output in the grain milling, tobacco, bakery products and sugar industries declining by 21.5 per cent, 16.9 per cent, 14.4 per cent and 12.9 per cent respectively. Output also fell in the basic industrial chemicals, clay and glass products, non-metallic minerals, metal products and transport equipment industries. Output in the plastic products and petroleum industries continued their upward trend as a result of increased local demand. The beverages and the leather and footwear industries reversed the declining trend to register growth of 7.2 per cent and 12.3 per cent respectively.

11.7. Increase in the output of processed milk contributed to the marginal growth of the meat and dairy products sub-sector. In spite of the drought prevailing in 2000, processed milk reconstitution and increased capacity utilization of the milk processing plants boosted the industry by 8.2 per cent to 60.0 million litres after the production of processed milk plummeted from 215,168 thousand litres in 1995 to 55,448 thousand litres in 1999. Also on the increase in this group of industries was the production of processed chicken and baby foods and of cheese, which rose by 22.4 per cent after a drop in 1999, mainly due to increased demand from the tourism sector. Production of beef was 63,000 tonnes in 2000 down from 69,975 tonnes in 1999 while the production of butter maintained the downward trend from the 1995 production output of 3,985 tonnes to 113 tonnes in 2000.

11.8. Output in the canned vegetables, fish, oils and fats industry recorded a modest expansion of 5.1 per cent in 2000 which is less than the 14.6 per cent growth realised in 1999. This sustained growth in the sub-sector was attributed to increased local and regional market demand occasioned by a fall in product prices. Production of edible fats and magarine was 142.0 thousand tonnes, up from the previous years production of 129.7 thousand tonnes. The production of jams and marmalades rose in 2000 to stand at 761.1 tonnes, from 711.1 tonnes in 1999. Output of fruits and vegetable juices, squashes, edible oils and canned vegetables

fell by various margins during this period while the production of canned fruits rose marginally.

11.9. The grain milling industry recorded the largest output decline in the food-

Table 11.2: Quantum Index of Manufacturing Production, 1996 - 2000

1976 = 100

INDUSTRY	1996	1997	1998	1999	2000*	Percentage Change 2000/1999
Meat and Dairy Products	91.6	91.8	76.4	84.3	85.9	2.0
Canned Vegetables, Fish, Oils and Fats	279.2	310.1	325.2	372.9	391.8	5.1
Grain Mills Products	204.9	213.4	202.7	200.9	157.6	-21.6
Bakery Products	347.4	383.2	352.2	345.2	295.5	-14.4
Sugar and Confectionery	200.7	204.5	226.6	236.6	206.1	-12.9
Miscellaneous Foods	249.7	235.1	240.0	227.8	246.4	8.1
Food Manufacturing	194.2	195.3	200.1	204.9	199.4	-2.7
Beverages	206.3	199.4	204.7	155.2	166.4	7.2
Tobacco	224.7	237.0	202.5	192.7	160.2	-16.9
Beverages and Tobacco	207.5	203.0	203.7	159.7	166.1	4.0
Textiles	125.7	119.6	118.6	118.7	115.5	-2.7
Clothing	152.0	142.4	148.4	154.8	167.2	8.0
Leather and Footwear	68.8	61.6	57.9	48.6	54.6	12.3
Wood and Cork Products	74.8	74.9	73.4	82.3	75.1	-8.7
Furniture and Fixtures	54.5	54.7	55.9	55.9	56.1	0.4
Paper and Paper Products	192.1	196.5	222.3	238.1	258.5	8.6
Printing and Publishing	465.0	465.9	465.9	466.4	424.5	-9.0
Basic Industrial Chemicals	201.6	157.5	168.8	162.6	140.6	-13.6
Petroleum and Other Chemicals	531.7	591.7	594.8	616.8	659.4	6.9
Rubber Products	630.9	678.0	668.3	590.8	588.1	-0.4
Plastic Products	397.5	510.9	608.7	697.6	781.8	12.1
Clay and Glass Products	2,376.3	2,254.6	2,437.0	1,623.0	1,191.7	-26.6
Non-Metallic Mineral Products	219.5	230.6	216.7	216.9	153.8	-29.1
Metallic Products	246.4	298.6	252.9	270.1	238.1	-11.8
Non-Electrical Machinery	113.9	88.7	86.7	85.1	86.1	1.2
Electrical Equipment	266.9	213.3	221.9	188.4	188.7	0.2
Transport Equipment	713.7	594.9	433.3	360.1	241.5	-32.9
Miscellaneous Manufactures	569.1	661.6	765.2	917.5	1,149.6	25.3
TOTAL MANUFACTURING	272.9	278.2	282.2	285.6	281.4	-1.5

* Provisional

processing sub-sector in 2000. The industry suffered from shortage of grain as a result of drought as well as the instability at the National Irrigation Board. Consequently, the product prices shot up leading to sluggish demand. As shown in Table. 11.3, production of wheat flour declined by 15.9 per cent from 224.7 thousand tonnes in 1999 to 188.9 thousand tonnes in 2000. Export of wheat flour fell significantly from 21.3 thousand tonnes in 1999 to 11.0 thousand tonnes in 2000. Production of maize meal fell from 271.6 thousand tonnes to 154.1 thousand tonnes. Production of maize germ, wheat offal, maize offal and bran all fell by various margins. In the bakery products industry, production of bread fell by 12.9 per cent to 72.2 thousand tonnes from 83.1 thousand tonnes the previous year. Production of biscuits fell during this period while production of cakes and scones rose.

11.10. After attaining a record output level of 470.8 thousand tonnes of sugar in 1999, sugar production fell to 402.0 thousand tonnes in 2000, contributing to the overall decline of the sugar and confectionery industry by 12.9 per cent. The decline was largely attributed to shortage of sugar cane supply in the year under review as a result of drought and management problems in the industry. To cater for the shortfall, a total of 118.0 thousand tonnes of sugar was imported compared with 57.7 thousand tonnes the previous year. This helped mitigate the acute sugar shortage that hit the country in the second half of last year and served to stabilize domestic sugar prices. Over the same period, sugar exports to the European Union (EU) under African Caribean and Pacific Countries-European Union (ACP-EU) sugar protocol, amounted to 2.1 thousand tonnes, this being Kenya's export allocation for

Table 11.3: Production of Grain Milling Products, 1996 - 2000

'000 tonnes

	Commodity		
YEAR	Sifted Maize meal	Wheat Flour	Rice
1996	266.7	227.2	10.9
1997	272.6	245.3	10.6
1998	265.9	230.1	9.4
1999	271.6	224.7	5.7
2000*	154.1	188.9	4.9

* Provisional

1999/2000.

11.11. Output in the miscellaneous food sub-sector rose by 8.2 per cent in 2000 after a 5.1 per cent decline in 1999. Output of milled coffee rose substantially by 52.5 per cent in 2000 to 98.0 thousand tonnes from 64.3 thousand tonnes produced in 1999 but all other indicators in this group of industries either fell or stagnated. The increase in production of milled coffee for the second year in a row was attributed to increased delivery of coffee for milling by farmers. Even though tea prices were better in the year, production fell again after the record 294.3 thousand tonnes output in 1998 from 248.8 thousand tonnes in 1999 and further to 236.3 thousand tonnes in 2000 as a result of drought and other weather factors like frost. Tea production is however expected to pick up this year due to good weather. Production of cocoa and milo fell by 15.5 per cent and 18.4 per cent respectively. Production of roasted coffee, ground spices and salt remained at the 1999 output levels in 2000.

11.12. In the beverages and tobacco sub-sector, output of beer and soft drinks rose by 7.7 per cent and 5.8 per cent, respectively, reversing the decline in 1999. Competitive commodity prices offered to consumers as well as a reduction in the volume of imported beer when Castle Breweries became fully operational contributed to the growth. Beer production was 202.9 million litres in 2000 from 188.5 million litres in 1999, though lower than the high of 347.4 million litres in 1995. Similarly, output of soft drinks rose from 152.1 million litres in 1999 to 160.8 million litres in 2000. Production of spirits also rose markedly by 9.2 per cent to reach 19,366.1 thousand litres. The anti-smoking campaign and reduced smoking incidences as a result of the high cost of cigarettes led to decline in consumption of tobacco products.

11.13. Modest growth was recorded in the clothing industry, while that of textiles declined by 2.7 per cent in the year under review as two key textile firms closed operations. Since the virtual collapse of the cotton ginning industry in mid 1990s,

the output of cotton woven fabrics has been declining. Output of cotton woven materials declined further by 19.1 per cent in 2000 after a drop of 22.4 per cent and 9.3 per cent in 1998 and 1999 respectively. During this period, 16.5 million square metres of cotton woven fabrics was produced, down from 20.1 million square metres in 1999. Production of rayon woolen fabrics also fell, though at a slower rate, to 10.7 million square metres in 2000 from 11.5 million square metres the previous year. Output of blankets, bed sheets, toweling material, nylon fabrics and gunny bags fell by various margins, while that of canvas materials, pullovers, cardigans, rope and twine rose by 10.0 per cent, 10.0 per cent, 11.7 per cent and 12.7 per cent respectively, in 2000. There was no change in the production of knitted and nylon, fabrics. In the wearing apparel industry, most output indicators, recorded marked growth. Production of shirts, sport shirts and T- shirts was 122.2 thousand dozens in 2000 representing a 7.0 per cent increase over the 114.2 thousand dozens produced in 1999. Production of trousers, uniforms and overalls rose significantly by 17.1 per cent and 38.3 per cent, respectively. Production of vests, singlet, underwear and dresses fell while production of suits rose modestly.

11.14. The persistent decrease in output in the leather and footwear industry reversed in 2000 to record a remarkable 12.3 per cent growth. This was attributed to increased production of shoes in one of the leading shoe companies and a reduction in imports. In 2000, production of leather shoes rose by 14.8 per cent to 1,348.1 thousand pairs up from 1,174.4 thousand pairs produced in 1999. Production of sole leather was 75.7 tonnes in 2000 compared with 40.9 tonnes in 1999. Production of finished leather, unfinished leather and PVC leather cloth rose marginally.

11.15. In 2000, output of the wood and cork sub-sector declined, a reflection of the effect of the ban on logging by the Government in an effort to conserve forests. Sawn timber, the major output indicator in this group, declined by 8.8 per cent from 93,757 cubic metres in 1999 to 85,844 cubic metres in 2000. The furniture and fixtures industry, which relies heavily on supply of timber, was adversely affected as shown by a reduction in formal employment from 4,386 persons in 1999 to 4,291 persons in 2000.

11.16. Output of paper and paper products rose again by 8.6 per cent in 2000, a growth trend sustained by a steady and growing market for its products. Production of exercise books has more than doubled from the 1995 output of 10.0 million dozens to 25.8 million dozens in 2000 and exports were 6.8 million dozens in 2000 compared with 2.2 million dozens the previous year. Production of wrapping paper rose by 17.1 per cent to 67.4 thousand tonnes in 2000 from 57.6 thousand tonnes in 1999. Output of other paper and paper products also on an upward trend included production of kraft paperboards, paper bags and sacks, corrugated paper containers and envelopes. Production of teleprinter rolls declined by 9.9 per cent while no change in output was realised in the production of toilet paper rolls.

11.17. Overall production of the basic industrial chemicals industry declined by 13.5 per cent in 2000. The significant drop was attributed to the fall in production of the two prime output indicators of the industry. Production of pyrethrum extract declined to 128 tonnes from 141 tonnes, while the production of wattle extract dropped by 34.3 per cent from 5,202 tonnes in 1999 to 3,420 tonnes due to drought and closure of East African Tanning Extract Company in the review period.. Production of oxygen, hydrogen and nitrogen was 2.5 million cubic metres in 2000

compared to 2.9 cubic metres in 1999. Production of acetylene and electrodes was 258.0 cubic metres and 325.9 tonnes, respectively.

11.18. The petroleum and other chemicals industry performed better in 2000 with growth of 6.9 per cent compared to 3.7 per cent in 1999. The increase in output was primarily attributed to the increased use of petroleum products in other sub-sectors of the manufacturing sector and the entire economy as a result of the electric power shortage experienced in the year. The slump in the construction industry contributed to a 15.5 per cent drop in output of the paints and vanishes products, while increased demand for the drugs and medicines, soap and perfumes products, contributed to marked rise in output of 24.4 per cent and 7.5 per cent, respectively.

11.19. Output in the rubber products industry contracted further, though more slowly in 2000. Production of new motor vehicle tyres was 388.7 thousand in 2000, far below the 1997 production of 574.6 thousand, which was partly attributed to depressed demand as shown by decline in the number of newly registered motor vehicles as depicted in Table 14.3. Production of motor vehicle tubes, however, rose by 2.5 per cent to 438.6 thousand units in 2000 from 427.9 units in 1999. Production of new bicycle tyres rose by 8.5 per cent, while that of new bicycle tubes recorded no change.

11.20. The plastic industry is a steadily growing industry in the manufacturing sector. All output indicators in this group, recorded growth in 2000. Production of plastic crates was 3.7 million units, 25.7 per cent above the previous year's output of 3.0 million units. Production of plastic shoes, plastic plates, PVC pipes, and PVC floor tiles also rose by appreciable margins.

11.21. The industrial packaging industry is the largest consumer of glass bottles. Due to the high cost of bottles, industrialists now prefer the cheaper plastic packaging materials. This has led to a consistent drop in the production of glass bottles. In 2000, production of glass bottles fell further by 21.1 per cent to 15.7 thousand tonnes after a sharp drop by 41.9 per cent in 1999. Weak investment in the building and construction sector similarly contributed to lower demand for floor and wall tiles.

11.22. Cement production and use is shown in Table. 11.4. Production has been declining since 1996, reflecting low activities in the building and construction sector. Cement export to Uganda accounted for 60.1 per cent of total export in 2000, indicating high construction activity there, while the local absorption fell by 16.5 per cent.

11.23. The metal industry has forward linkages to the building and construction industry. Output declined sharply by 29.1 per cent in 2000, after a modest gain in 1999. Production of galvanized iron sheets, that contributed about 56.8 per cent of the total output of the metal industry in 2000, was 105.3 thousand tonnes, significantly below output of 121.0 thousand tonnes in 1999. Production of metal cans and tins also recorded a significant drop of 56.7 per cent due to weak demand in the packaging industry. Production of tubular furniture, nails, barbed wire, welded mesh and water tanks fell by 23.2 per cent, 8.0 per cent, 28.3 per cent, 10.9 per cent and 43.2 per cent, respectively. Production of wheelbarrows in the non-electrical machinery rose by 1.2 per cent.

11.24. Imports of electrical machinery, apparatus and appliances, mainly from the Newly Industrialised Economies in the Far East, continued to curtail growth in the electrical machinery industry. After declining by 15.1 per cent in 1999, the sub-sector recorded a paltry 0.2 per cent growth in 2000. Production of dry cells was 92.0 million units in 2000, compared with 93.9 million units in 1999. Production of motor vehicle batteries rose significantly by 23.7 per cent to stand at 162.0 thousand units in 2000 from 130.9 thousand units in 1999 after a fall from the 1998 output of 148.1 thousand units. Production of battery plates edged up by 8.8 per cent while that of electrical lamps fell.

11.25. The motor vehicle industry recorded the biggest drop in production output in the manufacturing sector in 2000. This is a continuation of the declining trend since 1996. In 2000, 2,551 vehicles were assembled representing 19.6 per cent of the 1990 output of 13,000 units and 38.9 per cent of the 6,500 units output of 1995.

Manufacturing Labour Cost and Productivity

11.26. The implicit change in labour productivity declined by 0.7 per cent, depicting decreased capacity utilization and idle labour in 2000 as shown in Table 11.5. Wage cost, as a percentage of gross output was 4.8 per cent compared with 4.7 per cent in 1999.

Table 11.5: Indicators of Labour Productivity in Manufacturing, 1996 - 2000

Indicator	1996	1997	1998	1999	2000*
Change in the quantum index of manufacturing ..	+3.7	+1.9	+1.4	+1.2	-1.5
Change in numbers employed in manufacturing ..	+2.8	+1.9	+1.2	+1.2	-0.8
Implicit change in labour productivity	+0.9	0.0	+0.2	0.0	-0.7
Wage cost as percentage of gross output	3.3	3.5	4.1	4.7	4.8
Wage cost as percentage of value added	37.5	34.6	34.3	33.8	33.2

* Provisional.

Export Processing Zones

11.27. Key performance indicators at the Export Processing Zones (EPZ) show better performance in 2000 compared to 1999. Established in 1990, the number of gazetted zones now stands at 19, of which 17 are privately owned and operated while 2 are public. In 2000, 24 enterprises were operating compared with 18 enterprises and 22 enterprises in 1998 and 1999, respectively. During this period, six new enterprises became operational while four exited for various reasons. In 2000, about 14 per cent of the total investment was wholly Kenyan, an indication of a progressive interest generated in the programme by the local investors, while 33 per cent was joint ventures and 53 per cent was wholly foreign. Investments have diversified from the initial interest in garments to include electronics, pharmaceuticals, agro-processing and software development.

11.28. Table 11.6 presents important EPZ performance indicators between 1996 and 2000. Total private investment expanded at an average annual rate of 7.8 per cent from 3,900 million shillings in 1995 to 6,100 million shillings in 2000. Employment, export and turnover expanded by 15.6 per cent, 31.1 per cent and 21.9 per cent per year, respectively, over the same period. Total turnover in 2000 was KSh 4,900 million, representing 17.8 per cent rise over KSh 3,700 million in 1999. Export sales to turnover ratio in 2000 was 82.8 per cent, up from 81.1 per

cent in 1999 and 73.5 in 1998. The most important export destination was United States of America, which accounted for approximately 70 per cent of the total export sales. With the enactment of the African Growth and Opportunity Act (AGOA) regime, USA is expected to continue being a strategic market. Imports into EPZ stood at KSh 2,300 million in 2000 compared to KSh 2,100 million in 1999.

Table 11.6: Selected EPZ performance Indicators 1996-2000

Ksh million

	1996	1997	1998	1999	2000*
Exports Sales	1,099	1,263	1,805	3,020	3,635
Domestic Sales	496	503	649	706	755
Total Sales	1,595	1,766	2,454	3,726	4,390
Foreign Imports	1,009	1,258	2,056	2,126	2,349
Local Purchases of Goods and Services	292	402	511	955	1,229
Investment	4,370	4,657	5,747	5,941	6,107

* Provissional

11.29. The total value of expenditure on salaries spent on employed Kenyans, utilities consumed purchases of local raw materials and other directly or indirectly linked expenditures constitute a net benefit to the economy. In 2000, this expenditure was KSh 1,200 million or 28.0 per cent of the total turnover, a slight improvement from the 1999 ratio of 25.6 per cent. Local purchase of local raw materials contracted by 7.1 per cent from KSh 301.0 million in 1999 to KSh 279.9 million in 2000. Export to the domestic market rose by 6.9 per cent.

11.30. Direct employment in the EPZ rose to 6,487 in 2000; together with an estimated 3,850 indirect job in subcontracting, total employment attributed to EPZ was over 10,337 persons. The provision of on the job training of the Kenyan workers within EPZ enhances technological transfer. In 2000, a total of 14 EPZ companies were involved in various kinds of training including computer assembly and software development, garment making, weaving technology and quality control.

Industrial Credit

11.31. Table 11.7 shows industrial financing by the Government and by quasi-government development finance institutions. The decline in credit to the manufacturing sector since 1997 was attributed to high interest rates, low investor confidence, difficult business environment, poor infrastructure, and the general poor economic performance making investors shy away from investing in the manufacturing sector. In 2000, a total of 78 projects worth KSh 142 million were approved and financed compared to 78 projects worth KSh 282 million in 1999.

11.32. Kenya Industrial Estates approved 86.7 per cent of the total projects but accounted for only 5.6 per cent of total credit advanced. Activities at the institution have remained subdued since 1994, when donors especially the African Development Bank, withdrew funding to the corporation. Consequently, the only source of funding for K.I.E. projects has been internally generated funds.

Table 11.7: Industrial Projects approved by Selected Government or Quasi-Government 1996-2000

INSTITUTION	Number of Projects					Approved Expenditure KSh Million				
	1996	1997	1998	1999	2000*	1996	1997	1998	1999	2000*
Industrial Development Bank Limited (I.D.B.)	5	2	5	2	8	168.0	130.0	150.0	88.0	74.0
Development Bank of Kenya (DBK)	3	8	6	3	5	106.0	356.0	188.0	126.0	52.0
Kenya Industrial Estates Limited (K.I.E.)	4	12	11	70	65	1.4	8.0	4.0	6.0	8.0
Industrial and Commercial Development Corporation (I.C.D.C.)	7	4	3	3	0	15.8	62.0	66.0	62.0	8.5
TOTAL	19	26	25	78	78	291.2	556.0	408.0	282.0	142.5

* Provisional.

11.33. Credit advanced by the Industrial Development Bank was KSh 74 million in 2000 down from KSh 88 million in 1999 and represented 52.1 per cent of the total credit. Two of the projects were new, while the rest were expansion cum diversification. A total of 91 jobs will be created when the projects are complete

11.34. There was not much change in the Development Bank of Kenya performance in the year 2000 as compared to the year 1999. The bank approved loans to three projects that will be engaged in manufacture of PVC pipes, photographic studio and manufacture of batteries. However, the bank advanced credit to three more manufacturing concerns to purchase power generators. The total amount advanced to these enterprises was KSh 53.4 million, representing 33.5 per cent of total credit advanced by the bank in the year.

11.35. In 2000, the Industrial and Commercial Development Corporation (ICDC) engaged primarily on monitoring and implementation of previously approved projects while suspending new lending. Consequently, there were no new project approvals but equity loan disbursements to 2 earlier approved projects. The projects were engaged in meat and paltry processing and are still under implementation.

CHAPTER 12

BUILDING AND CONSTRUCTION

Overview

The year 2000 was characterized by poor performance in the building and construction sector as shown by declines in the sector's key indicators. The low level of public sector investment in housing and civil works aggravated the situation. Similarly, private sector output declined further due to the general slowdown in the economy coupled with increased construction costs. Even though, interest rates offered by the Building Societies for loans declined from 25.0 per cent to 19.0 per cent between 1997 to 2000. Commercial banks' loans and advances to building and construction private enterprises dropped from KSh 18.4 billion in 1999 to KSh 16.9 billion in 2000. Domestic consumption of cement, a key indicator in the building and construction industry, declined by 16.5 per cent. The sector recorded a decrease in the value of building plans approved and buildings completed in Nairobi and other major towns.

12.2. Table 12.1 shows the trend of the key economic indicators in the building and construction sector for the last five years. Except for the provisional Government expenditure on roads that includes funds to be disbursed from the development partners, all the indicators maintained a downward trend. The index on reported private building work completed dropped by 4.0 per cent between 1998 and 1999 to stand at 29.8. During the period under review, the provisional index on Government expenditure on roads recorded a rise of 46.5 per cent to stand at 106.9. Cement consumption declined by 16.5 per cent from 1014.0 to 846.2 tonnes for the years 1999 and 2000 respectively. Decline in cement consumption is indication of low investment in the building sector attributed to a slump in the property market.

Table 12.1: TRENDS OF THE SELECTED KEY ECONOMIC INDICATORS IN BUILDING AND CONSTRUCTION *, 1996-2000

Base 1982=100

	1996	1997	1998	1999	2000**
"Index" of reported private building work completed in main towns***	38.1	36.9	33.8	29.8	..
"Index" of reported public building work completed in main towns***	2.5	1.9	1.4	1.1	..
"Index" of government expenditure on roads	81.6	75.0	79.7	60.4	106.9
Cement consumption ('000 tonnes)	1,161.5	1,136.9	1,071.9	1,014.0	846.2
"Index" of Cement consumption	200.5	196.2	185.0	175.0	146.2
Employment ('000)	78.8	79.8	79.3	78.7	78.0
"Index" of Employment	130.5	132.1	131.3	130.3	129.1

* Actual deflated by various building or construction cost indices.

** Provisional.

*** The average of the actual of two consecutive years is taken in each case for reported completion of buildings

12.3. Wage employment in the building and construction sector declined marginally by 0.9 per cent from 78,700 persons in 1999 to 78,000 persons in 2000. Public sector employment maintained a downward trend, dropping from 26,500 persons to 25,700 persons in 1999 and 2000. Employment in the building works sub-sector that engages plumbers, structural steel erectors, painters and roof-tilers declined by 5.9 per cent. The reduced employment opportunities are attributed to the slow down of activities in the building sub-sector. There was a modest increase in private sector employment for electrical contractors and borehole drillers of 0.7 per cent and 0.8 per cent during respectively the review period.

12.4. Table 12.2 shows the annual percentage increase in prices of inputs for construction for the years 1998 to 2000. The total overall construction cost index recorded a modest growth of 7.0 per cent in 2000 as compared to 8.2 per cent in 1999.The costs for materials rose by 7.1 per cent in 2000 as compared to 6.6 per cent in 1999. The construction inputs that registered the highest increase in prices were: accessories (an increase of 49.3 per cent), sand (25.0 per cent), hardcore filling (16.7 per cent) and fuel, bitumen and lubricants (13.3 per cent). The increase in costs of sand and hardcore fillings was attributed to increases in transport costs necessitated by the higher fuel prices.

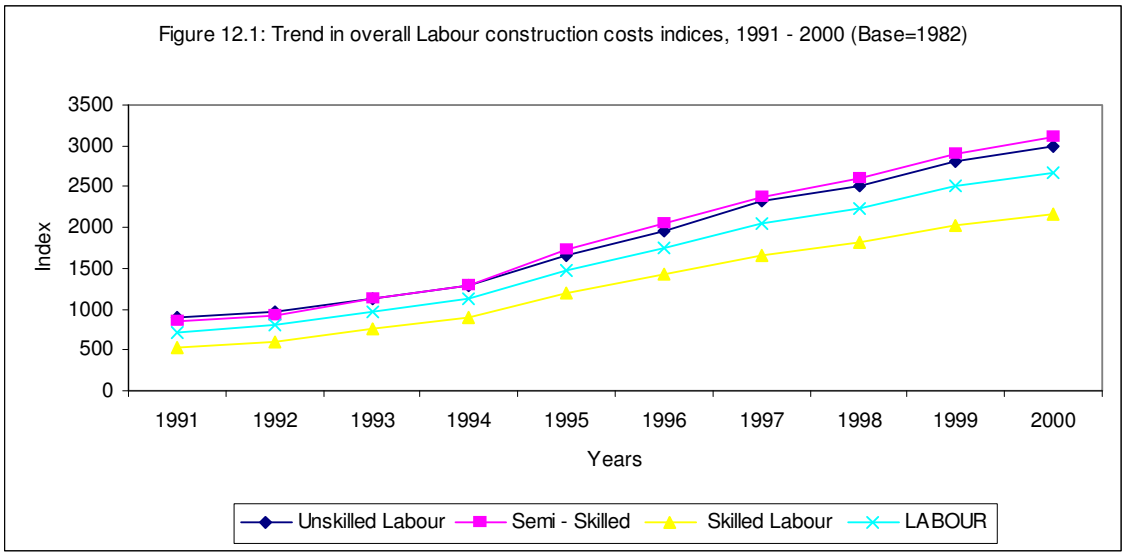
Table 12.2: ANNUAL PERCENTAGE INCREASE IN BUILDING AND CONSTRUCTION COST INDICES*, 1998 -

	MATERIALS			LABOUR			TOTAL COST		
	1998	1999	2000**	1998	1999	2000**	1998	1999	2000**
Residential Buildings ..	6.0	3.6	7.4	9.1	12.0	7.0	6.6	5.2	7.3
Non-Residential Buildings	1.0	7.1	7.2	9.1	12.0	7.0	3.0	8.4	7.1
All Buildings ..	3.7	7.9	6.9	9.1	12.0	7.0	4.9	8.8	5.2
"Other" Construction ..	0.7	3.4	9.2	9.1	12.0	7.0	4.1	7.1	8.2
OVERALL COST INDEX	2.8	6.6	7.1	9.1	12.0	7.0	4.6	8.2	7.0

* From December to December.

* * Provisional.

12.5. Labour costs recorded a slower growth of 7.0 per cent in 2000 as compared to 12.0 per cent for 1999. The increase was higher for skilled labour, which went up by 7.2 per cent compared to 6.9 per cent and 6.8 per cent for semi-skilled and unskilled labour respectively. The change in the wage indices was a result of implementation of collective wage agreements in the year 2000. The uncertainties in the sector output are reflected in a lower increase in labour costs. As shown in Figure 12.1, the labour costs index in the construction sector has increased for the last ten years.



12.6. Table 12.3 shows the value of building plans approved by Nairobi City Council (NCC) and other towns. In 2000, the total value of plans approved declined by 10.4 per cent to KSh 10.0 billion from KSh 11.1 billion in 1999. The value of plans approved by NCC maintained a downward trend from its peak of KSh 13.0 billion in 1997, with a decline of 27.1 per cent to KSh 6.6 billion in 2000. However, the value

of plans approved for other towns rose by 62.8 per cent with significant increases in Mombasa and Eldoret.

Table 12.3: VALUE OF BUILDING PLANS APPROVED BY NAIROBI AND OTHER TOWNS, 1996 - 2000

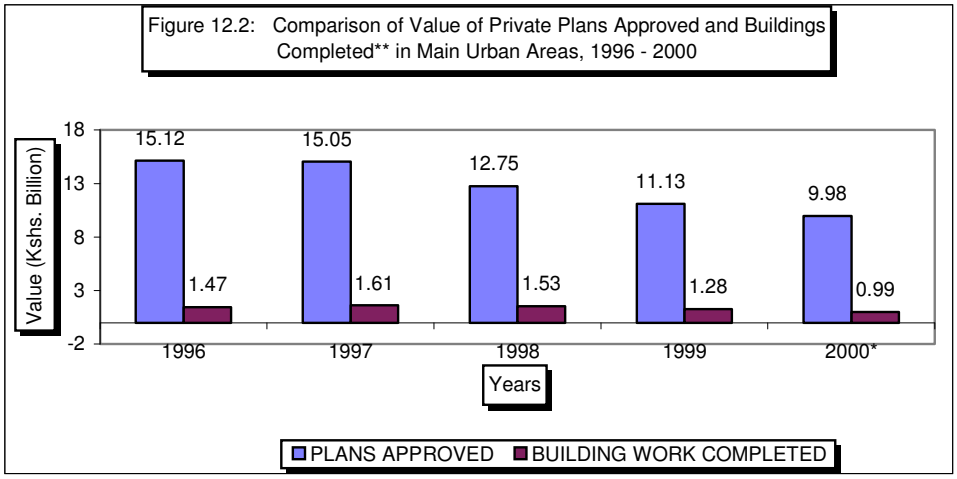
KShs million

YEAR	NAIROBI	OTHER TOWNS	TOTAL
1996	12,939.0	2,185.8	15,124.8
1997	13,021.2	2,030.8	15,052.0
1998	10,643.8	2,108.4	12,752.2
1999	9,058.4	2,072.0	11,130.4
2000*	6,601.3	3,374.1	9,975.4

* Provisional.

12.7. As shown in Figure 12.2, there has been a downward trend in the value of building plans approved and buildings completed in the main urban areas. In 2000, the proportion of building plans completed to building plans approved was only 9.9 per cent, which indicated low level of private investment in the building sector. The depressed demand coupled with high construction costs constrained the private sector investment in buildings.

Figure 12.2: Comparison of Value of Private Plans Approved and Buildings Completed** in Main Urban Areas, 1996 - 2000



* Provisional
**Excluding value of extensions

12.8. Table 12.4 shows that the value of reported private building works completed in five major towns declined by 15.4 per cent in 2000. Nairobi accounted for 55.6 per cent of the value of private buildings completed followed by Mombasa and Malindi with 21.7 per cent and 10.4 per cent respectively. A conducive environment at the coast as well as being a tourist resort destination enhanced private sector investment in housing.

Table 12.4: VALUE OF REPORTED PRIVATE BUILDING* WORKS COMPLETED IN SELECTED MAIN TOWNS, 1996 - 2000

KShs million

Year	Nairobi	Mombasa	Kisumu	Nakuru	Malindi	Total
1996	857.40	439.20	..	131.20	82.20	1,510.00
1997	852.40	484.80	96.00	141.40	97.60	1,672.20
1998	696.40	405.60	115.00	189.60	182.60	1,589.20
1999	628.40	366.80	42.00	117.00	170.00	1,324.20
2000**	622.39	243.26	33.87	103.18	116.96	1,119.66

* Including the value of extension.

** Provisional.

12.9. The trend of the reported completion of new private buildings by type is presented in Table 12.5. The number of residential units completed dropped by 8.6 per cent from 1,113 to 1,017 while the value of these buildings slightly declined by 3.1 per cent in 2000. There was a significant decline in the number of non-residential units completed and the corresponding costs by 68.2 per cent and 65.8 per cent respectively.

Table 12.5: REPORTED COMPLETIONS OF NEW PRIVATE BUILDINGS* IN SELECTED MAIN TOWNS, 1996 - 2000

YEAR	NUMBER		ESTIMATED COST KShs million		
	Residential	Non-Residential	Residential	Non-Residential	Total
1996	1,434	58	1,032.80	432.60	1,465.40
1997	1,449	33	1,084.80	525.40	1,610.20
1998	1,446	26	1,102.00	428.00	1,530.00
1999..	1,113	22	890.20	384.80	1,275.00
2000**	1,017	7	862.81	131.65	994.46

* Excluding the value of extensions.

** Provisional

12.10. The number of units completed for new residential public buildings dropped from 46 to 11 between 1999 and 2000 as shown in Table 12.6, while the number of non-residential units were completed at a cost of KSh 11.5 million. The estimated total cost of new public buildings declined from KSh 26.2 million to KSh 16.0 million during the same period. Over the years, the government investment in new public buildings has declined due to inadequate funds.

Table 12.6: REPORTED COMPLETIONS OF NEW PUBLIC BUILDINGS* IN MAIN TOWNS, 1996 - 2000

YEAR	NUMBER		ESTIMATED COST KShs million		
	Residential	Non-Residential	Residential	Non-Residential	Total
1996	99	10	33.60	12.20	45.80
1997	90	9	33.20	10.80	44.00
1998	68	5	25.00	6.20	31.20
1999	46	7	17.60	8.60	26.20
2000**	11	10	4.50	11.50	16.00

* Including the value of extensions.

** Provisional.

Housing

12.11. Housing is one of the basic human needs that provides security and shelter for socio-economic activities. The provision of housing in the public sector has been constrained by inadequate budgetary allocation. This has hampered the completion of the Urban Pool Housing project undertaken by the Ministry of Roads and Public Works in various towns. None of the stalled pool housing projects in Voi, Kericho, Kapsabet and Nairobi received any budgetary allocation during the 1999/2000 and 2000/2001 fiscal years. The major constraint in meeting demand for urban housing by the public sector has been financing. Hence, it is the government's policy that programmes are implemented to provide incentives for the private sector to mobilize resources for investment in the housing sector.

12.12. Table 12.7 shows the trend of approved and actual expenditure on housing by the Central Government. Actual expenditure on housing declined from KSh 217.2 million in 1997/98 fiscal year to KSh 136.6 million in 1998/99 and further to KSh 108.2 million in 1999/2000. There was a sharp drop in approved expenditures by 90.7 per cent from KSh 108.2 million in 1999/2000 fiscal year to KSh 10.1 million in

2000/2001. Approved expenditure as a percentage of the total development expenditure stood at 0.39 per cent in 1998/99 but it dropped to 0.2 per cent in 1999/2000 and 0.03 per cent in 2000/2001. The decline both in approved and actual expenditure over the last two financial years has negatively impacted on the provision of housing for civil servants. The drop in government housing budget has necessitated that emphasis be laid on facilitating an enabling environment that promotes private sector housing investment.

Table 12.7: APPROVED AND ACTUAL CENTRAL GOVERNMENT EXPENDITURE ON HOUSING, 1996/97 - 2000/2001

Year	Expenditure in Kshs Million		Approved Expenditure as Percentage of Development Expenditure
	Approved	Actual	
1996/97	137.6	162.4	0.32
1997/98	120.6	217.2	0.26
1998/99	148.2	136.6	0.39
1999/2000	108.2	108.2	0.20
2000/2001*	10.1	..	0.03

* Provisional

12.13. The National Housing Corporation (NHC) is the main government agent charged with the responsibility of implementing government-housing policies and programmes through tenant purchase, mortgage, rental and rural housing loan scheme. This has mainly benefited low and medium income groups. Table 12.8 shows that a total of 273 housing units were completed by NHC between 1996 and 2000. Due to inadequate government funding, the Corporation completed only 1 unit in 1996 but managed 35 units in 1997. This increased to 53 units in 1998 while there was none in 1999. In the year 2000, a total of 184 residential units were completed in Thika (Kiboko Phase IV), Nairobi (Kibera Highrise Phase II) and Malindi (Sabaki Housing Scheme) at a cost of KSh 161 million. The improvement in housing completion status was as a result of the Corporation's optimum use of the available resources. A total of 197 units are at various stages of construction comprising of 173 units for tenant purchase in Nairobi and 24 units for mortgage in Eldoret.

Table 12.8: HOUSING UNITS COMPLETED BY THE NATIONAL HOUSING CORPORATION, 1996-2000

	1996	1997	1998	1999	2000
Number of units completed					
PROVINCE-					
Nairobi	1	. .	53	. .	120
Coast	. .	. .	. .	. .	22
North-Eastern	. .	. .	. .	. .	. .
Eastern	. .	. .	. .	. .	. .
Central	. .	35	. .	. .	42
Rift valley	. .	. .	. .	. .	. .
Nyanza	. .	. .	. .	. .	. .
Western	. .	. .	. .	. .	. .
TOTAL NUMBER ..	1	35	53	. .	184
Value of units completed (KShs million)					
Nairobi	13	. .	34	. .	92
Coast	. .	. .	. .	. .	22
North-Eastern	. .	. .	. .	. .	. .
Eastern	. .	. .	. .	. .	. .
Central	. .	27	. .	. .	47
Rift valley	. .	. .	. .	. .	. .
Nyanza	. .	. .	. .	. .	. .
Western	. .	. .	. .	. .	. .
TOTAL VALUE ..	13	27	34	. .	161

12.14. With respect to the Rural Housing Loans Scheme, the Corporation enforced its loan collection strategies that improved the amount of loans available for disbursement. The loan recovery programme realized KSh 2.49 million that was

extended to 15 beneficiaries in the year 2000 as compared to KSh 1.85 million loaned to 12 beneficiaries in 1999.

Roads

12.15. A good road network promotes the country's economic growth by facilitating the movement of goods both for export and domestic trade. The road sub-sector also offers employment opportunities in the construction industry. The Ministry of Roads and Public Works estimates that 43 per cent of the total road network in the country was in poor condition as at the end of 2000. This has been attributed to inadequate funding for road development and rehabilitation coupled with inefficient road maintenance delivery methods and overloading by heavy haulage vehicles. The fuel levy funds are not sufficient for rehabilitation and maintenance of the current road network. Therefore, the government targets to raise more resources through increased fuel levy revenue, funding from development partners and involvement of the private sector in road rehabilitation and maintenance programmes.

12.16. During the period under review, a total of 399 kilometers of the road networks was under bitumenization while another 234 kilometers was under re-construction. The roads that were under bitumenization include; Narok-Amala River, Busia-Mumias, Ziwa-Kitale, Sultan Hamud-Mtito Andei and Katumani-Wote-Makindu. Through the El-Nino Emergency Fund, a number of urban and rural roads were rehabilitated at a total cost of KSh 1.08 billion. Under Kenya Urban Transport Infrastructure Programme (KUTIP), 145.2 kilometers of the road network was re-carpeted and rehabilitated at a cost of KSh 1.50 billion. The International Development Agency (IDA) contributed KSh 1.51 billion for reconstruction of roads, reinstating washed sections and improving on the drainage system. The government also, launched a programme that incorporates the private sector to manage the rehabilitation and maintenance of the entire road network under the Kenya Roads Board.

12.17. Table 12.9 shows the classified road network either as bitumen or earth/gravel. The government, through the Ministry of Roads and Public Works, maintains about 63,300 kilometres out of the 150,600 kilometres of the country's road network. For the last five years, the total kilometres of the road network under the ministry's road maintenance and rehabilitation programme expanded minimally. Roads under bitumen increased by 3.1 per cent from 8,660 kilometers to 8,940 kilometers in the year 2000 as compared to 1996 while earth/gravel roads declined by 1.6 per cent from 55,260 kilometers to 54,360 kilometers.

Table 12.9: KILOMETRES OF ROAD AS AT 1st JULY, 1996 AND 1st JULY, 2000 BY TYPE AND CLASSIFICATION

'000Km

Type of Road	1996		2000	
	Bitumen	Earth/ Gravel	Bitumen	Earth/ Gravel
A- International Trunk ..	2.65	0.96	2.89	0.87
B- National Trunk	1.30	1.37	1.43	1.37
C- Primary	2.56	5.47	2.49	5.18
D- Secondary	1.18	10.16	1.17	10.05
E- Minor	0.75	26.30	0.75	25.80
F- Special Purpose*	0.22	11.00	0.21	11.09
TOTAL	8.66	55.26	8.94	54.36

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

12.18. The actual total government expenditure on roads declined in 1999/2000 by 12.6 per cent due to reduced funding on development vote as shown in Table 12.10. Development expenditure on road construction declined by 67.9 per cent from KSh 2.7 billion in 1998/99 to KSh 0.9 billion in 1999/2000 fiscal years whereas the recurrent expenditure increased by 16.7 per cent to KSh 5.9 billion. During the current fiscal year, a total of KSh 13.2 billion was allocated for the road sub-sector. The increase in government recurrent expenditure allocation reflects the importance given to improvement of the road network through regular repair and maintenance.

Table 12.10: TOTAL EXPENDITURE ON ROADS, 1998/99 - 2000/2001

KShs million

	1998/99	1999/2000	2000/2001*
DEVELOPMENT:			
Trunk Roads	1,422.00	714.30	2,688.40
Primary Roads	752.00	18.30	925.80
Secondary Roads	136.00	5.80	618.90
Miscellaneous Roads.. ..	376.00	124.60	2,470.70
TOTAL	2,686.00	863.00	6,703.80
RECURRENT (maintenance and repair)	5,074.00	5,922.10	6,470.10
TOTAL	7,760.00	6,785.10	13,173.90

* Provisional

12.19. The Roads 2000 Programme was established to undertake maintenance of the classified road network. Currently, the programme is being implemented in 29 districts while additional 44 districts are to be incorporated in the phase for implementation during the years 2001 to 2006. The Programme strategy involves use of local resources and labour intensive techniques and should ensure maintenance of roads to an economical level of serviceability. Several donors including; SIDA, European Union (EU) and DANIDA in collaboration with GoK are funding the ongoing projects at a total cost of about KSh 4.1 billion over the period 1997 to 2004. Also, during the period 2001 to 2006 the additional districts in the programme are to be funded by World Bank, USAID, African Development Bank (ADB) and German Bank for International Development Aid in collaboration with GoK at a total cost of about KSh 4.0 billion.

Developments in Building and Construction Sector

12.20. **Housing:** The real estate industry contributes significantly to the development, expansion and improvement of human settlements. In this regard, the Department of Housing is to develop an appropriate mechanism that would facilitate the real estate industry to provide adequate housing that conforms to the required standards.

12.21. The formal sector is constrained in meeting demand for urban housing and hence a need for a visionary and comprehensive action. This has necessitated implementation of a housing policy on slum improvement to upgrade housing standards in informal settlements and slum areas. The ongoing Mathare 4A slum upgrading project has seen improvement of informal houses and infrastructure that includes provision of roads, street lights, wet cores, storm water drainage, sewer system and provision of clean drinking water.

12.22. To maintain affordable housing standards, the use of low cost building materials has been intensified through use of Stabilized Soil Block (SSB) and Fiber Concrete Roofing Tiles (FCR) to improve walling and roofing materials in both rural and urban areas. Also, in order to reduce overall construction cost the Pozzolana

Rice Husks cement, a technology developed by Housing and Building Research Institute (HABRI), University of Nairobi (UON) is being promoted.

12.23. **Roads:** The Kenya Roads Board was launched in July 2000 with the objective of reforming the road management system of the entire road network. As a result, the Roads Department would be responsible for class A, B, and C roads while the District Roads Committees would be in charge of class D, E and special purpose roads. The Kenya Roads Board has a majority representation from the private sector stakeholders. It has already embarked on staff recruitment for efficient operations. The board is responsible for disbursing and monitoring of the fuel levy funds. Other road development prospects includes developing a criteria to incorporate the private sector in road funding for rehabilitation and maintenance through Build Operate and Transfer (BOT) or Turn-key projects.

CHAPTER 13

TOURISM

Overview

The tourism sector continued to improve in 2000 albeit at a slower pace compared to 1999. International visitor arrivals recorded a growth of 6.9 per cent in 2000 compared to 8.4 per cent recorded in the previous year. In absolute terms, the country received 67,200 more tourists in 2000 though 31,100 of them were visitors on transit. Similarly, the growth in the number of departing visitors decelerated from 11.6 per cent in 1999 to 2.8 per cent in 2000. There was a significant improvement in hotel bed occupancy of 5.4 percentage points. The number of visitors to game parks as well as to the national museums and other historical sites picked up by 7.3 per cent and 2.1 per cent respectively in 2000 compared to 1999. However, foreign exchange receipts from the sector came down by 8.3 per cent from KSh 21,367 million realised in 1999 to KSh 19,593 million in 2000. The reduction in tourism receipts may be associated with decline in the overall average length of stay from 9.4 days in 1999 to 8.7 days in 2000. Generally, the year 2000 was a satisfactory tourist year as depicted by the above indicators.

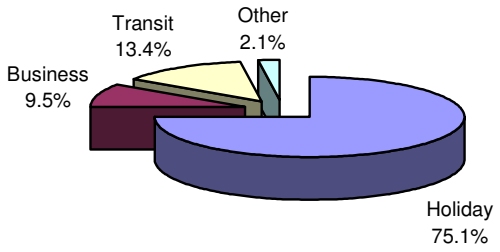
Arrivals and Departures

13.2. The number of arriving visitors went up by 6.9 per cent from 969.3 thousand recorded in 1999 to 1,036.5 thousand in 2000. This represents an increase of 67,200 tourists in absolute terms over the number recorded in 1999. This growth in the number of arriving visitors was due to an upsurge of arriving visitors on transit, coupled with an increase of 12.5 per cent in the number of arriving visitors through the Country's two main international airports of Jomo Kenyatta and Moi. There was an increase in the number of arriving visitors in all quarters of 2000 compared to 1999, with the highest increase of 14.7 per cent being registered in the fourth quarter. The third quarter had the lowest increase of 2.8 per cent. The continued recovery of the tourism industry in terms of visitor arrivals was probably attributed to the aggressive tourism promotion during the year 2000 by the various stakeholders particularly the Kenya Tourist Board and the Ministry of Tourism, Trade and Industry. Details of the number of arriving visitors by quarter and purpose are shown in Table 13.1.

13.3. All categories of arriving visitors picked up in 2000 compared to the previous year. The number of arriving visitors on transit rose substantially by 29.0 per cent from 107.4 thousand in 1999 to 138.5 thousand in 2000. This was due to an upsurge of arriving visitors on transit through Jomo Kenyatta airport and the border control point of Malaba. The bulk of arriving visitors to Kenya during the year were on holiday comprising of 75.1 per cent of total visitor arrivals. This represents a growth of 4.2 per cent from 746.9 thousand in 1999 to 778.2 thousand in 2000. Visitors on transit were 13.4 per cent of total visitor arrivals. Business visitors grew by 4.1 per cent from 94.4 thousand in 1999 to 98.3 thousand in 2000. This category of visitors

made up 9.5 per cent of all arriving visitors. Percentage share of visitors

Figure 13.1: Percentage share of visitor arrivals by purpose of visit, 2000



arrivals by purpose of visit during the year is presented in figure 13.1.

Table 13.1: QUARTERLY VISITOR ARRIVALS BY PURPOSE OF VISIT, 1996 - 2000

'000

Quarter	Purpose	1996	1997	1998	1999	2000*
1st Qr.	Holiday	213.8	233.6	192.9	193.8	194.5
	Business	27.0	29.5	24.4	24.5	24.6
	Transit	12.1	14.2	34.1	27.6	41.2
	Other	5.8	6.3	5.2	5.5	5.5
	TOTAL	258.7	283.6	256.6	251.4	265.8
2nd Qr.	Holiday	175.3	176.4	149.6	163.7	165.5
	Business	22.1	22.3	18.9	20.7	20.9
	Transit	12.0	15.5	20.6	24.4	33.0
	Other	4.8	4.8	4.1	4.5	4.6
	TOTAL	214.2	219.0	193.2	213.3	224.0
3rd Qr.	Holiday	212.1	210.0	175.8	207.7	211.1
	Business	26.8	26.5	22.2	26.2	26.6
	Transit	17.2	20.4	23.1	29.1	32.6
	Other	5.8	5.7	4.8	5.7	5.8
	TOTAL	261.9	262.6	225.9	268.7	276.1
4th Qr.	Holiday	219.6	184.8	168.6	181.7	207.1
	Business	27.8	23.4	21.3	23.0	26.2
	Transit	14.9	22.2	24.1	26.3	31.7
	Other	5.9	5.0	4.6	4.9	5.6
	TOTAL	268.2	235.4	218.6	235.9	270.6
Year	Holiday	820.8	804.8	686.9	746.9	778.2
	Business	103.7	101.7	86.8	94.4	98.3
	Transit	56.2	72.3	101.9	107.4	138.5
	Other	22.3	21.8	18.7	20.6	21.5
	TOTAL	1,003.0	1,000.6	894.3	969.3	1,036.5

* Provisional.

. Details on the number of departing visitors by purpose are shown in Table 13.2. The total number of departing visitors rose by 2.8 per cent in 2000 when compared to 1999 to stand at 995.2 thousand. The number of departing visitors rose by 5.0 per cent and 10.4 per cent during the first and fourth quarters from 252.9 thousand and 237.4 thousand in 1999 to 265.6 thousand and 262.0 thousand respectively in 2000. On the other hand, there were drops of 0.8 per cent and 3.3 per cent in total visitor departures during the second and third quarters from 214.1 thousand and 264.0 thousand to 212.3 thousand and 255.3 thousand respectively. Departing visitors who had come on holiday and business went up by 3.4 per cent and 3.5 per cent from

746.5 thousand and 93.7 thousand in 1999 to 772.2 thousand and 97.0 thousand respectively in 2000. However, there was a decline of 2.7 per cent in the number of departing visitors on transit from 106.4 thousand to 103.5 thousand over the same period.

Table 13.2: QUARTERLY VISITOR DEPARTURES BY PURPOSE OF VISIT, 1996 - 2000

'000

Quarter	Purpose	1996	1997	1998	1999	2000*
1st Qr.	Holiday	214.4	221.6	181.2	196.0	204.3
	Business	27.1	28.0	22.9	24.8	25.9
	Transit	17.1	11.8	26.4	26.5	29.6
	Other	5.8	6.0	4.9	5.6	5.8
	TOTAL	264.4	267.4	235.4	252.9	265.6
2nd Qr.	Holiday	183.7	158.8	152.8	165.5	164.3
	Business	23.2	20.1	19.3	20.9	20.7
	Transit	12.6	15.3	17.7	23.2	22.8
	Other	5.0	4.3	4.2	4.5	4.5
	TOTAL	224.5	198.5	194.0	214.1	212.3
3rd Qr.	Holiday	196.4	195.3	166.7	203.0	199.0
	Business	24.8	24.6	21.0	25.0	24.5
	Transit	15.3	20.0	24.0	29.4	25.3
	Other	5.3	5.3	4.5	6.6	6.5
	TOTAL	241.8	245.2	216.2	264.0	255.3
4th Qr.	Holiday	206.0	168.6	172.2	182.0	204.6
	Business	26.0	21.3	21.8	23.0	25.9
	Transit	12.5	19.1	23.8	27.3	25.8
	Other	5.6	4.6	4.7	5.1	5.7
	TOTAL	250.1	213.6	222.5	237.4	262.0
Year	Holiday	800.5	744.3	672.9	746.5	772.2
	Business	101.1	94.0	85.0	93.7	97.0
	Transit	57.5	66.2	91.9	106.4	103.5
	Other	21.7	20.2	18.3	21.8	22.5
	TOTAL	980.8	924.7	868.1	968.4	995.2

* Provisional.

13.5. The pattern of departing visitors by country of residence and purpose of visit in 2000 portrayed a similar trend to previous years as shown in Table 13.3. The number of departing visitors destined for Europe continued to dominate all other destinations, making up over 60 per cent of all departing visitors from Kenya. Holiday was the main purpose of visit for departing visitors destined for Europe. This category of departing visitors accounted for over 85 per cent of all departing visitors to Europe. The main country destinations in this continent were Germany and the United Kingdom who jointly accounted for 56.9 per cent of all departing visitors to Europe in 2000. The African region was the second most important destination of departing visitors accounting for about 15 per cent of all visitor departures with over half destined for the two East African countries of Uganda and Tanzania. However most departing visitors to Tanzania had come on holiday while most departing visitors to Uganda had come on business. The percentage share of departing visitors by region are shown in figure 13.2.

Figure 13.2: Percentage share of departing visitors by region of residence, 2000

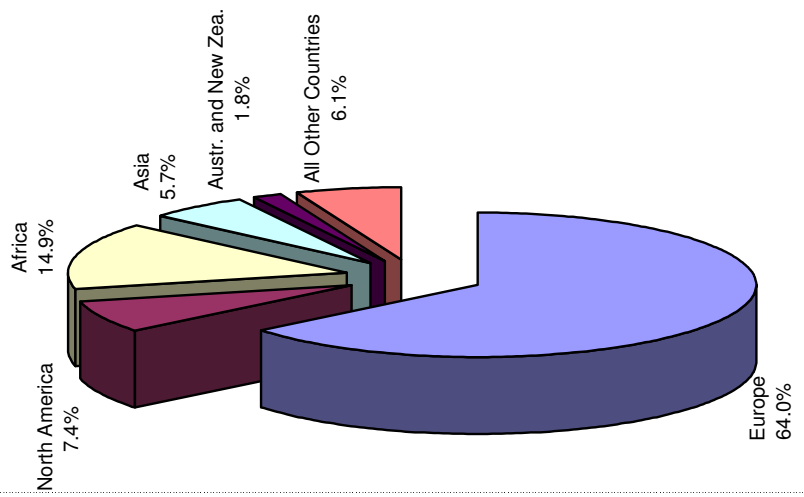


Table 13.3: DEPARTING VISITORS BY COUNTRY OF RESIDENCE AND PURPOSE OF VISIT, 1999- 2000

'000

	Holiday		Business		Transit		Total**	
Country of Residence	1999	2000	1999	2000	1999	2000	1999	2000*
Germany	180.8	187	4.3	4.5	15.2	14.8	200.3	206.3
United Kingdom	115.9	119.9	16.7	17.3	11.3	11	143.9	148.2
Switzerland	19.2	19.9	2.5	2.6	3.5	3.4	25.2	25.9
Italy	23.8	24.6	2.8	2.9	2.9	2.8	29.5	30.3
France	18.3	18.9	2.6	2.7	3.2	3.1	24.1	24.7
Scandinavia	15.6	16.1	2.1	2.2	2.8	2.7	20.5	21
Other Europe	142.7	147.6	3.2	3.3	15.8	15.4	161.7	166.3
TOTAL EUROPE	516.3	534.1	34.2	35.4	54.7	53.2	605.2	622.7
U.S.A.	43.2	44.7	4.9	5.1	4.4	4.3	52.5	54
Canada	13.7	14.2	1.8	1.9	2.3	2.2	17.8	18.3
TOTAL NORTH AMERICA ..	56.9	58.9	6.7	6.9	6.7	6.5	70.3	72.3
Uganda	13.8	14.3	20.5	21.2	4.5	4.4	38.8	39.9
Tanzania	24.4	25.2	5.5	5.7	12	11.7	41.9	42.6
Other Africa	29.8	30.8	16.9	17.5	14.7	14.3	61.4	62.6
TOTAL AFRICA	68	70.3	42.9	44.4	31.2	30.3	142.1	145.1
India	11.6	12	2.3	2.4	2.4	2.3	16.3	16.7
Japan	10.1	10.4	1.2	1.2	1.1	1.1	12.4	12.8
Israel	5.7	5.9	0.8	0.8	0.4	0.4	6.9	7.1
Other Asia	12.3	12.7	3.2	3.3	3.1	3	18.6	19.1
TOTAL ASIA	39.7	41.1	7.5	7.8	7	6.8	54.2	55.6
Australia and New Zealand	13.4	13.9	1.6	1.7	1.8	1.8	16.8	17.3
All Other Countries	52.2	54	0.8	0.8	5	4.9	58	59.7
TOTAL	746.5	772.2	93.7	97.0	106.4	103.5	946.6	972.7

* Provisional.

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

13.6. The total number of days stayed by departing visitors whose main purpose of visit was holiday, business or on transit declined by 4.8 per cent from 8,934.9 thousand days in 1999 to 8,507.4 thousand days in 2000. The number of days stayed by visitors who had come on holiday went down by 4.4 per cent from 7,754.6 thousand days in 1999 to 7,413.1 thousand days in 2000. During the same period there was a substantial drop of 40.3 per cent in the number of days stayed by departing visitors on transit from 468.2 thousand days to 279.5 thousand days. However, visitors who had come on

business spent 14.4 per cent more days from 712.1 thousand in 1999 to 814.8 thousand in 2000.The average length of stay for holiday and transit visitors declined by 7.7 per cent and 38.4 per cent respectively in 2000. On the other hand, the average length of stay for business visitors went up by 10.5 per cent. The above scenario resulted in a reduction of 9.6 per cent in the overall average length of stay from 9.4 days in 1999 to 8.7 days in 2000. These details are presented in Table 13.4.

Table 13.4: NUMBER OF DAYS STAYED* BY PURPOSE OF VISIT, 1996 - 2000

'000

Purpose	1996	1997	1998	1999	2000**
Holiday	12,087.6	9,603.0	7,132.7	7,754.6	7,413.1
Business	1,246.1	785.4	646.0	712.1	814.8
Transit	264.5	284.7	404.4	468.2	279.5
TOTAL	13,598.2	10,673.1	8,183.1	8,934.9	8,507.4
Average length of stay in days	14.2	11.8	9.8	9.4	8.7

* Excludes days stayed by "Other Visitors" Category.

** Provisional.

Hotel Occupancy

13.7 . The number of hotel bed-nights by country of residence are shown in Table 13.5. The number of hotel bed-nights went up by 25.0 per cent from 2,951.0 thousand in 1999 to 3,687.7 thousand in 2000. Bed capacity rose by 7.7 per cent from 8,711.4 thousand to 9,382.3 thousand, mainly due to internal re-organization of individual hotel establishments rather than new entrants into the hotel industry. This precipitated a rise of 5.4 percentage points in bed occupancy from 33.9 per cent in 1999 to 39.3 per cent in 2000. However, the hotel sub-sector is yet to recover to the level attained in 1996 in terms of bed capacity and the number of beds occupied. The growth in the overall number of bed-nights occupied was mainly attributed to the increased number of bed-nights occupied by residents of Europe particularly from Germany and the United Kingdom.

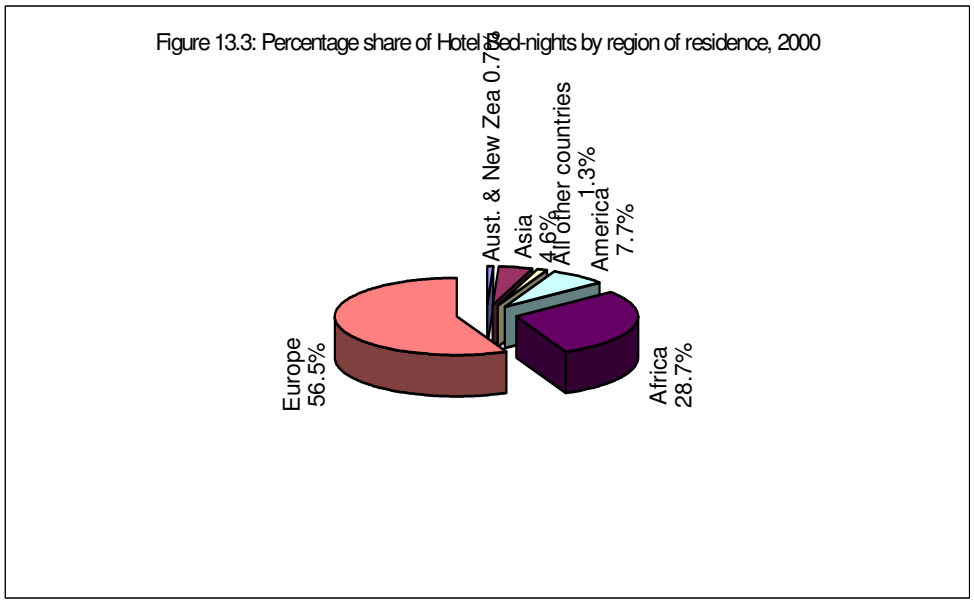


Table 13.5: HOTEL BED-NIGHTS BY COUNTRY OF RESIDENCE, 1996 - 2000

'000

Country Of Residence	1996	1997	1998	1999	2000*
Permanent Occupants**	41.8	28.3	11.6	15.2	20.4
Germany	1,275.6	1,135.1	418.8	536.1	605.1
Switzerland	301.9	272.6	129.8	164.0	174.8
United Kingdom	934.1	956.0	516.3	399.1	558.6
Italy	174.6	249.3	126.5	151.7	202.4
France	278.0	267.6	123.3	137.5	212.8
Scandinavia	135.4	152.1	54.1	50.6	69.9
Other Europe	360.9	321.9	145.6	190.7	259.3
EUROPE	3,460.5	3,354.6	1,514.4	1,629.7	2,082.9
Kenya Residents	782.6	776.8	696.9	653.8	794.1
Uganda	32.8	36.6	26.4	30.7	30.0
Tanzania	40.3	40.6	35.1	39.4	41.4
East and Central Africa ..	46.5	50.2	35.7	41.4	50.0
West Africa	18.3	21.7	13.5	18.8	22.6
North Africa	15.7	15.0	13.0	16.5	15.9
South Africa	32.3	43.6	36.8	36.4	38.7
Other Africa	69.5	64.4	41.1	50.9	65.5
AFRICA	1,038.0	1,048.9	898.5	887.9	1,058.2
U.S.A.	232.7	225.7	185.1	171.8	228.9
Canada	28.3	29.9	18.3	21.8	26.8
Other America	14.8	23.2	13.4	16.3	27.7
AMERICA	275.8	278.8	216.8	209.9	283.4
Japan	42.4	49.6	33.5	38.8	55.9
India	54.2	31.1	29.6	29.9	34.7
Middle East	45.3	34.6	48.4	46.9	50.5
Other Asia	37.7	26.2	17.8	17.0	27.2
ASIA	179.6	141.5	129.3	132.6	168.3
Australia and New Zealand	33.9	30.2	21.8	21.2	26.9
All Other Countries	31.6	28.0	20.6	54.5	47.7
TOTAL- OCCUPIED	5,061.2	4,910.3	2,813.0	2,951.0	3,687.8
TOTAL -AVAILABLE	11,354.5	9,516.6	7,975.7	8,711.4	9,382.3
Occupancy rate % ..	44.6	51.6	35.3	33.9	39.3

* Provisional.

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

13.8 . The number of bed-nights by residents of Europe continued to dominate with 56.5 per cent of all hotel bed-nights in the country. Hotel bed-nights by European residents went up by 27.8 per cent from 1,629.7 thousand in 1999 to 2,082.9 thousand in 2000. Over 50 per cent of all bed-nights by residents of Europe were by residents of Germany and the United Kingdom. The number of bed-nights by clients from Germany went up by 12.9 per cent from 536.1 thousand in 1999 to 605.0 thousand in 2000, while the number of bed-nights by residents of the United Kingdom went up by 40.0 per cent from 399.1 thousand to 558.6 thousand over the same period. Africa was the second most important source market for the hotel sub-sector. The number of hotel bed-nights by persons from this region grew by 19.2 per cent to stand at 1,058.2 thousand in 2000. However, three quarters of this number were by Kenya residents reflecting the importance of domestic tourism to the industry as a whole. America, with its huge potential source market, was the third largest contributor of bed-nights in Kenyan hotels. In 2000, the number of bed-nights by American clients went up significantly by 35.0 per cent from 209.9 thousand in 1999 to 283.4 thousand. Over 80 per cent of the bed-nights by residents of America in 2000 were by residents of the USA.

The percentage shares of hotel bed-nights by region of residence are shown in Figure 13.3.

13.9 . The warm beaches of the Kenyan coast coupled with the nearby wild life sanctuaries continued to attract most tourists coming to the country. In 2000, the number of bed-nights by tourists in hotels located along the coastal beach accounted for 56 per cent of all hotel bed-nights in the country. This number went up by 27.1 per cent from 1,625.2 thousand in 1999 to 2,065.2 thousand in 2000. However, this was less than that the numbers prior to the disturbances experienced at the coast in 1997. Hotels in Nairobi reported an increase of 16.9 per cent in bed-nights from 858.7 thousand in 1999 to 1,003.3 thousand in 2000. This was the second most preferred destination though most bed-nights in this zone were occupied by business visitors. All zones, with the exception of Nairobi "Other" and the Nyanza basin reported increases in the number of bed-nights in 2000. These details are shown in Table 13.6.

Figure 13.4: Percentage share of hotel bed-nights by area, 2000.

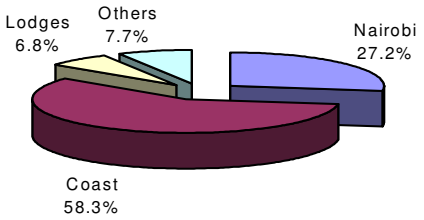


Table 13.6: HOTEL BED-NIGHTS BY ZONE, 1996- 2000

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Zone	1996	1997	1998	1999	2000*
Coastal-Beach	3,144.9	3,074.4	1,505.3	1,625.2	2,065.2
- Other	70.9	71.5	109.1	73.9	85.8
Coast Hinterland	114.2	59.0	43.9	48.7	76.3
Nairobi-High Class	774.1	801.5	655.6	685.5	836.1
-Other	313.0	311.8	178.0	173.2	167.2
Central	253.4	218.1	92.9	77.5	145.7
Masailand	237.1	215.0	85.2	84.3	141.5
Nyanza Basin	114.3	88.2	110.8	110.1	87.3
Western	33.0	64.3	27.3	69.2	72.4
Northern	6.3	6.5	4.9	3.4	10.3
TOTAL-OCCUPIED	5,061.2	4,910.3	2,813.0	2,951.0	3,687.8
TOTAL-AVAILABLE	11,354.5	9,516.6	7,975.7	8,711.4	9,382.3

* Provisional.

13.10. The number of bed-nights by area and country of residence are presented in Table 13.7. In 2000 the number of bed-nights in all the areas showed an upward trend. Occupied bed-nights in Nairobi went up by 16.8 per cent from 858.7 thousand in 1999 to 1,003.3 thousand in 2000 while bed-nights in coast went up by 26.6 per cent from 1,699.1 thousand to 2,151.0 thousand over the same period. The highest increase in the number of bed-nights in 2000 compared to the previous year was for lodges. Occupied bed-nights in these

establishments went up by over 70 per cent from 143.7 thousand to 250.1 thousand during the review period. Residents of Europe accounted for 74.6 per cent of all bed-nights at the coast in 2000 compared to 75.5 per cent observed in 1999. Residents of Germany

Table 13.7: HOTEL BED-NIGHTS BY AREA AND COUNTRY OF RESIDENCE, 2000*

'000

Country of Residence	Nairobi	Coast	Lodges	Others	Total
Permanent Occupants**	7.3	6.9	0.6	5.6	20.4
Germany	28.0	552.4	21.5	3.2	605.1
Switzerland	9.9	156.9	6.6	1.4	174.8
United Kingdom	99.2	388.5	55.2	15.7	558.6
Italy	22.1	167.7	10.7	1.9	202.4
France	30.6	158.0	21.8	2.4	212.8
Scandinavia	26.5	31.7	8.3	3.4	69.9
Other Europe	83.5	149.5	19.5	6.8	259.3
Kenya	216.4	344.1	22.9	210.7	794.1
Uganda	18.4	7.0	0.7	3.9	30.0
Tanzania	25.6	11.3	0.8	3.7	41.4
East and Central Africa	41.3	6.8	0.2	1.7	50.0
West Africa	18.6	2.8	0.5	0.7	22.6
North Africa	13.6	1.5	0.3	0.5	15.9
South Africa	30.0	6.9	0.6	1.2	38.7
Other Africa	49.9	13.6	1.1	0.9	65.5
U.S.A.	113.1	55.8	50.3	9.7	228.9
Canada	16.7	6.1	2.8	1.2	26.8
Other America	17.2	6.7	2.6	1.2	27.7
Japan	42.2	5.0	6.6	2.1	55.9
India	18.0	12.6	2.6	1.5	34.7
Middle East	30.4	13.6	5.2	1.3	50.5
Other Asia	17.7	6.0	2.6	0.9	27.2
Australia and New Zealand	18.4	4.0	3.8	0.7	26.9
All Other Countries	8.7	35.6	2.3	1.1	47.7
TOTAL	1,003.3	2,151.0	250.1	283.4	3,687.8
PERCENTAGE SHARE	27.2	58.3	6.8	7.7	100.0

* Provisional.

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

and the United Kingdom accounted for 91.3 and 69.5 per cent respectively of their bed-nights at the coast in 2000. Close to 50 per cent of all bed-nights by residents of the USA were in Nairobi. Residents of Kenya were the largest source of bed-nights for both Nairobi and 'Others'. The number of bed-nights occupied in coast were 58.3 per cent of all bed-nights while Nairobi accounted for 27.2 per cent. Lodges and other areas accounted for 6.8 per cent and 7.7 per cent respectively. Figure 13.4 shows the percentage shares of hotel bed-nights by area.

13.11. In 2000, there was a sharp rise of 74.0 per cent in the number of occupied bed-nights in game lodges from 143.7 thousand in 1999 to 250.1 thousand in 2000 as shown in Table 13.8. This dramatic rise was attributed to two factors. First, there was a big increase in the overall number of occupied bed-nights by residents of the United Kingdom whose main preference is game safaris. Second, there was increased activity in terms of

Table 13.8: GAME LODGES* OCCUPANCY, 1998 - 2000

'000

Lodge locality/Type	BED-NIGHTS OCCUPIED					
	Foreign Residents			E.A. Residents		
	1998	1999	2000**	1998	1999	2000**
Game Reserves	77.7	74.4	126.2	16.2	6.1	14.0
National Parks	61.3	58.7	99.5	11.8	4.5	10.4
TOTAL	139.0	133.1	225.7	28.0	10.6	24.4
Of which full catering -	121.3	116.2	197.0	22.0	8.3	19.1
Self Service -	17.7	16.9	28.7	6.0	2.3	5.3

* Lodges in National Parks and Game Reserves only.

** Provisional.

the number of visitors to the game parks particularly to Tsavo East and Tsavo West where most of these establishments are located. The number of bed-nights by foreign residents went up by 69.6 per cent while the number of bed-nights by East African residents more than doubled. Most visitors continued to prefer full catering to self-service.

Other Tourist Attractions

13.12. The growth in the number of visitors to the game parks and game reserves that was observed in 1999 slowed down in 2000 as shown in Table 13.9. Visitors to these attractions recorded a growth of 7.3 per cent from 1,533.4 in 1999 to 1,644.9 in 2000 compared to a growth of 42.1 per cent for the previous review period. The number of visitors to the seven major parks increased by 7.0 per cent from 1,019.8 thousand in 1999 to 1,091.1 thousand in 2000. Among the major parks which registered growth in the number of visitors during the period were Animal Orphanage, Amboseli, Tsavo East, Tsavo West and Masai Mara with 13.2 per cent, 21.4 per cent, 11.9 per cent, 28.9 per cent and 13.2 per cent respectively. Over the same period there were significant drops in the number of visitors to Nairobi, Mount Kenya and Bamburi parks. The three marine parks at Mombasa, Malindi and Watamu recorded a combined modest increase of 1.7 per cent from 100.8 thousand visitors in 1999 to 102.5 thousand in 2000. However, this includes a fall of 30 per cent in the number of visitors to Watamu from 40.8 thousand visitors in 1999 to 28.4 thousand in 2000.

Table 13.9: NUMBER OF VISITORS TO PARKS AND GAME RESERVES, 1996 - 2000

'000

	1996	1997	1998	1999	2000*
Nairobi	158.3	149.6	122.3	139.2	130.3
Animal Orphanage ..	210.6	193.7	164.8	235.1	266.1
Amboseli	109.1	117.2	62.9	77.0	93.5
Tsavo (West)	93.6	88.6	54.9	61.0	78.6
Tsavo (East)	137.5	123.2	66.9	111.6	124.9
Aberdare	60.2	59.0	47.9	44.2	44.9
Lake Nakuru	156.9	132.1	111.0	189.1	193.3
Masai Mara	130.3	118.3	100.4	171.0	193.5
Bamburi Nature Park	107.0	86.8	77.9	96.4	92.6
Malindi Marine	39.3	27.0	13.7	23.9	35.7
Lake Bogoria	14.2	24.5	20.6	53.0	56.1
Meru	7.8	4.1	1.8	3.5	6.0
Shimba Hills	23.4	22.5	16.8	17.7	20.5
Mount Kenya	17.1	14.8	10.2	22.7	11.5
Samburu	9.1	8.3	7.0	7.0	8.2
Kisite/Mpunguti.. ..	39.9	35.1	29.2	34.2	37.9
Mombasa Marine	21.7	15.2	16.2	36.1	38.4
Watamu Marine	20.2	19.4	18.3	40.8	28.4
Hell's Gate	52.1	47.2	57.1	72.7	74.0
Impala Sanctuary (Kisumu)	65.6	62.4	65.6	77.4	90.4
Other**	14.8	15.5	13.9	19.8	20.1
TOTAL	1,488.7	1,364.5	1,079.4	1,533.4	1,644.9

* Provisional

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

13.13. Table 13.10 shows the number of visitors to museums, snake park and other historical sites. A total of 585.1 thousand visitors was recorded at these attractions compared to 573.1 thousand in 1999, representing an increase of 2.1 per cent. Increases of 7.4 per cent, 4.8 per cent and 5.2 per cent in the number of visitors were recorded for the National Museum (Main

Gate), Snake Park and Karen Blixen museum respectively in 2000 compared to 1999. Similarly, there were increases of 4.8 per cent, 24.9 per cent and 9.0 per cent recorded for Kisumu, Kitale and Lamu respectively from 45.9 thousand, 22.5 thousand and 6.7 thousand in 1999 to 48.1 thousand, 28.1 thousand and 7.3 thousand in 2000. Visitors to Fort Jesus, Gedi, Jumba La Mtwala and Kilifi Mwarani declined by 10.5 per cent, 20.1 per cent, 7.3 percent and 73.5 per cent respectively in 2000.

Table 13.10: VISITORS TO MUSEUMS, SNAKE PARK AND SITES, 1996 - 2000

'000

	1996	1997	1998	1999	2000*
National Museum: (Main Gate)	218.0	184.5	173.4	196.4	210.9
National Museum: (Snake Park)	170.6	148.6	75.9	81.1	85.0
Fort Jesus	180.2	124.4	88.9	107.8	96.5
Kisumu Museum	49.5	18.2	34.7	45.9	48.1
Kitale Museum	29.0	16.1	27.3	22.5	28.1
Gedi	29.6	29.7	14.8	27.3	21.8
Meru Museum	12.4	9.4	15.8	16.6	18.1
Lamu	12.2	8.6	6.2	6.7	7.3
Jumba la Mtwala	8.5	4.9	4.0	5.5	5.1
Olorgessaile	..	2.2	1.9	2.2	2.4
Kariandusi	2.3	0.7	4.5	5.2	5.0
Hyrax Hills	1.9	1.5	2.8	2.5	3.3
Karen Blixen	43.7	38.6	41.1	50.0	52.6
Kilifi Mwarani	0.9	0.7	2.9	3.4	0.9
TOTAL	758.8	588.1	494.2	573.1	585.1

* Provisional.

Conference Tourism

13.14. The number of conferences reported to have been held in 2000 went down in absolute terms from 1,213 in 1999 to 1,142. However, the average number of conferences per establishment went up from 33 in 1999 to 36 in 2000. The average capacity in terms of delegate days available went up from 129,626 reported for the previous year to 130,387 for the current year. There was an improvement in capacity utilization in 2000 for both local and international conferences which stood at 7.7 per cent and 4.5 per cent respectively from 2.6 per cent and 2.7 per cent in 1999. These details are depicted in Table 13.11.

Table 13.11 REPORTED CONFERENCES, 1999-2000

	1999		2000	
	Local	International	Local	International
Number of conferences	1,021	192	980	162
Number of delegates	41,004	27,800	65,329	36,810
Number of delegate days	119,631	126,371	312,655	66,404
Number of delegate days available	4,666,525		4,042,010	
Percentage Occupancy	2.6	2.7	7.7	4.5

13.15. There has been renewed activity in terms of the number of international conferences held at the Kenyatta International Conference Centre (KICC) in 2000 as shown in Table 13.12. The number of conferences went up from 10 held in 1999 to 19 held in 2000. Similarly, the number of conference days rose from 39 in 1999 to 67 in 2000. The number of delegates attending these conferences also went up from 20,750 to 27,880. This scenario resulted in an improved occupancy rate of 18.4 per cent for the year 2000 compared to an occupancy rate of 10.7 per cent for 1999.

Table 13.12: CONFERENCES HELD AT KENYATTA INTERNATIONAL CONFERENCE CENTRE, 1996 - 2000*

	1996	1997	1998	1999	2000*
Number of conferences	8	1	7	10	19
Number of conferences days	24	3	26	39	67
Attendance (Number of Delegates)**	5,660	250	13,100	20,750	27,880
Percentage of occupancy	6.6	0.8	7.1	10.7	18.4

* Provisional.

** International conferences/delegates only.

Tourism Promotion

13.16. In 2000, there was renewed vigour in tourism promotion by a number of stake holders in the tourism industry led by the Kenya Tourist Board (KTB) and the Ministry of Tourism, Trade and Industry. These were involved in the promotion of Kenya as a good tourist destination. In this regard the country actively participated in a number of travel fairs in Europe, USA, India, Russia and South Africa, which were co-ordinated by the KTB.

13.17. The tourism industry continues to depend highly on trained personnel from the Kenya Utalii College. This institution is responsible for training both middle and high level manpower. By the end of 2000 the college had trained a total of 23,617 graduates. In 2000, a total of 1,180 candidates were trained out of whom 294 candidates took professional courses while 886 were in-service candidates. This category of graduates declined from 1,061 trained in 1999 to 886 in 2000. These details are shown in Table 13.13.

Table 13.13: KENYA UTALII COLLEGE GRADUATES, 1996 - 2000

	In-Service	Professional			Grand Total
		Ordinary	Advanced	Total	
1996	1,104	411	32	443	1,547
1997	1,082	360	33	393	1,475
1998	1,322	302	32	334	1,656
1999	1,061	307	31	338	1,399
2000	886	270	24	294	1,180

Source: Kenya Utalii College.

CHAPTER 14

TRANSPORT, STORAGE AND COMMUNICATIONS

Overview

The transport, storage and communications sector recorded improved economic performance in 2000. Total value of output from the sector rose by 14.2 per cent during the period under review, which was slightly higher than the 11.3 per cent increase attained in 1999. Total number of newly registered vehicles during the period declined significantly by 27.4 per cent to 20,236 from 27,892 vehicles registered in 1999. This was mainly due to introduction of anti-dumping tax on imported second-hand motor vehicles, which are more than 8 years old. Issuance of licenses for carriage of passengers and goods registered a significant rise of 33.0 per cent in 2000 as a result of aggressive enforcement of the Transport Licensing Act. The volume of railway freight traffic transported rose by 9.1 per cent as a result of increased volume of transit goods to neighbouring countries, while rail passenger journeys undertaken fell by 10.6 per cent in 2000. The volume of export freight handled at the harbours declined by 11.7 per cent during the year while the volume of imports recorded a rise of 11.9 per cent.

14.2. The volume of white petroleum products pumped by the Kenya Pipeline Company during the period under review declined except for an increase of 11.8 per cent in diesel oil. The increase was attributable to the rise in demand for thermal generation of electricity during the year following the prolonged drought. Commercial traffic at the two main airports of Jomo Kenyatta (Nairobi) and Moi (Mombasa) Internationals Airports recorded substantial rises during the year with passenger arrivals and departures rising by 11.1 per cent and 13.0 per cent respectively, over the 1999 levels. The total volume of cargo and mail traffic by air recorded an increase of 11.3 per cent over the same period.

14.3. Key indicators of the postal and telecommunication services reveal that a total of 51 post offices were closed down as they were deemed uneconomical to operate while the telephone exchange capacity grew by 5.7 per cent in 2000. There was also an overwhelming subscription for mobile telephone service during the year following the commissioning of a second private mobile telephone service provider. A total of 85,000 mobile telephone subscribers had opened accounts. The number of new radio and TV sets sold and licensed rose marginally by 4.3 per cent and 7.6 per cent respectively. The average circulation of local newspapers recorded modest increases during the period under review.

Overall Results

14.4. Table 14.1 presents details of the total value of output at market prices from the transport and communications sector. Performance of the communications sub-sector continued to grow and realised a 17.2 per cent increase in the value of output from KSh 24,028.0 million in 1999 to KSh 28,166.0 million in 2000. The expansion of the sector was mainly due to the liberalisation of the airwaves, which made it possible for opening of private radio and television broadcasting stations. Further, positive gains have accrued to the sub-sector as a result of re-organising the now defunct Kenya Posts & Telecommunications Corporation (KP&TC), licensing of private courier and telecommunications service providers and use of new communication technology such as the Internet. Other sub-sectors that increased their value of output during the year included air transport, railway transport and

pipeline transport with growths of 15.1 per cent, 14.4 per cent and 3.0 per cent respectively. Value of output from the road transport sub-sector recorded an increase of 15.9 per cent in 2000 mainly due to increased transportation of relief cargo within and beyond the country. Growth in this sub-sector has in the recent past been constrained by the high operating costs due to the poor state of roads. However, the situation is expected to reverse once the exercise of rehabilitating major roads in the country is concluded.

Table 14.1: Transport and Communications - value of output, 1996 - 2000

KSh million

	1996	1997	1998	1999	2000*
Road Transport	18,528.0	18,994.0	17,414.0	18,552.0	21,503.0
Railway Transport**	3,672.0	3,000.0	4,096.0	5,206.0	5,954.0
Water Transport	7,346.0	7,868.0	7,784.0	7,432.0	7,608.0
Air Transport	10,812.0	11,858.0	14,026.0	20,002.0	23,025.0
Services Incidental to Transport	3,622.0	4,964.0	4,036.0	3,274.0	3,750.0
Pipeline Transport	4,614.0	4,802.0	5,282.0	5,728.0	6,194.0
Communications	19,922.0	21,304.0	23,012.0	24,028.0	28,166.0
TOTAL	68,516.0	72,790.0	75,650.0	84,222.0	96,200.0

* Provisional.

** Includes other revenue

14.5. Table 14.2 presents analysis of the earnings for the road and railway transport industry. Total earnings from road and rail sub-sectors rose by 15.2 per cent to stand at KSh 26,904.8 million in 2000 from KSh 23,354.3 million in 1999. Earnings from passenger traffic by road increased by only 2.6 per cent from KSh 9,764.0 million in 1999 to KSh 10,026.0 million in 2000. However, earnings accruing from the passenger traffic by rail declined significantly by 21.2 per cent from KSh 288.0 million in 1999 to KSh 227.0 million in 2000. Earnings from transportation of freight traffic by both road and rail increased by a significant 25.2 per cent from KSh 13,302.3 million in 1999 to KSh 16,651.8 million in 2000.

Table 14.2: Earnings from road and rail traffic, 1996 - 2000

KSh Million

	1996	1997	1998	1999	2000*
Passenger Traffic:					
Road	10,540.0	9,994.0	9,494.0	9,764.0	10,026.0
Rail	298.0	292.0	268.0	288.0	227.0
Total	10,838.0	10,286.0	9,762.0	10,052.0	10,253.0
Freight Traffic:					
Road	7,988.0	9,000.0	7,920.0	8,788.0	11,477.0
Rail	3,134.0	2,478.0	3,154.0	4,514.3	5,174.8
Total	11,122.0	11,478.0	11,074.0	13,302.3	16,651.8
Total Road Traffic	18,528.0	18,994.0	17,414.0	18,552.0	21,503.0
Total Rail Traffic	3,432.0	2,770.0	3,422.0	4,802.3	5,401.8
Total (Road and Rail)	21,960.0	21,764.0	20,836.0	23,354.3	26,904.8

* Provisional.

Road Transport

14.6. Table 14.3 presents details of the number of newly registered motor vehicles. Total number of newly registered vehicles declined significantly by 27.4 per cent from 27,892 in 1999 to 20,236 vehicles in 2000. The decline in vehicle registration is associated with the general economic slump experienced in the country during the year and introduction of anti- dumping tax by the

Government on imported second-hand vehicles that are more than 8 years old.

Table 14.3: New registration of road vehicles, 1996 - 2000

Number

Type of Vehicle	1996	1997	1998	1999	2000*
Saloon Cars	8,625	8,995	11,126	8,917	6,510
Station Wagons	4,069	4,259	5,175	4,251	2,971
Panel Vans, Pick-ups, etc.	7,711	7,544	7,295	6,984	4,311
Lorries/Trucks	2,222	2,732	2,578	2,087	1,690
Buses and Coaches	888	931	887	866	779
Mini Buses	946	927	874	872	596
Special Purposes Vehicles	38	35	25	29	23
Trailers	674	680	539	567	450
Rollers, Graders, Cranes	104	102	63	70	78
Wheeled Tractors	1,047	1,263	1,160	1,112	977
Crawler Tractors	9	6	5	6	7
Motor and Auto Cycles	2,328	2,415	1,986	2,127	1,841
Three Wheelers	3	4	5	4	3
Total	28,664	29,893	31,718	27,892	20,236

* Provisional.

14.7. Table 14.4 presents details of the number of licenses issued by the Transport Licensing Board (TLB) to freight and passenger transport vehicles. The number of licenses issued in 2000 went up by 33.0 per cent. This increase was attributable to the aggressive enforcement of the Transport Licensing Act and inclusion of freight transport vehicles that were previously not required to have such licenses.

Table 14.4: Licences issued for freight and passenger transport vehicles,1996 - 2000

Number

	1996	1997	1998	1999	2000*
PSV Matatus	24,470	21,662	24,334	28,805	30,675
PSV Buses and Tourist Vehicles	2,042	1,996	1,952	3,359	4,673
Freight Transport Vehicles	6,517	9,031	7,157	7,706	17,697
Total	33,029	32,689	33,443	39,870	53,045

* Provisional.

14.8. Licenses issued to operators of passenger service vehicles (PSV) rose by 6.5 per cent from 28,805 in 1999 to 30,675 in 2000. Licenses issued to operators of buses and tourist vehicles increased by a significant 39.1 per cent from 3,359 in 1999 to 4,673 in 2000. Issuance of TLB licenses to freight transport vehicles more than doubled during the year to stand at 17,697 from 7,706 licenses issued in 1999.

Railway Transport

14.9. Performance indicators for railway traffic are presented in Table 14.5. Railway freight service recorded improved performance in 2000, while the passenger service remained depressed. A total of 2,400 thousand tonnes of freight were ferried along the railway network during the year compared to 2,200 thousand tonnes in 1999, representing a 9.1 per cent increase. Kenya Railway Corporation earned a total of KSh 5.2 billion through transportation of freight during the year against KSh 4.5 billion earned in 1999. The rise in the volume of cargo transported is associated with the major increase in the volume of cargo destined to Uganda, Northern Tanzania and the Great Lakes Region. It has now become possible for Kenya Railways to transport cargo much faster through the use of block trains. This

has reduced the transit time for transporting goods to the neighbouring countries from 28 days to 4 days. Domestic cargo transport is growing very slowly due to market fragmentation and the stiff competition from road hauliers.

Table 14.5: Railway traffic, 1996 - 2000

	Unit	1996	1997	1998	1999	2000*
Freight:						
Tonnes	'000	1,826.5	1,620.6	1,688.0	2,200.0	2,400.0
Tonne-km	million	1,218.8	1,068.2	1,111.0	1,491.6	1,556.9
Revenue	Kshs. mill.	3,134.0	2,478.0	3,154.0	4,514.3	5,174.8
Revenue per tonne-Km ..	cts	257.1	232.0	283.9	302.6	332.4
Passenger:						
Journeys	'000	2,379.0	1,981.0	2,843.0	4,700.0	4,200.0
Passenger-Km	million	371.0	393.0	432.0	306.2	302.0
Revenue	Kshs. mill.	298.0	292.0	268.0	287.5	227.0
Revenue per passenger-Km.	cts	80.3	74.3	62.0	93.9	75.2

* Provisional.

14.10. Passenger journeys made during the year declined by 10.6 per cent to 4.2 million journeys against 4.7 million made in 1999. Correspondingly, the revenue accruing from passenger transport fell by 21.0 per cent from KSh 287.5 million in 1999 to KSh 227.0 million in 2000. The reduction in the passenger transport business is attributed to slower rail movement. Passenger transport by road has proved both faster and more dependable and therefore has become the preferred mode of transport.

Harbours and Shipping

14.11. Details of the volume of imports and exports of cargo through Mombasa harbour are contained in Table 14.6. Total exports of dry cargo and bulk liquids declined by 11.7 per cent from 1,843 thousand tonnes handled in 1999 to 1,628 thousand tonnes in 2000. However, imports of dry cargo and bulk liquids increased by 11.9 per cent from 6,441 thousand tonnes in 1999 to 7,208 thousand tonnes in 2000. Total volume of freight handled at the port during the year increased by 6.7 per cent to 8,837 thousand tonnes from 8,284 thousand tonnes in 1999.

Table 14.6: Freight handled at Mombasa Harbour, 1996 - 2000

'000 Tonnes

	1996	1997	1998	1999	2000*
Loaded:					
Dry Cargo	2,103	1,647	1,755	1,607	1,523
Bulk Liquids	273	183	162	236	105
Total	2,376	1,830	1,917	1,843	1,628
Landed:					
Dry Cargo	3,538	5,096	4,242	3,667	3,704
Bulk Liquids	2,780	1,516	2,400	2,774	3,505
Total	6,318	6,612	6,642	6,441	7,209
Total Freight Handled	8,694	8,442	8,559	8,284	8,837

* Provisional.

Pipeline Transport

14.12. The economic slump experienced in the country during 2000 impacted negatively on the volume of white petroleum products pumped by the Kenya Pipeline Company (KPC). Table 14.7 presents details of throughput of white petroleum products. Total throughput of petroleum products transported along the pipeline network during the year remained at the 1999 levels. However, all products pumped during the year declined by varying margins except light diesel oil, that increased by 11.8 per cent to 980.7 thousand cubic metres in 2000. Increased uplift of diesel oil was triggered by higher demand on thermal electric power generation to augment the nation's power demand.

Table 14.7: Pipeline throughput of white petroleum products, 1996 - 2000

'000 Cubic Metres

Year	Motor Spirit Premium	Motor Spirit Regular	Kerosene Illumin-ating Oil	Light Diesel Oil	Jet Fuel	Total
1996	512.6	187.4	303.0	766.9	607.0	2,376.9
1997	587.0	183.8	319.2	790.5	594.4	2,474.9
1998	615.0	185.6	373.0	821.5	579.8	2,574.9
1999	631.0	192.4	443.5	876.9	639.4	2,783.2
2000*	598.6	184.2	397.8	980.7	622.0	2,783.3

14.13. Despite the stagnation in the product uplift, the revenue base for KPC continued to expand, although this expansion was constrained by the weakening of the Kenya Shilling against the US dollar. The operating costs for KPC declined significantly during the year as a result of reduced maintenance costs and austere financial management measures. Plans are underway for KPC to embark on a programme which will include expanding its capacity to
satisfy the future demand for supply of petroleum products in the East and Central Africa region and also strengthen its competitiveness over other modes of transport and routes.

Air Transport

14.14. Details of the commercial traffic at the two major airports namely, Jomo Kenyatta International Airport (Nairobi) and Moi International Airport (Mombasa), are presented in Table 14.8. Passenger traffic through the two airports rose significantly by 12.2 per cent from 3,557.7 thousand persons in 1999 to 3,990.0 thousand persons in 2000. This is a consequence of rejuvenated tourists visitor arrivals and departures. A 13.6 per cent rise on the total number of passengers in transit at the two main airports was recorded during 2000. The volume of cargo and mail recorded 11.3 per cent growth from 130.6 thousand tonnes handled in 1999 to 145.4 thousand tonnes in 2000. The volume of cargo exported increased by 8.0 per cent from 95.4 thousand tonnes in 1999 to 103.0 thousand tonnes in 2000. This was mainly due to increased exports of fresh produce and cut flowers to foreign markets.

Table 14.8: Commercial traffic at Jomo Kenyatta and Moi International airports, 1996 - 2000

	1996	1997	1998	1999	2000*
Passengers- '000					
Landed	1,137.2	1,259.6	1,312.0	1,664.4	1,848.4
Embarked	1,158.0	1,275.1	1,306.4	1,628.8	1,841.2
In Transit**	395.8	300.5	255.0	264.5	300.4
Total	2,691.0	2,835.2	2,873.4	3,557.7	3,990.0
Freight - '000 tonnes:					
Cargo: Landed	23.8	23.9	24.0	32.5	39.4
Loaded	40.2	41.7	37.4	95.4	103.0
Mail: Landed	1.0	1.1	1.0	1.9	2.1
Loaded	0.5	0.5	0.5	0.8	0.9
Total	65.5	67.2	62.9	130.6	145.4

* Provisional.

** Passengers in transit are those continuing their journey in the same aircraft.

Postal and Telecommunications Services

14.15. Performance indicators for the postal and telecommunications network and traffic services are presented in Table 14.9. The overall number of post offices available in the country registered a 5.4 per cent decline from 941 in 1999 to 890 in 2000, as a result of continued closure of Sub-Post Offices that are deemed uneconomical to operate. However, the number of Head and Departmental Post Offices increased by one each during the year. A record 12.2 per cent increase in the number of private letterboxes available in the county was attained during 2000. The number of boxes went up from 345 thousand in 1999 to 387 thousand in 2000, mainly due to 29,060 boxes installed at the newly completed TelePosta Towers building in Nairobi. Total number of registered and insured items posted during the period under review remained at the 1999 levels. Significant declines of 33.3 per cent and 8.1 per cent were recorded for the total number of correspondence and parcels handled in 2000. The decline is attributed to the emerging stiff competition from private courier service providers against the public owned Postal Corporation of Kenya.

Table 14.9: Postal and telecommunication services, 1996 - 2000

	Unit	1996	1997	1998	1999	2000*
Post Offices	No	1,062	1,034	1,033	941	890
Private Letter Boxes	'000	318	326	340	345	387
Registered and Insured Items Posted	million	2.5	2.1	2.1	2.2	2.2
Total correspondence handled	million	506	431	409	153	102
Parcels handled	'000	290	263	175	161	148
Telephone Exchange connections	'000	261	272	280	296	313
Public Call boxes	No.	5,932	6,309	7,263	8,397	8,938
Card Phones	No.	48	49	212	876	1,061
Mobile Telephone	No.('000)	3	5	9	15	85
Manual Telephone Calls made	million	4.8	4.6	3.7	3.5	3.7
Telex Subscribers	'000	1.4	1.2	1.1	1.0	1.0
Money Orders	No.(million)	1.6	1.7	1.8	1.7	1.8
Postal Orders	No.('000)	48	77	71	68	32

* Provisional.

14.16. A 5.7 per cent growth in the available number of telephone exchange connections was recorded in 2000, with 296 thousand connections in 1999 to 313 thousand in 2000. Total number of available public call boxes and card phones

increased by 6.4 and 21.1 per cent respectively during the year. There was an overwhelming subscription for mobile telephone services during the year after of commissioning of a second private mobile telephone service provider. This triggered a significant reduction of connection and utility tariffs thereby allowing more people to subscribe to the service.

14.17. Indicators of the external telecommunications traffic show that all services recorded reduction in activity in 2000 except for outgoing and incoming telephone services that recorded marginal increases. Details of the external telecommunications traffic are presented in Table 14.10.

Table 14.10: External telecommunications traffic, 1996 - 2000

	1996	1997	1998	1999	2000*
Telephone service-million paid minutes					
Outgoing	26.2	29.0	29.2	29.2	30.6
Incoming	57.6	69.5	71.5	67.1	70.4
Telex service-million paid minutes					
Outgoing	0.5	0.3	0.2	0.1	0.1
Incoming	0.5	0.4	0.3	0.4	0.3
Telegraph service-million paid words					
Outgoing	0.1	0.2	0.1	0.1	0.1
Incoming	0.2	0.2	0.2	0.2	0.1
Bureau fax outgoing					
Documents	18,250.0	13,593.0	6,191.0	10,271.0	5,506.0
Pages	21,326.0	16,671.0	7,621.0	13,140.0	7,189.0
Bureau fax incoming					
Documents	4,001.0	3,169.0	2,276.0	2,304.0	1,517.0
Pages	7,154.0	5,941.0	4,062.0	3,852.0	2,480.0

* Provisional.

The duration in minutes for paid outgoing telephone service increased by 4.8 per cent from 29.2 million in 1999 to 30.6 million in 2000. Similarly, the duration in minutes for the incoming telephone calls rose by 4.9 per cent to 70.4 million in 2000 from 67.1 million in 1999. Sending and receiving electronic mails through the Internet has significantly reduced use of telegraph and fax services during the period under review. A total of 30 Internet Service Providers are currently licensed to operate in Kenya. Despite the encouraging performance of the telecommunications sub-sector, there were a number of factors that inhibited achievement of the network targets as spelt out by the Communications Commission of Kenya (CCK). Chief among these were inadequate capital for investment in modern infrastructure necessary for network expansion, frequent vandalism of equipment and shortage of material especially for the line plant. The privatisation of Telkom (K) Ltd, through sale of 49 per cent of the Government shares in the company has not been concluded.

Information and Mass Media

14.18. Table 14.11 presents details of the number of new radio and TV sets sold and licensed. A total of 99,200 radios were sold and licensed in 2000 compared to 95,100 radios sold and licensed in 1999, which represented a 4.3 per cent increase. New TV sets sold and licensed in 2000 increased by 7.6 per cent to 38,100 from 35,400 sets sold and licensed in 1999. The table presents the number of new radios and TV sets sold and a valid permit issued as required by the law. Sales of such equipment without issuing permits are, therefore excluded.

Table 14.11: New Radios and T.V. Sets sold and licensed, 1996 - 2000

Number

	1996	1997	1998	1999	2000*
Radios - '000	163.1	172.1	74.6	95.1	99.2
Television Sets - '000.	35.8	44.3	28.4	35.4	38.1

* Provisional.

14.19. Table 14.12 presents the average number of daily and weekly local newspaper circulation copies. The average number has been rising steadily due to introduction of new newspapers in the market. There was a 3.4 per cent increase in the number of morning English newspapers from 262.5 thousand copies in 1999 to 271.6 thousand copies in 2000. The number of morning Swahili newspapers copies edged up by 6.1 per cent from 36.0 thousand copies in 1999 to 38.2 thousand copies in 2000. In the other category of newspapers, English weeklies rose by 3.0 per cent from 540.1 thousand copies in 1999 to 556.1 thousand copies in 2000. Average circulation of weekly Swahili newspapers rose by 3.9 per cent from 43.6 thousand copies in 1999 to 45.3 thousand copies in 2000.

Table 14.12: Daily/weekly average local newspaper circulation, 1996 - 2000

'000 Copies

	1996	1997	1998	1999	2000*
Morning Newspapers-					
English	231.5	263.3	257.1	262.5	271.6
Swahili	31.6	36.2	35.0	36.0	38.2
Other Newspapers-					
English Weeklies	506.4	582.1	528.6	540.1	556.1
Swahili	40.5	44.1	42.0	43.6	45.3

* Provisional.

CHAPTER 15

URBAN HOUSEHOLD EXPENDITURE PATTERNS

Introduction

This chapter presents the urban household expenditure patterns collected in the course of a detailed Urban Household Budget Survey (UHBS) carried out in 1993/94. The survey was carried out in 57 urban centres (centres with a population of 10,000 or more persons and all district headquarters irrespective of their population size) and covered about 4,800 households randomly selected from 236 urban clusters. The survey was spread over a period of one year so as to eliminate seasonal variations, and was conducted in four cycles - with households in each cluster being grouped into three panels so as to moderate respondent fatigue. The overall response rate was 63 per cent.

15.2. The 1993/94 UHBS solicited data on household demographic characteristics and expenditures. In addition it collected data on incomes, housing condition and educational characteristics of household members as well as employment profiles. The main objectives of the survey were to provide information for use in updating some components of the consumer price indices. It also provided information on the patterns of expenditure and income distribution of different socio-economic groups, living conditions profiles for the urban population and data on final household consumption for updating the National Accounts aggregates of the household sector.

Household Expenditures

15.3. Household expenditures are categorised into consumption and non-consumption expenditure. For this survey, consumption expenditures included goods and services purchased for household use (cash expenditures), imputed values of own stocks/produce consumed, imputed rent for owner-occupied dwelling units, and the imputed value of gifts received or given out in the form of goods and services. Non-consumption expenditures analysed are: loan repayment, salary deductions, fines and lost money, land and house purchases, and gambling/lottery expenses. Although the survey was spread over a period of one year, expenditures presented in this chapter are deflated to April 1994 prices.

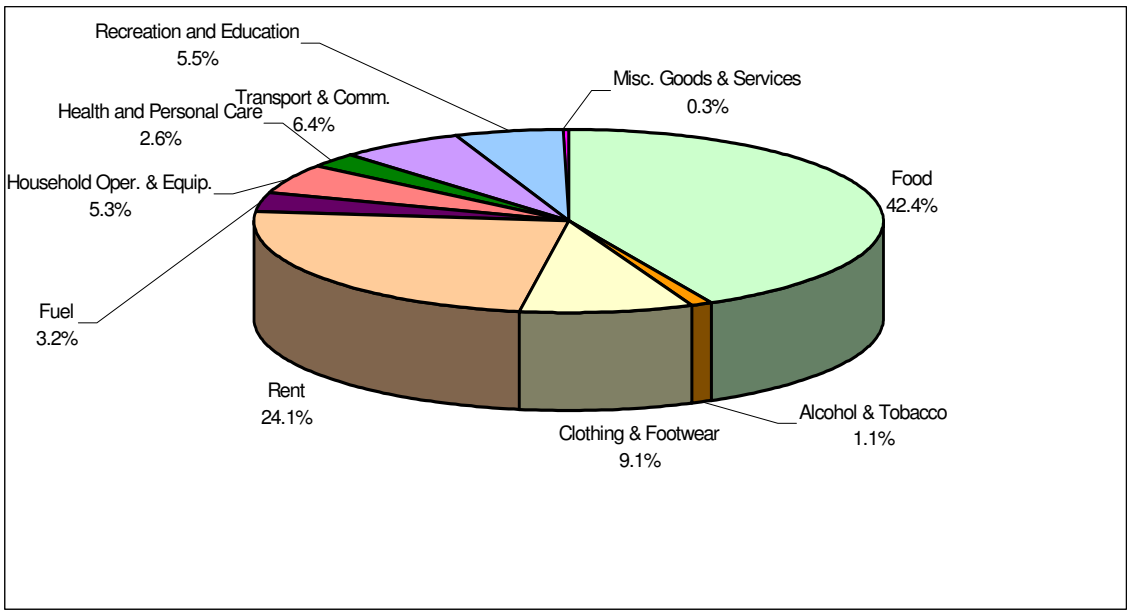
15.4. Table 15.1 and Figure 15.1 present annual household consumption expenditure by broad item groups. The total urban household consumption amounted to KSh 81,246 million in the course of the year. Food comprised the largest share of 42.4 per cent of total consumption expenditure, followed by rent and other housing costs, with a percentage share of 24.1 per cent. The smallest proportions of consumption expenditure were on alcohol and tobacco with a share of 1.1 per cent.

Table 15.1: Urban consumption by broad expenditure groups

April 1994 Prices (Kshs Million)

GROUP	ANNUAL EXPENDITURE	%
Food	34,463	42
Alcohol and Tobacco	909	1
Clothing and Footwear	7,391	9
Rent and Housing costs	19,580	24
Fuel and Water	2,560	3
Household Operations & Equipment	4,342	5
Health and Personal Care	2,071	3
Transport & Communications	5,213	6
Recreation and Education	4,453	6
Miscellaneous Goods & Services	264	0
TOTAL EXPENDITURE	81,246	100

Figure 15.1 Expenditure by Broad Item Category



15.5. Table 15.2 presents mean annual consumption expenditure by expenditure sub-group of items. To emphasise their relative importance, mean expenditures are separated into food and non-food items and arranged in descending order. The mean annual household consumption was valued at KSh 83,202, or monthly equivalent expenditure of KSh 6,934 per household. A typical urban household expended 42.4 per cent of its consumption expenditures on food items. Within the food items, the highest mean expenditure was on bread and cereals sub-group, which accounted for 12.0 per cent followed by meat, chicken and fish with a share of 6.9 per cent. The lowest expenditures within the food group was on soft drinks, with a share of 0.5 per cent.

Table 15.2: Mean household annual consumption expenditure by item subgroups

April 1994 Prices(Kshs)

SUB-GROUP	MEAN ANNUAL EXPENDITURE	% Share
Bread & Cereals	9,943	12
Meat, Chicken and Fish	5,703	7
Dairy Produce & Eggs	4,643	6
Vegetables	4,562	5
Sugars, Spices & Condiments	3,417	4
Oils & Fats	2,558	3
Meals Consumed Out	2,057	2
Fruits	1,053	1
Roots	936	1
Soft Drinks	420	1
FOOD ITEMS	35,293	42
Rent of tenants	10,108	12
Imputed rent	9,033	11
Transport & Communication	5,338	6
Education	3,086	4
Fuel & Water	2,621	3
Furnishings	1,885	2
Women's Clothes	1,556	2
Household Operation	1,477	2
Men's Clothes	1,442	2
Footwear	1,238	1
Medical Care	1,096	1
Personal Goods	1,088	1
Personal Care	1,025	1
Other Housing costs	910	1
Recreation	664	1
Girls Clothing	654	1
Boys Clothes	646	1
Clothing Materials	633	1
Tableware & Utensils	573	1
Other Entertainment	522	1
Alcohol	517	1
Tobacco	414	1
Durables & Electrical	366	0
Infants Clothing	311	0
Books, Stationery & paper	289	0
Miscellaneous Services	270	0
Domestic Services	145	0
NON-FOOD ITEMS	47,909	58
ALL ITEMS	83,202	100

15.6. Non-food consumption accounted for 57.6 per cent of total consumption expenditures. The major expenditures in the non-food sub-group were on house rents, imputed rent for those owning their own home or those living in rent free houses and other housing costs, all of which accounted for 24.1 per cent of overall mean consumption expenditure. This was followed by mean expenditures on transport and communications (6.4 per cent). A typical urban household spent the least on domestic services (0.2 per cent).

Spread of Consumption Expenditures

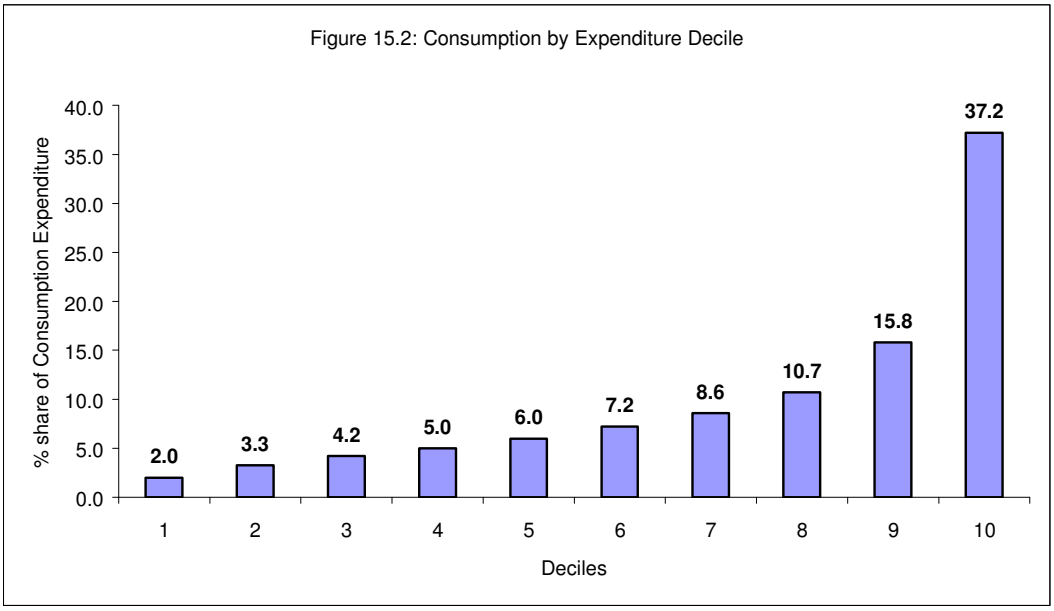
15.7. In computing deciles, the households were ranked into ascending order of expenditures and then split into 10 equal parts. As shown in Tables 15.3 and 15.4, the top 10 per cent were the highest spenders with an estimated consumption expenditure of KSh 30.2 billion, representing a share of 37.2 per cent. On the other extreme, the bottom 10 per cent were the lowest spenders with a total consumption expenditure of KSh 1.7 billion, commanding an expenditure share of only 2 per cent. The median annual expenditure was KSh 54,100, which is the maximum of the fifth decile.

15.8. Table 15.3 shows that the bottom 10 per cent of households had a consumption expenditure on food of 57.7 per cent and 16.7 per cent on rent. The top decile expenditure on food was 26.2 per cent, and that on rent was 43.0 per cent. Expenditure on food, housing and clothing and footwear was notable between the 2nd and 9th decile. Other notable expenditure ratios in the top decile include transport and communication (10.3 per cent), recreation and education (5.8 per cent) and household operations and equipment (4.7 per cent). In all the deciles, miscellaneous goods and services recorded the lowest average household expenditures followed by alcohol and tobacco. Richer households therefore spend a much lower proportion on food than poorer households do. The top 10 per cent spend a higher proportion on housing and transport than do the bottom 10 per cent.

Table 15.3: Consumption by Expenditure deciles in Kenya Shillings(millions)

April 1994 Prices

GROUP	Bottom 10%	2nd Decile	3rd Decile	4th Decile	5th Decile	6th Decile	7th Decile	8th Decile	9th Decile	Top 10%	Total
Food	957	1,628	2,018	2,386	2,716	3,119	3,751	4,360	5,601	7,929	34,463
Alcohol and Tobacco	55	42	36	45	91	95	63	119	224	138	909
Clothing and Footwear	111	186	387	343	452	646	793	1,093	1,634	1,745	7,391
Rent and Housing costs	277	257	408	490	568	735	860	1,085	1,901	13,000	19,580
Fuel and Water	86	151	172	193	219	222	253	326	410	528	2,560
Household Operations & Equipme	54	107	141	217	224	334	381	570	899	1,414	4,342
Health and Personal Care	43	72	82	97	110	152	199	288	442	587	2,071
Transport & Communications	52	102	138	162	213	316	275	327	523	3,103	5,213
Recreation and Education	23	92	50	159	240	248	411	508	984	1,737	4,453
MIscellenous Goods & Services	0	6	3	4	6	9	11	20	174	32	264
TOTAL	1,660	2,643	3,434	4,095	4,838	5,877	6,998	8,697	12,791	30,213	81,246



15.9. Figure 15.2 and Table 15.4 show distribution of annual household expenditure by decile. Of the mean annual expenditures, the bottom 10 per cent spent KSh 16,853 per household, or only 2.0 per cent of the total expenditure while the 9th decile had a share of 15.9 per cent (KSh 130,039). The top decile accounted for more than a third of the total expenditure. The cumulative expenditure up to the 8th decile accounted for 47.2 per cent of all expenditure. The column on percentage of cumulative expenditure shows that more than 50 per cent of the expenditure was contained in the 9th and 10th decile.

Table 15.4: Mean household consumption expenditure by decile in Kenya Shillings

April 1994 Prices

DECILES	MEAN PER HOUSEHOLD	% OF TOTAL EXPENDITURE	CUMULATIVE EXPENDITURE	RANGE	
				MINIMUM	MAXIMUM
Bottom 10%	16,853	2	2	0	22,999
2nd Decile	27,453	3	5	23,000	31,499
3rd Decile	36,787	4	10	31,500	38,499
4th Decile	42,364	5	15	38,500	45,699
5th Decile	49,553	6	21	45,700	54,099
6th Decile	60,435	7	28	54,100	66,199
7th Decile	72,570	9	36	66,200	78,199
8th Decile	89,930	11	47	78,200	102,299
9th Decile	130,039	16	63	102,300	161,599
Top 10%	318,290	37	100	161,600	3,506,000

15.10. As shown in Table 15.5, the bottom 10 per cent of Nairobi households had a mean annual expenditure of KSh 19,722 compared with a lower mean of KSh 15,163 for the rest of urban. The values represented 1.9 per cent and 2.3 per cent of the total expenditure, respectively. The analysis also shows that the top 10 per cent of the Nairobi households had a mean annual expenditure of KSh 412,835, while the respective group in other urban households had a lower mean annual expenditure of KSh 205,992.

Table 15.5: Consumption expenditure by decile

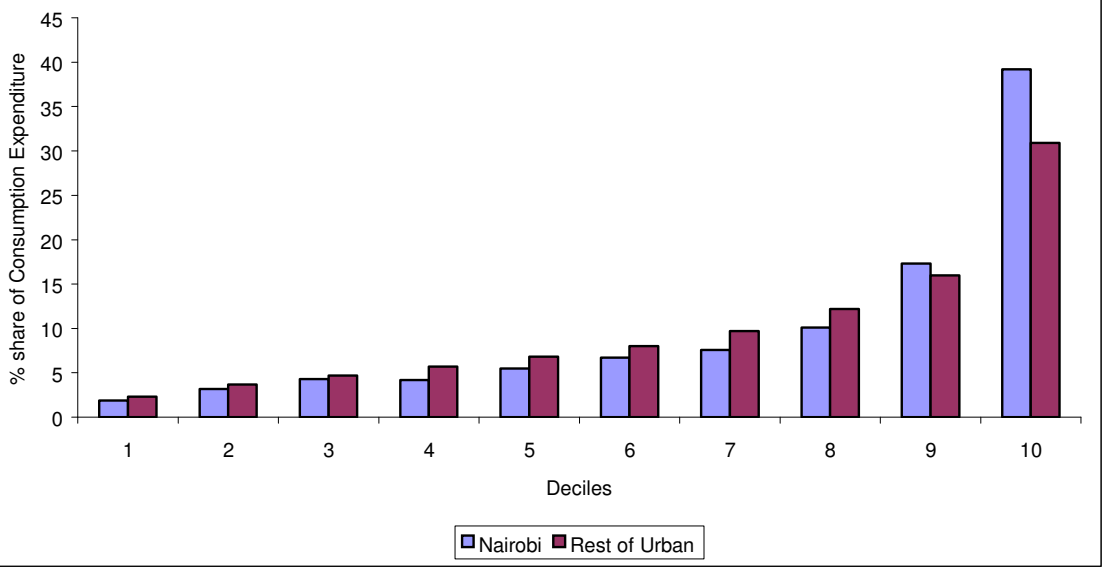
April 1994 Prices (Kshs)

	Bottom 10%	2nd Decile	3rd Decile	4th Decile	5th Decile	6th Decile	7th Decile	8th Decile	9th Decile	Top 10%
NAIROBI										
Expenditure (Millions)	913	1,491	1,999	1,975	2,568	3,125	3,562	4,750	8,091	18,397
Mean Expenditure	19,722	31,975	40,330	47,141	55,954	67,600	77,459	102,585	171,534	412,835
% Expenditure	1.9	3.2	4.3	4.2	5.5	6.7	7.6	10.1	17.3	39.2
Cumulative (%)	1.9	5.1	9.4	13.6	19.1	25.8	33.4	43.5	60.8	100
REST OF URBAN										
Expenditure (Millions)	783	1,261	1,614	1,945	2,326	2,742	3,335	4,234	5,512	10,622
Mean Expenditure	15,163	24,460	31,229	37,695	44,898	53,444	64,553	81,847	107,261	205,992
% Expenditure	2.3	3.7	4.7	5.7	6.8	8	9.7	12.2	16	30.9
Cumulative (%)	2.3	6	10.7	16.4	23.2	31.2	40.9	53.1	69.1	100

* The decile totals may not agree with sums of corresponding decile totals for Nairobi and Rest of Urban which are presented in Table 5.5. This is explained by the fact that Nairobi households had higher mean expenditure in each decile compared with corresponding households in the rest of urban centres.

Figure 15.3 is a graphical representation of consumption expenditure by decile in Nairobi and rest of urban towns. It shows that household expenditures rise steeply after the ninth decile. In both cases more than 30 per cent of the expenditure comes from the top decile.

Figure 15.3: Consumption Expenditure by deciles - Nairobi and Rest of Urban



Household Size and Consumption Expenditures

As shown in Table 15.6, mean annual household expenditure increased with household size, peaking at 4-member households before taking a gradual decline. The table shows that one member households had an annual per capita expenditure of KSh 52,391, whereas the average annual per capita expenditure was KSh 24,200. The trend is that annual per capita consumption expenditure decrease with a rise in

household size. This is to be expected as several non-food items, particularly rent, are shared over a large number of household members.

Table 15.6: Consumption expenditure by size of household

April 1994 Prices(Kshs)

H/HOLD SIZE	ANNUAL EXPENDITURE IN	NO. OF HOUSEHOLDS	MEAN ANNUAL EXPENDITURE	PER CAPITA ANNUAL
1	12,918	246,572	52,391	52,391
2	14,176	187,112	75,761	37,880
3	13,437	154,031	87,234	29,078
4	14,769	126,434	116,811	29,203
5	8,667	83,067	104,343	20,869
6	6,238	72,385	86,174	14,362
7	3,622	42,344	85,531	12,219
8+	7,419	64,546	114,941	12,003
TOTAL	81,246	976,491	83,202	24,233

Expenditure Patterns with Relation to Incomes

15.12. Analysis of expenditure shares in Table 15.7 shows that the proportion of food expenditures declined as household incomes rose. Despite some chance results arising from income data problems, the trend is reversed for expenditures on rents and other housing costs, which together with transport and communications tend to rise with incomes.

Table 15.7: Consumption expenditure shares by income groups and broad expenditure categories

%

INCOME KSHS PER ANNUM	Food & Bever-ages.	Alcohol & Tobacco	Cloths & Footwar	Rent & Housing	H/Hold oper. & equip	Educat & Rec .	Fuel & Water	Health Perso. Care.	Transp & Comm..	Misc. goods & Services	Total
Under 24,000	58.1	3.2	6.6	15.7	3.5	1.4	5.3	2.7	3.4	0.1	100
24,000-47,999	58.6	1.4	9.5	11.8	4.4	2.9	4.8	2.4	4.0	0.1	100
48,000-71,999	54.3	1.3	10.5	11.2	5.6	5.3	4.2	2.6	4.8	0.2	100
72,000-95,999	50.7	1.5	12.2	13.4	6.4	5.6	3.6	2.9	3.7	0.2	100
96,000-131,99	46.0	1.5	14.1	12.7	5.6	8.0	3.4	3.5	3.5	1.6	100
132,000-167,9	42.0	1.6	10.3	17.8	9.3	7.3	2.9	3.6	4.6	0.5	100
168,000-263,9	37.2	0.5	5.6	37.6	3.7	4.5	2.3	1.8	6.8	0.0	100
264,000-359,9	36.9	0.8	6.1	37.1	5.3	4.2	1.6	2.0	5.8	0.1	100
360,000-599,9	31.7	0.5	4.9	45.5	4.3	4.1	2.0	1.2	5.8	0.0	100
600,000-799,9	15.7	0.4	4.0	48.6	2.7	5.2	1.4	2.4	19.5	0.1	100
Above 800,00	10.3	0.2	8.9	48.5	7.3	10.9	1.2	1.9	10.7	0.2	100
ALL URBAN	42.4	1.1	9.1	24.1	5.3	5.5	3.2	2.5	6.4	0.3	100

Expenditure Patterns by Major Towns

15.13. Table 15.8 depicts percentage shares of expenditure by town. Nairobi households' consumption accounted for 57.7 per cent of the KSh 81.2 billion spent by urban households. Mombasa had a share of 12.9 per cent, while Kisumu and Nakuru accounted for 2.7 per cent and 2.5 per cent of the consumption expenditure respectively. The "other urban" category made up of 47 towns had an aggregate household expenditure of 18.5 per cent.

Table 15.8: Annual household expenditure by towns

April 1994 Prices(Kshs Millions)

TOWN	TOTAL EXPENDITURE	%
Nairobi	46,872	58
Other Urban	15,061	19
Mombasa	10,457	13
Kisumu	2,227	3
Nakuru	2,006	3
Eldoret	1,830	2
Thika	817	1
Nyeri	608	1
Meru	542	1
Machakos	482	1
Kakamega	343	0
ALL URBAN	81,246	100

15.14. Table 15.9 presents percentage of household expenditure by broad item category and town. The share of food expenditures was high in all towns. In particular households in Thika, Eldoret, Kakamega, Nakuru and Machakos spent over 50 per cent of their expenditures on foodstuffs. Rental and housing costs were the other main consumption items, which absorbed a large portion of expenditures in all towns, the share being highest in Nairobi at 31.3 per cent.

Table 15.9: Consumption expenditure shares by broad item category and by towns

Percentage

Towns	Food & Bev.	Alco. & Tob.	Cloth & Foot.	Rent & Housing	Fuel & Water	H/hold Oper. & Equip.	Health Perso. Care	Trans & Comm.	Recr. & Educ.	Misc. Goods & Services	Total
Nairobi	38.8	0.7	7.9	31.3	2.4	4.4	2.1	7.4	4.9	0.3	100
Mombasa	46.6	0.8	11.7	16.4	4.7	5.6	3.2	5.2	5.5	0.3	100
Kisumu	47.7	1.0	10.3	14.4	5.3	8.3	2.5	2.9	7.4	0.2	100
Nakuru	53.1	1.0	8.9	15.2	4.3	4.8	5.1	3.2	3.9	0.5	100
Machakos	52.9	2.4	9.8	14.8	3.9	5.8	2.9	4.0	3.0	0.5	100
Eldoret	54.6	1.7	7.6	11.1	6.5	6.8	3.0	4.7	4.0	0.1	100
Meru	40.7	5.4	10.6	11.0	2.5	4.3	2.9	16.8	5.5	0.5	100
Nyeri	42.2	6.9	8.3	17.4	3.4	5.9	3.1	5.7	6.9	0.3	100
Kakamega	54.2	2.3	4.7	17.1	4.1	3.5	2.8	6.6	4.6	-	100
Thika	59.2	2.5	11.0	7.7	4.9	5.0	3.7	3.0	3.0	0.1	100
Other Urban	45.8	2.1	11.1	13.5	3.4	7.7	3.1	5.4	7.6	0.4	100
ALL URBAN	42.4	1.1	9.1	24.1	3.2	5.3	2.5	6.4	5.5	0.3	100

15.15. Table 15.10 shows mean annual household expenditure by town and broad item category. Mean annual expenditure was highest in Nairobi at KSh 101,775 followed by Mombasa with KSh 77,817 and Kakamega at KSh 75,952. Food and beverages accounted for the highest mean expenditure in all the urban towns at KSh 35,293 followed by rent and housing costs with KSh 20,052; and clothing and footwear at KSh 7,569. Mean annual household expenditure for Nairobi on rent and housing costs was KSh 31,809 more than double the expenditure in any of the other towns.

Table 15.10: Mean annual consumption expenditure by broad category and by town

April 1994 Prices(Ks

Towns	Food & Bev.	Alco. & Tob.	Cloth & Foot	Rent & Housing	Fuel & Water	H/hold Oper. & Equip.	Health & Per Care	Trans. & Comm.	Recr. & Educ.	Misc. Goods & serv.	Total
Nairobi	39,457	705	8,001	31,809	2,442	4,464	2,113	7,512	4,962	309	101,775
Mombasa	36,252	643	9,128	12,769	3,657	4,366	2,459	4,021	4,276	246	77,817
Kisumu	28,871	609	6,255	8,691	3,182	5,030	1,509	1,768	4,481	112	60,508
Nakuru	24,776	453	4,154	7,109	1,990	2,245	2,382	1,477	1,816	255	46,658
Machakos	33,465	1,528	6,214	9,394	2,452	3,647	1,828	2,555	1,869	313	63,265
Eldoret	25,595	781	3,574	5,215	3,041	3,176	1,404	2,190	1,876	38	46,889
Meru	23,353	3,085	6,075	6,300	1,417	2,450	1,663	9,611	3,136	282	57,372
Nyeri	31,264	5,125	6,122	12,918	2,496	4,359	2,324	4,242	5,093	226	74,168
Kakamega	41,199	1,753	3,592	13,022	3,105	2,653	2,143	4,982	3,477	27	75,952
Thika	29,289	1,214	5,453	3,802	2,410	2,461	1,854	1,480	1,490	33	49,488
Other Urban	31,839	1,457	7,715	9,367	2,383	5,332	2,153	3,726	5,319	296	69,587
ALL URBAN	**35,293**	**931**	**7,569**	**20,052**	**2,621**	**4,446**	**2,121**	**5,338**	**4,560**	**270**	**83,202**

Non–Consumption Expenditure

15.16 As shown in Table 15.11, total non-consumption expenditures amounted to KSh 14.2 billion of which KSh 7.2 billion or 50.8 per cent was on loan repayment. Salary deductions accounted for 34.3 per cent of non-consumption expenditures. On the other extreme, gambling and lottery expenses were the smallest non-consumption expenditures.

Table 15.11: Annual non-consumption expenditure by item

April 1994 Prices(Kshs)

ITEMS (KSHS.)	EXPENDITURE (MILLIONS)	MEAN	%
Loan repayment	7,222	7,396	51
Cash/Salary transfers And Salary deductions	4,878	4,995	34
Fines/Lost money	1,451	1,486	10
Land/House purchase	678	694	5
Gambling/lottery ticket	0	0	0
TOTAL	14,229	14,572	100

CHAPTER 16

CHILD LABOUR IN KENYA

Overview

The Kenya Government, other governments and international organisations have been concerned with elimination of child labour for a long time. In particular, the International Labour Organisation (ILO) has developed the International Programme for Elimination of Child Labour (IPEC) to address child labour issues. ILO has also adopted more than 15 Conventions and 5 recommendations on child labour, of which Convention (No. 138) and Recommendation (No. 146) adopted in 1973 concerning age of admission to employment, are especially important.

16.2. More recent conventions and declarations pertaining to child labour and other rights of the child include the United Nations 1989 Declaration of the Rights of the Child and the 1990 World Summit for Children concerning Children in Especially Difficult Circumstances (CEDC). The Kenya Government is concerned about the plight of children as stated in the National Development Plan 1997-2001 (p.169) and in its statement at the 1995 World Summit for Social Development.

16.3. Despite these efforts, child labour still persists. However, there is lack of comprehensive information on the size and structure of child labour in Kenya, leading to conflicting estimates. Consequently it has been difficult for policy makers to highlight the nature and magnitude of child labour, the causes, determinants and consequences of the problem. This lack of comprehensive information on the size and structure of child labour in Kenya results from many factors, such as lack of an appropriate survey methodology, clear concepts, definitions and classifications of the factors and variables relating to child labour.

16.4. To address this data dearth, CBS conducted a labour force survey incorporating a child labour module in 1998/99. The survey was conducted in all administrative districts of Kenya as constituted in 1990, excluding Turkana, Samburu and Marsabit districts. It covered 11,049 out of 12,814 randomly selected households, giving a response rate of 86.2 per cent. The overall purpose of the child labour module was to provide adequate information on the magnitude of child labour and its characteristics with a view of formulating a coherent, holistic and orderly policy framework for its elimination.

16.5. The modular child labour questionnaire collected employment particulars from all children aged 5 – 17 years who were members of the randomly sampled households. Results from the survey show that about 1.9 million children aged 5-17 years were working for pay, profit or family gain. These were classified as working children. However, not all work undertaken by the 1.9 million working children was child labour. Child labour was defined as work undertaken by children aged 5-17 years, which prevents them from attending school, and is exploitative, hazardous or inappropriate for their age. In arriving at child labour estimates, the working children were subjected to a filtering process by use of indicators that are in-built in the child labour concept.

Demographic Characteristics of the Working Children

16.6. Estimates from the survey show that there were 29 million persons of whom 10.9 million (37.6 per cent) were children aged 5 - 17 years. The results indicate that about 13.2 million persons worked either in the last week or at any other time

within the 12 months preceding the survey, and of these, 1.9 million were children aged 5 – 17 years. This represents 17.4 per cent of all children and 14.4 per cent of the estimated workforce. The working children were composed of 984,168 boys and 909,596 girls. Table 16.1 shows that most of the working children (43.6 per cent) were in the age group 10 – 14 years, followed by those in the age group 15–17 years (30.1 per cent). Although there were more working boys than girls, the latter were more in the age group 15 – 17 years, but disproportionately fewer in the age group 5-9 years.

Educational Status of Working Children

16.7. About 7.4 million children out of 10.9 million children were reported to be in school, representing 67.9 per cent enrolment rate, while 3.5 million were out of school. Of the 7.4 million schooling children, only 588,396 (8 per cent) worked either during the past week or at any other time within the last 12 months. Among the out-of-school children aged 5 – 17 years, 1.3 million (37.4 per cent) reported to have worked during the same period, while the rest (2.2 million) reported not to have done any work.

Table 16.1: AGE-SEX COMPOSITION OF WORKING CHILDREN

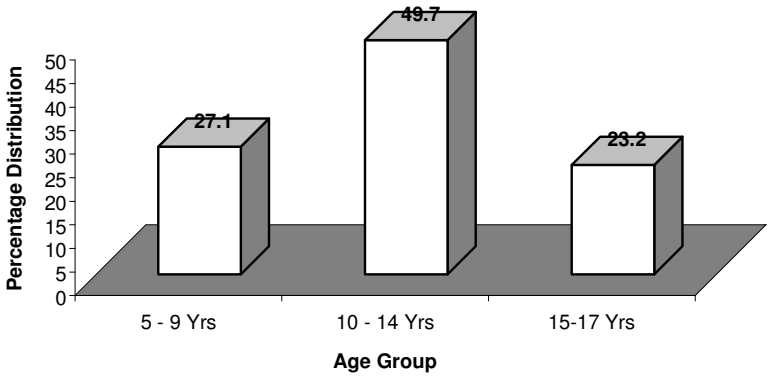
Age group (Yrs)	Schooling		Out of school		Total	
	Boys	Girls	Boys	Girls	Boys	Girls
5 - 9	89,542	69,801	197,160	142,157	286,702	211,958
10 - 14	150,963	141,560	269,911	262,528	420,874	404,088
15-17	70,450	66,080	206,142	227,470	276,592	293,550
TOTAL	**310,955**	**277,441**	**673,213**	**632,155**	**984,168**	**909,596**

16.8. Figure 16.1 presents age distribution of the schooling children who worked during the last 12 months. Most of the schooling children who worked during the last twelve months (49.7 per cent) were aged 10-14 years, while those aged 5-9 years constituted about 27.1 per cent. About 23.2 per cent of these children were aged 15 – 17 years. Analysis by educational achievement given in Table 16.2 shows that majority (76.8 per cent) of working children had attained primary school education, while only 3.2 per cent had attained secondary school education. About 12.7 per cent had never attended any formal education.

Table 16.2: HIGHEST EDUCATIONAL LEVEL ATTAINED BY WORKING CHILDREN

Highest level	At School	Out of School	Total
None	-	240,769	240,769
Nursery	48,942	79,254	115,376
Primary	5,511,277	942,720	1,453,997
Secondary	23,113	36,915	60,028
Post Secondary	-	668	668
Not Stated	5,057	5,042	10,100
TOTAL	**588,395**	**1,305,368**	**1,893,763**

Figure 16.1: AGE DISTRIBUTION OF WORKING SCHOOL CHILDREN 5-17 YEARS



Geographical Distribution of Working Children

16.9. Approximately 65.2 per cent of the population of Kenya live in rural areas. Reflecting this rural bias, about 8.6 million children aged 5 – 17 years were enumerated in rural areas, representing 78.8 per cent of the child population in the country. Further, Table 16.3 shows that the proportion of working children to the total population of children aged 5-17 years was significantly higher in the rural (19.7 per cent) than the urban (9.0 per cent) areas. Analysis by province shows that Rift Valley, the most populous province, had the biggest share of the 5-17 year-old children in Kenya (23.7 per cent) and the largest share of working children (26.9 per cent). North Eastern Province, which is sparsely populated, had the smallest share of 2.4 per cent of the 5-17 year-old children and the smallest share of working children (1.3 per cent). It should, however, be clarified that the survey covered only urban areas in that province. Nairobi, an entire urban area, contributed 5.0 per cent of the total 5 –17 year-olds in the country, but only 3.3 per cent of working children. The highest proportion of working children to the total population aged 5-17 years were in the provinces of Coast, Eastern, Rift Valley and Western (all above 19.0 per cent); while the lowest incidence was observed in North Eastern Province (9.1 per cent), Nairobi (11.4 per cent), Central (17.2 per cent) and Nyanza (13.4 per cent).

Table 16.3: GEOGRAPHICAL DISTRIBUTION OF WORKING CHILDREN

Area/Province	All Children aged 5-17 yrs	Working Children aged 5-17 yrs	Proportion working
Rural	8,580,048	1,687,341	19.7
Urban	2,306,105	206,422	9.0
TOTAL	10,886,153	1,893,763	17.4
Province:			
Nairobi	545,591	62,181	11.4
Central	1,422,339	244,544	17.2
Coast	803,139	152,950	19.0
Eastern	1,820,358	347,223	19.1
North Eastern	263,268	24,043	9.1
Nyanza	2,037,847	274,586	13.5
Rift Valley	2,583,835	508,684	19.7
Western	1,409,776	279,552	19.8
TOTAL	10,886,153	1,893,763	17.4

Status in Employment

16.10. The status in employment referred to the position of each working person with respect to type of employment and mode of remuneration, i.e. whether paid employee, self-employed (working employer and own-account worker), unpaid family worker, etc. It was captured only for persons who reported to have worked in the last week. The labour force question on "work" considered only persons who "either held a job or worked for pay, profit or family gain" during the survey's reference period. About half (928,881) of the 1.9 million working children reported having worked in the last week. Table 16.4 shows that majority (78.7 per cent) of the children worked as unpaid family workers in family farms or businesses. About 18.5 per cent of these children reported to have worked for pay, while only 1.6 per cent were running their own businesses.

Table 16.4: NUMBER OF CHILDREN BY EMPLOYMENT STATUS AND ACTUAL HOURS WORKED LAST WEEK

Employment	Schooling				Not Schooling				Total
Status	Under 25 Hours	25 – 41 Hours	Over 41 Hours	Total	Under 25 Hours	25 – 41 Hours	Over 41 Hours	Total	
Paid Employee	628	757	2,972	4,357	11,559	23,171	133,126	167,856	172,213
Self Employed	820	825	543	2,188	4415	1064	7319	12,798	14,986
Unpaid Family worke	154,562	102,978	109,637	367,177	158,704	106,290	99,045	364,039	731,216
Apprentice	-	-	616	616	847	180	1,839	2,866	3,482
Other	737	-	-	737	3,056	1,510	1,683	6,249	6,986
TOTAL	156,747	104,560	113,768	375,075	178,581	132,215	243,012	553,808	928,883

16.11. About 99.8 per cent of the children who worked last week reported the type of work they were performing. As shown in Table 16.5, most of the children were engaged in elementary occupations, with 34.0 per cent engaged as commercial agriculture, fishery and related workers, 23.6 per cent as subsistence agricultural and fishery workers, and 17.9 per cent were engaged as domestic and related helpers, cleaners and launders. Specialised occupations, such as building finishers and related workers, and mining plant operators were the least common occupations for working children.

16.12. Gender analysis shows that no girls reported working as fishermen, building finishers, metal moulders and welders, shoe cleaners, mining and construction labours and transport and freight handlers. On the other hand, there were more girls than boys working as domestic and related helpers (mainly as maids, and as personal care and related service workers (hairdressing, etc). Only older girls aged 15 – 17 years were engaged as handcraft workers and food processors. Also, only older boys were working as shop and sales persons, forestry and related workers, building finishers and related workers, transport labourers and fright handlers.

Table 16.5: NUMBER OF WORKING CHILDREN BY SEX, OCCUPATION AND AGE, 1998/99

Occupation (ISCO 88)	Boys				Girls				Total
	5-9 yrs	10-14 yrs	15-17 yrs	Total	5-9 yrs	10-14 yrs	15-17 yrs	Total	
Housekeeping & restaurant services	278	1,198	5,817	7,293	-	3,780	6,386	10,166	17,459
Personal care & related services	-	603	-	603	319	464	2,132	2,915	3,518
Other personal services workers	-	1,414	2,779	4,193	-	3,653	4,541	8,194	12,387
Shop & sales persons & demonstrators	-	-	105	105	-	675	849	1,524	1,629
Stall and market sales persons	790	790	1,111	2,691	669	671	1,543	2,883	5,574
Market gardeners & crop growers	2,513	6,619	11,986	21,118	1,848	6,450	9,285	17,583	38,701
Market-oriented livestock growers	5,337	5,405	3,199	13,941	3,053	4,784	1,606	9,443	23,384
Market-oriented crop & livestock grower	9,945	16,871	18,458	45,274	12,959	14,392	12,065	39,416	84,690
Forestry and related workers	-	-	730	730	-	350	-	350	1,080
Fishery worker, hunters & trapers	-	356	1,122	1,478	-	-	-	-	1,478
Subsistence agricultural & Fishery workers	27,076	52,732	47,314	127,122	12,828	31,003	48,281	92,112	219,234
Building Finishers & Related Workers	-	-	292	292	-	-	-	-	292
Miners, shotfires, stone cutters and carves	-	-	-	-	-	-	1,216	1,216	1,216
Metal moulders, welders etc	-	-	931	931	-	-	-	-	931
Handcraft workers in wood, textile, leather etc	-	2,645	1,133	3,778	-	-	1,098	1,098	4,876
Food processing & related workers	-	297	325	622	-	-	262	262	884
Wood treaters, cabinet makers etc	-	1,261	-	1,261	376	376	376	1,128	2,389
Textile garment and related trades	-	-	638	638	-	-	-	-	638
Mining plant operators	-	692	-	692	-	-	-	-	692
Street vendors & related workers	-	348	3,735	4,083	-	1,929	2,442	4,371	8,454
Shoe cleaning & other street services	-	258	-	258	-	-	-	-	258
Domestic & related helpers, Cleaners & launderers	12,479	23,201	10,148	45,828	10,651	44,624	64,913	120,188	166,016
Building caretakers, window and related cleaners	-	544	544	1,088	-	-	-	-	1,088
Messengers, potters, doorkeeper etc	158	158	763	1,079	-	-	1,331	1,331	2,410
Agriculture, fishery and related workers	40,982	68,018	72,938	181,938	36,298	54,119	42,693	133,110	315,048
Mining and construction labourers	-	502	1,163	1,665	-	-	-	-	1,665
Manufacturing labourers	1,951	2,187	354	4,492	-	650	454	1,104	5,596
Transport labourers and freight handlers	-	-	5,425	5,425	-	-	-	-	5,425
TOTAL	101,509	186,099	191,010	478,618	79,001	167,920	201,473	448,394	927,012

16.13. Table 16.6 gives the distribution of working children by industrial classification of economic activities. Most of the children who worked last week were engaged in agricultural activities, where 56.8 per cent were engaged in mixed crop and livestock farming, and 14.6 per cent were growing crops, market gardening and horticulture. The next popular activity was domestic services where 10.9 per cent of children were working in private households.

Table 16.6: NUMBER OF WORKING CHILDREN BY SEX, INDUSTRY AND AGE

Economic Activity (ISIC 1990)	Boys				Girls				Total
	5-9 yrs	10-14 yrs	15-17 yrs	Total	5-9 yrs	10-14 yrs	15-17 yrs	Total	
Growing of crops, market gardening & horticulture	7,679	28,909	37,884	74,472	5,375	22,838	32,866	61,079	135,551
Farming of animals	8,199	8,157	4,745	21,101	5,311	7,872	1,007	14,190	35,291
Mixed crop and animal farming	74,617	117,163	103,569	295,349	56,983	89,395	84,603	230,981	526,330
Agriculture & Animal husbandry Services excluding veterinary	884	4,976	10,290	16,150	1,230	-	538	1,768	17,918
Forestry, logging, etc	-	-	531	531	-	-	-	-	531
Fishing & fishing services	-	356	1,328	1,684	-	-	-	-	1,684
Quarrying of stones and clay	986	1,726	502	3,214	-	-	1,483	1,483	4,697
Manufacture of other food products	-	2,993	882	3,875	-	-	753	753	4,628
Manufacture of other textiles	-	539	-	539	-	-	334	334	873
Manufacture of products of wood, cork, e	-	2,186	199	2,385	-	650	804	1,454	3,839
Manufacture of man-made fibres	-	-	638	638	-	-	-	-	638
Manufacture of structural metal products	-	-	315	315	-	-	-	-	315
Manufacture nec	1,951	-	251	2,202	-	-	1,425	1,425	3,627
Building of complete constructions or parts thereof; Civil Engineering	-	-	358	358	-	-	-	-	358
Building completion	-	1,246	1,682	2,928	-	-	-	-	2,928
Wholesale of crops & livestock	-	-	318	318	-	-	321	321	639
Non-specialised retail trade in stores	-	-	1,933	1,933	-	-	688	688	2,621
Retail of food, beverages & tobacco in specialised stores	-	297	932	1,229	-	1,201	1,090	2,291	3,520
Retail of second hand goods in stores	-	-	600	600	-	-	-	-	600
Sale, maintenance and repair of motorcycles and related parts and accessories	-	-	616	616	-	-	-	-	616
Other retail trade of new goods in Stores	-	376	-	376	-	-	376	376	752
Retail trade not in stores	790	2,204	560	3,554	710	2,799	654	4,163	7,717
Hotels, camping sites & other provision of short-stay accommodation	-	403	1,063	1,466	-	336	1,540	1,876	3,342
Restaurants, bars and canteens	-	795	2,846	3,641	-	1,038	-	1,038	4,679
Other land transport -road transport	-	-	3,750	3,750	334	511	914	1,759	5,509
Activities of travel agents	212	-	358	570	-	-	-	-	570
Business activities not elsewhere stated	-	-	543	543	-	2,115	1,304	3,419	3,962
Activities of business, employers and professional organisations	-	-	-	-	-	-	267	267	267
Motion picture, radio, television and and other entertainment activities	-	264	395	659	-	-	-	-	659
Other service activities	3,941	6,306	5,044	15,291	6,704	15,283	13,435	35,422	50,713
Private households with employed persons	2,085	7,203	8,574	17,862	2,352	23,884	57,070	83,306	101,168
TOTAL	101,346	186,098	190,706	478,150	79,000	167,921	201,470	448,391	926,541

16.14. Girls provided over three-quarters of the child workers in other services activities and private households. On the other hand, boys were a majority in the activities that are traditionally male dominated, such as fishing and fishing services, forestry and logging, quarrying of stones and clay and building activities. The age factor was instrumental in the distribution of working children by economic activities. Whereas employment in the agricultural activities was fairly represented by all the age cohorts, older children dominated employment in the more demanding activities. For instance, boys aged 15-17 years wholly dominated employment in forestry, fishing, manufacturing of structural metal products, and road transport services. Similarly, girls aged 15-17 years dominated employment in manufacturing activities and in the hotel accommodation services.

Hours of Work

16.15. Table 16.7 presents analysis of children by actual hours worked last week. An estimated 38.5 per cent of the working children worked for more than 41 hours in a week while 25.6 per cent worked for between 25 and 41 hours in a week. On the other extreme, 36.0 per cent worked for less than 25 hours in a week (less than 4 hours in a day), mainly in unpaid work in family farms. Actual hours worked also varied by employment, schooling and industry status. Analysis of hours worked shows that majority of the children (84.0 per cent) worked for more than 41 hours in a week in the private household domestic services. Also, majority of those engaged in fishing and fishing services, mining of stones and clay, road transport, worked for more than 41 hours in a week. For gender analysis, it is observed that a higher proportion of girls (40.1 per cent) compared to boys (36.9 per cent) worked for more than 41 hours.

Table 16.7: NUMBER OF WORKING CHILDREN BY INDUSTRY AND HOURS WORKED LAST WEEK

Economic Activity (ISIC 1990)	Boys				Girls				Total
	Actual hours worked				Actual hours worked				
	Under 25	25 - 41	Over 41	Total	Under 25	25 - 41	Over 41	Total	
Growing of crops, market gardening & horticulture	38,470	16,629	19,373	74,472	35,722	14,891	10,465	61,078	135,550
Farming of animals	2,141	995	17,964	21,100	4,147	2,436	7,605	14,188	35,288
Mixed crop and animal farming	112,777	99,466	83,106	295,349	87,471	78,015	65,496	230,982	526,331
Agriculture & Animal husbandry services excluding veterinary	1,230	2,258	12,661	16,149	538	538	692	1,768	17,917
Forestry, logging, etc	531	-	-	531	-	-	-	-	531
Fishing & fishing services	-	-	1,684	1,684	-	-	-	-	1,684
Quarrying of stones and clay	986	-	2,228	3,214	-	1,216	267	1,483	4,697
Manufacture of other food products	-	-	3,874	3,874	-	753	-	753	4,627
Manufacture of other textiles	539	-	-	539	-	-	334	334	873
Manufacture of products of wood, cork, etc	199	-	2,186	2,385	804	-	650	1,454	3,839
Manufacture of man-made fibres	-	-	638	638	-	-	-	-	638
Manufacture of structural metal products	-	-	315	315	-	-	-	-	315
Manufacture n.e.c.	-	-	2,202	2,202	971	-	454	1,425	3,627
Building of complete constructions or parts thereof; Civil Engineering	-	-	358	358	-	-	-	-	358
Building completion	292	1,630	1,006	2,928	-	-	-	-	2,928
Wholesale of crops & livestock	-	318	-	318	-	321	-	321	639
Non specific retail trade in stores	105	-	1,827	1,932	-	370	318	688	2,620
Sale, maintenance and repair of motorcycles and related parts and accessories	-	-	616	616	-	-	-	-	616
Retail of food, beverages & tobacco in specialised stores	297	-	932	1,229	1,863	428	-	2,291	3,520
Retail of second hand goods in stores	600	-	-	600	-	-	-	-	600
Other retail trade of new goods in Specialised stores	-	-	376	376	-	-	376	376	752
Retail trade not in stores	2,488	-	1,067	3,555	2,743	-	1,421	4,164	7,719
Hotels, camping sites & other Provision Of short stay accommodation	-	-	1466	1466	867	689	319	1875	3341
Restaurants, bars and canteens	-	-	3,641	3,641	-	-	1,038	1,038	4,679
Other land transport 0road transport	511	1,098	2,142	3,751	1,297	461	-	1,758	5,509
Activities of travel agents	212	-	358	570	-	-	-	-	570
Business activities not elsewhere stated	-	-	543	543	996	350	2,072	3,418	3,961
Activities of business, employers And Professional organisations	-	-	-	-	-	-	267	267	267
Motion picture, radio, TV & other entertain	264	395	-	659	-	-	-	-	659
Other service activities	8,927	961	5,404	15,292	14,957	6,606	13,861	35,424	50,716
Private households with employed persons	4,279	2,981	10,603	17,863	6,285	2,969	74,052	83,306	101,169
TOTAL	174,847	126,730	176,573	478,150	158,659	110,043	179,689	448,391	926,541

Savings and Contributions to Household Income

16.16. Children who worked last week were asked about their earnings and its disposal during the last month. Disposal of their earnings included amount given to parents, amount saved, and the amount spent. The amounts saved referred to amount deposited with financial institutions plus amounts kept by children or their guardians for safe custody. Only 20 per cent of the children who worked in the last week provided information on savings. Table 16.8 shows that, relative to their low incomes, working children made substantial savings from their earnings. About 13.4 per cent of working children saved 80 per cent or more of their earnings, whereas 53.6 per cent saved less than 20 per cent of their earnings. Analysis of savings by educational status shows that a large proportion of schooling children who worked part time or during vacations made lower savings (under 50 per cent of their earnings) compared to corresponding proportion of working children who were out of school.

Table 16.8: DISTRIBUTION OF WORKING CHILDREN BY PER CENTAGE OF SAVINGS

Number of Children

% of Earnings saved	Schooling	Out of School	Total
Under 20	5,501	94,280	99,781
20 – 49	516	43,299	43,815
50 – 79	-	17,709	17,709
80+	1,379	23,620	24,999
TOTAL	7,396	178,908	186,304
Not stated	367,509	375,068	742,577

16.17. Table 16.9 presents proportions of children's contribution to household income. The figures are derived as the amount of earnings from paid and self-employment given to parents, and the reported household income. Although a large number of working children did not state the contribution made to their parents, of the responding 53.0 per cent of schooling children and 47.0 of the out of school children contributed more than 50 per cent of household income. Despite the low response for this question, the substantial contributions given to the parents (relative to their low earnings) by the working children, particularly the schooling children, supports the survey findings that most children work to augment household income.

Table 16.9: CONTRIBUTIONS OF CHILDREN EARNINGS TO HOUSEHOLD INCOME

Number of children

% of household Income	Schooling	Not Schooling	Total
Under 20	1,462	48,064	49,526
20 – 49	2,047	46,314	48,361
50 – 79	288	40,271	40,559
80+	3,599	43,520	47,119
TOTAL	7,396	178,169	185,565
Not stated	367,677	377,084	744,761

Working Conditions and Working Environment

16.18. Analysis of hours worked has shown that children work for long hours. It was also shown in Table 16.6 that a significant proportion of working children were engaged in the fishing, mining and quarrying, and building and road transport activities. Although they absorbed a small proportion of the working children, such activities are risky for young persons.

16.19. As shown in Table 16.10, working children reported three major complaints with their current jobs as low pay (79.2 per cent), tiring or hard work (14.6 per cent), and long working hours (2.9 per cent). Table 16.7 supports the long-hours claim, while the low pay claim is supported by data in Table 16.13. This may be interpreted that children are exploited by being both overworked and underpaid, in addition to performing work that is physically not meant to be undertaken by young persons. The situation is detrimental to health and normal growth of children.

Table 16.10: NUMBER OF WORKING CHILDREN BY MAIN TYPE OF PROBLEM WITH CURRENT JOB

Main Type of Problem	Schooling	Out of School	Total
Low Pay	129,631	103,250	232,881
Low earnings	-	2,039	2,039
Delayed salaries	-	3,082	3,082
Poor working environment	672	-	672
Tiring/hard work	20,417	22,575	42,992
Long Hours	5,570	3,026	8,596
Physical/verbal abuse	-	450	450
Too far	-	553	553
Other	698	1,930	2,628
TOTAL	156,988	136,905	293,893

16.20. Another indicator of working conditions is the kinds of injuries suffered by children in their places of work or illnesses suffered and action taken. Table 16.11 shows that about 18.9 per cent of the children who worked during the last week either fell sick or got injured in their places of work during the 12 months prior to the survey. The main type of injuries and diseases were limb injuries and breathing problems. There were, however, a large number of other injuries and diseases (74.2 per cent) that cannot be individually identified since they were lumped together in the questionnaire. Analysis by occupation shows that agricultural and fishery workers suffered more injuries and illnesses than workers in other occupations. It is, however, hard to tell from the survey results whether all reported illnesses were entirely work-related.

Table 16.11: NUMBER OF WORKING CHILDREN BY MAIN INJURIES AND OCCUPATION

Occupation (ISCO 88)	Limb Injury	Eye/ear Infection	Skin infection	Back problem	Breathing Problem	Other	Not stated	Total
Housekeeping & restaurant services	-	-	1,448	-	318	2,078	-	3,844
Other personal services workers	-	-	-	-	-	930	932	1,862
Shop & sales persons & demonstrators	-	-	-	-	318	338	-	656
Stall and market sales persons	-	-	-	-	318	669	-	987
Market gardeners & crop growers	474	-	661	-	597	2,088	-	3,820
Market-oriented livestock growers	-	338	-	-	-	786	-	1,124
Market-oriented crop & livestock growers	1,266	-	-	-	-	4,834	-	6,100
Fishery worker, hunters & trappers	-	-	-	-	-	1,068	-	1,068
Subsistence agricultural & Fishery worke	564	-	-	-	553	18,561	2,102	21,780
Mines and stone cutters	-	-	-	-	-	1,216	-	1,216
Handcraft workers in wood, textile leathe	-	-	-	-	-	3,821	-	3,821
Street vendors & related workers	-	-	-	-	-	348	-	348
Shoe cleaning & other Street services	-	-	-	-	-	258	-	258
Domestic & related helpers, cleaners & launderers	-	426	330	1,134	8,404	17,874	-	28,168
Building caretakers	-	-	-	-	-	1,087	-	1,087
Messengers, potters, doorkeeper etc	-	-	-	-	-	321	-	321
Agriculture, fishery and related workers	26,963	-	-	-	1,324	73,687	15,281	117,255
Not Stated	-	-	-	-	-	614	-	614
TOTAL	29,267	764	2,439	1,134	11,832	130,578	18,315	194,329

16.21. As shown in Table 16.12, employers took 80.6 per cent of the sick or injured children to a medical facility either for in-patient or out-patient treatment. Nonetheless, there were some cases where no action was taken for the injured children (1.0 per cent) or where parents took the injured and sick children to health facilities (12.8 per cent).

Table 16.12: NUMBER OF WORKING CHILDREN BY TYPE OF INJURIES/ILLNESSES AND ACTION TAKEN

Type of Injury	Action Taken						Not stated	Total
	No Action	Taken for Inpatient Treatment by		Taken for Outpatient Treatment by		Other Actions		
		Employer	Parent/self	Employer	Parent/self			
Limb Injury	1,251	-	1,266	26,385	365	-	-	29,267
Eye/Ear Infection	-	426	-	-	338	-	-	764
Skin Infection	-	1,448	-	-	-	991	-	2,439
Back Problem	-	909	-	225	-	-	-	1,134
Breathing Problem	-	267	-	1,222	9,148	1,194	-	11,831
Other Injuries/Diseases	553	5,681	1,144	104,435	10,236	8,530	18,315	148,894
TOTAL	1,804	8,731	2,410	132,267	20,087	10,715	18,315	194,329

Wages and other Benefits from Employment

16.22. Only 172 thousand (18.5 per cent) of the children who worked last week were in wage employment, with majority (63.6 per cent) earning less than KSh 900 per month. As shown in Table 16.13, there were gender differentials in wages, with relatively more girls in the low wage groups. Children in the urban areas were relatively under-paid, where 70.4 per cent received less than KSh 900 per month compared with 57.8 per cent of children in rural areas. Overall children were poorly paid since in most cases their wages fell below the statutory minimum wage of KSh 998 per month set for unskilled employees aged below 18 years who work in the agricultural sector (Regulations of Wages Order, 1998). The same regulations provide for monthly minimum wage of KSh 1,259 for unskilled agricultural workers aged 18 years and over.

Table 16.13: DISTRIBUTION OF WORKING CHILDREN BY ACTUAL MONTHLY PAY

	0-899	900-1499	1500-1999	2000+	Total
Boys	41,200	18,184	5,582	5,907	70,873
Girls	68,308	21,595	6,980	4,456	101,339
Total	109,508	39,779	12,562	10,363	172,212
Rural	53,745	22,209	9,443	7,610	93,007
Urban	55,763	17,570	3,119	2,753	79,205
Total	109,508	39,779	12,562	10,363	172,212

16.23. Table 16.14 presents information on facilities provided to working children by their employers. The most frequently provided/subsidised facilities were meals, accommodation and medical facilities in that order. Training had the lowest frequency of about 2.8 per cent of the total in the case of the out of school working children and 2.5 per cent in the case of schooling children.

Table 16.14: NUMBER OF WORKING CHILDREN PROVIDED WITH SELECTED FACILITIES BY EDUCATIONAL STATUS

Facility	Schooling	Out of School	Total
Medical	185,298	329,696	514,994
Transport	81,151	88,569	169,720
Accommodation	198,943	383,685	582,628
Meals	279,175	466,797	745,972
Protective Clothing	41,325	147,243	188,568
Training	24,274	38,267	62,541
Other	71,739	49,548	121,287
TOTAL	881,905	1,503,805	2,385,710

Reasons for Working

16.24. The survey attempted to establish why children work by analysing responses from parents and working children, and also by analysing income levels of households with working children. First, parents were asked why they released children to work. About 30.1 per cent of parents with working children reported that they released their schooling children to work in order to help in either family business or family farm. Another 27.5 per cent gave the main reason as augmenting the household income. As shown in Table 16.15, only a very insignificant proportion (0.3 per cent) of the parents released their children for work because they thought their schooling or training was irrelevant.

Table 16.15: NUMBER OF HOUSEHOLDS GIVING MAIN REASON FOR ALLOWING CHILDREN TO WORK

Reason	Number of Households	Percentages
Augment household income	157,732	27.5
Help in family business/farm	172,277	30.1
Child to be self-reliant	27,424	4.8
Education/training environment not suitable	1,711	0.3
Other	205,456	35.9
Not stated	8,470	1.5
TOTAL	573,070	100

16.25. Children also gave their reasons for working, which are summarised in Table 16.16. About 229,106 children (24.7 per cent of children who worked the previous week) said that they chose to work so as to help in housekeeping chores. Those who reported to have worked so as to augment household income accounted for 22.9 per cent of the working children. The third major reason given for working was for self-support, accounting for 22.2 per cent of the working children. Very few children reported that they were working because their age mates were working (0.3 per cent). While the most common reason given by out-of-school children was to augment household income followed by supporting themselves, more than a third of the schooling children worked in order to help in housekeeping chores. Analysis of reasons for working by hours of work shows that schooling children who worked for less than 25 hours during the reference week were helping in household chores, while out-of school children who worked longest (for more than 41 hours during that week) were working to support themselves.

Table 16.16: NUMBER OF CHILDREN GIVING MAIN REASON FOR WORKING AND ACTUAL HOURS WORKED LAST WEEK

	Schooling				Not Schooling				Total
Main Reason for Working	Under 25	25 - 41	Over 41	Total	Under 25	25 - 41	Over 41	Total	
Augment h/hold income	33,006	17,997	10,579	61,582	53,288	43,114	54,371	150,774	212,356
Assist in family enterprises	7,211	3,878	5,331	16,419	14,828	6,508	18,481	39,817	56,236
Help in Housekeeping chores	52,952	25,788	47,720	126,460	35,337	29,558	37,752	102,646	229,106
Suggestion from parents	4,000	10,052	25,286	39,338	22,922	8,807	54,671	86,399	125,737
Support self	37,667	21,363	11,880	70,911	36,913	33,542	65,060	135,514	206,425
Copying agemates	-	-	-	-	2,479	-	701	3,180	3,180
Other	21,314	24,180	1,326	46,821	11,844	9,588	8,355	29,787	76,608
Not stated	595	1,301	11,646	13,542	971	1,098	3,622	5,690	19,232
TOTAL	156,746	104,559	113,768	375,073	178,581	132,215	243,011	553,808	928,881

16.26. Table 16.17 presents the number of working children whose parents reported their monthly household incomes. Although the sample is very small, it can be generalised that household income level has a bearing on child labour since majority of the working children (57.9 per cent) came from lower income families, i.e. households with monthly income below KSh 6,001. This was true for in-school working children (56.7 per cent) and out-of- school working children (58.4 per cent). This implies that poverty is a major cause of child labour. Overall, 21.3 per cent of the working children were from very poor households with a monthly income of less than KSh 2,001.

Table 16.17: DISTRIBUTION OF WORKING CHILDREN BY MONTHLY HOUSEHOLD INCOME

'000s

Income (Kshs.)	Schooling	Out-of-School	Total
0 - 2000	112	292	404
2001 - 4000	116	263	379
4001 - 6000	106	207	313
6001 - 8000	85	145	230
8001 – 10000	49	107	156
10001 – 15000	66	102	168
15001 – 20000	17	79	96
20001 – 25000	15	48	63
25001 – 30000	2	18	20
30001 – 35000	6	12	18
35001 – 40000	1	7	8
40001 – 45000	0	5	5
45001 – 50000	4	5	9
50001+	10	15	25
TOTAL	589	1,305	1,894

Child Labour

16.27. Child labour is work undertaken by children aged 5-17 years, which prevents them from attending school, and is exploitative, hazardous or inappropriate for their age. It should be differentiated from *child work*, which refers to certain types of light work undertaken by children, such as helping in housekeeping chores or in the farms after school hours, or teenagers working for a few hours before or after school or during holidays to earn pocket money. Therefore, not all work undertaken by the 1.9 million working children was child labour.

16.28. The survey questionnaire did not directly distinguish between child work and child labour. However, information collected provides indicators in-built in the child labour concept that may be used to filter child labour from the working children. Although the filtering process might not provide absolute or foolproof indicators of child labour, it provides the clearest indication of activities that potentially fall within the qualitative definition of child labour. The filtering process used two sets of indicators of child labour, where the first set identified child labour in general and the second set identified worst forms of child labour. The first set of indicators was schooling status, status in employment and hours of work. The second set of indicators consisted of: type of work (hazardous work and risky occupation and Industry); working conditions (pay level, provision of food, medical attention, transport and safety devices); and risks and dangers at work (ailments due to work and injuries sustained at place of work, and use of tools and equipment).

16.29. The schooling status is in-built in the child labour concept if working prevents children from attending school. Therefore, children of school going age who did not attend school during the school year but were reported to have worked are considered to have been engaged in child labour (including work by children who did not proceed to secondary school after completing the primary school). Going by schooling indicator, it can be stated that child labour in Kenya stood at 1.3 million children, as given in Table 16.1. That is, 553,808 children who worked in the previous week plus 751,560 children who worked at any other time during the last twelve months. .

16.30. The status in employment is in-built in the child labour concept in the sense that wage employment is in most cases of permanent or contractual nature, implying that the working child is in the labour market in a permanent way. Self-employment at such tender ages imposes undue responsibility, which is associated with both mental and physical stress. In addition the self-employed children forfeit advancement in schooling, and by so doing reduce their present economic welfare or their future income earning capabilities either by shrinking their future external choice set or reducing their own individual productive capabilities. Therefore, children who either worked for pay or operated their own farms/enterprises are considered in this filtering framework to be engaged in child labour. As given in Table 16.4, about 172 thousand children had worked for pay, while 15 thousand operated their own businesses during the survey's reference week. Using this indicator, about 187 thousand children were child labourers during the week preceding the survey.

16.31. The hours of work criterion is embodied in the child labour concept at both the lower risk and higher risk (worst form) levels. A cut-off point for identifying child labour with respect to hours worked is established by use of existing regulations and the average hours of work for the Kenyan adult work force. The Employment Act states that children may not be employed in any industrial undertaking between the period 6.30 p.m. to 6.30 a.m. while the General Wages Order regulates employment of children to six hours a day within six days of the week. Further, average hours of work for adults in the modern sector of the economy lies between 39 and 42 hours in a week (*Employment in the Modern Sector Report –various issues*). Therefore, the lower cut-off point classifies children who worked for 25–41 hours in a 6-day working week as being engaged in general child labour. Further, the upper cut-off point classifies children who worked for more

than 41 hours in a 6-day working week as being in higher risk or worst forms of child labour.

16.32. The survey results presented in Table 16.4 show that 237 thousand children clocked 25 to 41 hours during the reference week, 88.4 per cent of whom were unpaid family workers. An estimated 357 thousand children (114 thousand schooling children and 243 thousand of out-of-school children) worked for more than 41 hours during the reference week. Therefore, going by the 'hours of work' criterion, about 594 thousand children were engaged in child labour during the reference week. That children worked for long hours is reflected in children's "voices" recorded in Table 16.10, where the third major complaint aired by working children, albeit of low proportion, was long working hours

16.33. The first set of indicators can be summarised as follows:

- The out-of-school criterion gives 534 thousand children in child labour (out-of school children who worked during the reference week), but 1.3 million children who reported to have worked either during the last 7 days or at any other time during the past twelve months;

- Status in employment criterion generates 187 thousand children in child labour (children who either worked for pay or engaged in their own farms/businesses during the reference week); and

- The hours of work criterion generates 594 thousand children in child labour (children who worked for more than 24 hours during the reference week).

16.34. The challenge is combining the three results to get a single estimate. However, both the 'out-of-school' and 'hours of work' indicators give very close results – although the former has two reference periods giving two different estimates. The status in employment filter is limited by the fact that it omits unpaid family workers, who are the majority in the Kenyan setting, contributing 78.7 per cent of the working children during the reference week. It can therefore be concluded that child labour stood between 534 thousand and 594 thousand working children during the survey reference week. Using a longer reference period of the past 12 months, child labour stood at 1.3 million.

16.35. The second set of indicators reveals that some children are engaged in the some worst forms of child labour exiting in Kenya. Using the **type–of–work** criterion, the survey showed that children were engaged in industries and occupations that are unsafe and risky for young persons, although these activities absorbed a small proportion of the working children. Table 16.6 shows that there were about 15 thousand children engaged in activities that are unsafe and risky for young persons, i.e. fishing, mining and quarrying, building, and road transport. It was shown in Table 16.12 that about 175 thousand children fell sick or got injured in their places of work during the 12 months prior to the survey, mainly agricultural and fishery workers. The main type of injuries and diseases were limb injuries and breathing problems.

16.36. In respect to **low pay** about 109.5 thousand children in wage employment (63.6 per cent) earned less than KSh 900 per month. The high percentage reflects poor pay, and hence exploitation of children, relative to statutory minimum wage of KSh 998 per month set for unskilled employees aged below 18 who are working in the agricultural sector under the Regulations of Wages Order, 1998. The same

regulations provide for monthly minimum wage of KSh 1,259 for unskilled agricultural workers aged 18 years and over. **With regard to hours** worked; it was shown in Table 16.7 that an estimated 38.5 per cent of the children worked for more than 41 hours in a week. This is above the maximum six hours a day within six days of the week that is provided in the General Wages Order Regulations, and is classified as higher risk or worst forms of child labour.