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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**

Summary and Outlook

International Scene

The global output in 2001 is estimated to have recorded the lowest growth since 1991. This was against a background of declining equity prices, lagged impact of the rise in oil prices, contraction of World Trade and fall in consumer and business confidence. Virtually all OECD countries recorded slower growths in 2001 compared to 2000.

The state of insecurity caused by the terrorists attack on 11th September 2001 in USA, substantially disrupted the production and demand particularly for air travel, tourism and financial services across economies.

China and Russia were exceptions to the widespread slowdown in economic performance despite the weak world economy. Low coffee prices in Colombia, foot-and-mouth disease in Uruguay, energy crisis in Brazil and economic difficulties in Argentina worsened the economic performance in South America. In Africa, other than the global developments, political uncertainties and instability, high external debt servicing and weak governance were among the major concerns. Governments in the Africa resolved to embark on a New Partnership for Africa Development (NEPAD) in recognition to these challenges.

The World Trade performance is expected to play major roles in the global economy. Unemployment is likely to reach 7.2 per cent in 2002 from 6.5 per cent in 2001 in the OECD countries. United States is projected to have slower growth rate of 0.7 per cent in 2002 while Japanese economy is expected to record a negative growth of 1.0 per cent in the same period. Likewise, the global downturn of economic activities is likely to slowdown growth in most African economies, given that exports account for a third of Africa's GDP.

Domestic Economy

The economy recovered from a negative growth of 0.2 per cent in 2000 to record a modest growth of 1.2 per cent in 2001. All sectors except the building and construction recorded positive growth. Transport, storage and communication had the highest growth of 3.1 per cent while agriculture and manufacturing recorded 1.2 per cent and 0.8 per cent growth rates, respectively.

The financial sector remained relatively stable and profit before tax improved significantly from KSh 3.5 billion at the end of 2000 for KSh 8.6 billion at the end of 2001. However the Non-Performing Loans (NPLs) and the uncertainty regarding the implementation of the Central Bank (Amendment) Act 2000 were the main challenges.

There was significant improvement in the total remuneration of employers from KSh 316.10 billion to KSh 357.74 billion in 2001, a rise of 13.2 per cent. Similarly, nominal per capita income rose by 10.4 per cent.

On electricity sub-sector, the overall installed capacity declined marginally by 1.4 per cent while the total electricity generation rose by 3.8 per cent in 2001. The trade deficit worsened by 25.7 per cent while the current account deficit widened by KSh 24,869 million in 2001 from KSh 15,512 million in 2000.

Social Scene

Investment by the Government in education, health and other social services continued to increase as reflected in the 2000/2001 government budget. Expenditure in the social services rose from a total of KSh 71,332.4 million in 2000/2001 to KSh 81,258.3 million in 2001/2002 for both the Central and Local Government, an increase of 13.9 per cent. Expenditure in education stood at KSh 57,014.0 million accounting for 69.8 per cent of the total expenditure on social services in 2001/2002 followed by health with an expenditure of KSh 10,527.4 million.

Gross enrolment rate at primary schools declined from 93.9 per cent in 1999 to 91.2 per cent in 2001. Completion rate for primary education stood at 49.8 per cent while progression rate to secondary education was 46.2 per cent.

The number of registered medical personnel per hundred thousand population declined from 190.1 in 2000 to 188.2 in 2001. The number of health facilities increased from 4,355 to 4,421, over the same period. HIV/AIDS prevalence rate declined from a national average of 13.9 per cent in 1998 to 13.0 per cent in 2001.The National Social Security Fund (NSSF) paid out a total of KSh 2,221.7 million to its members in 2001; an increase of 17.0 per cent compared to that of KSh 1,871.9 million in 2000. Crimes reported at the police stations rose by 10.8 per cent from 74,994 cases in 2000 to 80,919 cases in 2001. In the same period, the prison population registered an increase of 8.0 per cent from 253,732 to 273,928 prisoners.

Employment, Earnings and Consumer Prices

Total employment, excluding employment in small-scale agriculture and pastoralist activities, was estimated at 6.4 million persons. Employment in the modern sector declined by 1.0 per cent to stand at 1,677.1 thousand persons in 2000 whereas the number of self-employed and unpaid family workers rose to 65.4 thousand persons. Employment in the public sector went down by about 34,000 persons due to the retrenchment of public servants, natural attrition and restrictive Government employment policy in the public institutions. The informal sector created 473.5 thousand additional jobs in the year 2001, representing a rise of 11.4 per cent. The number of females in wage employment declined by 1.1 per cent from 500,600 recorded in 2000 to 495,200 in 2001.

The overall nominal wage bill increased from KSh 285,871.7 millions in 2000 to KSh 324,578.8 millions in 2001, representing a rise of 13.5 per cent. The average wage earnings per employee per annum went up from KSh 173,031.7 in 2000 to KSh 198,802.1 in 2001, an increase of 14.9 per cent. The reduction of inflationary pressure, coupled with upward wage adjustments led to 14.0 per cent increase in real earnings from KSh 25,667.2 per annum in 2000 to KSh 29,252.8 per annum in 2001

The overall inflation rate, estimated using the Nairobi Consumer Price Indices, decreased from 6.2 per cent in 2000 to 0.8 per cent in 2001. The fall in inflation was more pronounced in the lower income group, which declined from 5.9 per cent in 2000 to minus 0.2 per cent in 2001, while inflation rate for middle-income group fell from 7.1 per cent in 2000 to 3.4 per cent in 2001. However,

inflation rate for upper income group edged up from 7.7 per cent in 2000 to 8.4 per cent in 2001. This was as a result of decline in prices of basic foodstuffs especially maize grain and maize flour. Other factors included the tight monetary policy pursued by the Central Bank of Kenya, stability in the Kenya shilling exchange rate, low demand and decline in the price of crude oil.

Money, Banking and Finance

The government pursued tight monetary policy aimed at attaining a sustainable growth in income and employment by containing inflation within the 5.0 per cent target. During the year a 0.8 per cent inflation rate was achieved and a 2.4 per cent growth in both broad money supply M3 and M3X was realised. Net foreign assets on the other hand grew by 9.9 per cent while the benchmark interest rate on 91-day treasury bills dropped by 2.66 percentage points leading to a lower nominal interest rate regime. During the same period domestic credit to the private sector dropped by 6.0 per cent while that to the public sector increased by 20.3 per cent.

The banking sector remained stable despite uncertainty regarding the Central Bank of Kenya (amendment) Act 2000 on interest rates. The emergence and recognition of micro finance institutions and savings and credit cooperatives as alternative sources of funds posed a major regulatory challenge for the policy makers. The depressed capital market scenario of year 2000 continued into 2001 with the Nairobi Stock Exchange 20-share index declining from 1,913 in 2000 to 1,355 in 2001. In the insurance sub-sector the Office of Commissioner of Insurance enhanced its regulatory mandate by implementing on sight inspection of the insurance companies. The entire financial sector registered a nominal gross domestic product, growth of 9.0 per cent.

Public Finance

During the 2001/02 financial year, the total government expenditure stood at KSh 313,550.8 million, compared to KSh 270,068.2 million in 2000/01. The recurrent and development expenditures rose by 13.91 per cent and 31.78 per cent, respectively. The current deficit was estimated at KSh 2,152.01 million in 2001/02 compared to a surplus of KSh 10,186.7 million the previous fiscal year. The growth in current revenue was slower than that of current expenditure, thus increasing the deficit in the same period.

The total stock of outstanding debt reduced from KSh 306,694.86 million in 2001/02 to KSh 296,483.30, a 3.33 per cent drop. The government prioritized the payment of domestic debt, whose interest is higher, with the aim of eventually reducing the debt service.

In 2001/02, KSh 3,000.00 million was transferred to the local authorities through Local Authority Transfer Fund(LATF) mechanism, which was 30.04 per cent higher than 2000/01 allocation. To receive the LATF funds, all Local authorities are required to submit their budgets to the ministry of local government. During 2001/02 the total expenditure by local authorities was KSh 12,358.66 million, 10.60 per cent higher than 2000/01, while the total revenue rose by 10.80 per cent from KSh 10,002.82 million to KSh 11,083.23 million in 2001/02.

International Trade and Balance of Payments

Key indicators of international trade and balance of payments show poor performance of the external sector in 2001. There was a remarkable rise in imports while domestic exports increased only marginally, which principally caused a drastic deterioration of the trade deficit when compared to 2000.

The large increase in imports was largely due to substantial rise in imports of non-food industrial supplies and transport equipment. The significant decline in both export values and volumes of some of the principal commodities mainly explains the sluggish performance of the domestic exports, and is due to weak international demand and lower international commodity prices.

These developments contributed to the widening of current account balance to a deficit of KSh 24,869 million in 2001 from a smaller deficit of KSh 15,512 million in 2000. The deficit on the current account was however fully offset by a surplus on the capital and financial account causing the net international reserves of the country to increase to KSh 13,072 million from KSh 8,244 million in 2000.

Agriculture

Agriculture sector Gross Domestic Product (GDP) growth improved from a revised negative 2.1 per cent recorded in 2000 to positive 1.2 per cent in 2001. The improved performance of the sector was largely due to good weather experienced during the year. The terms of trade in the agricultural sector deteriorated by 14.5 points from 104.2 in 2000 to 89.7 in 2001.Overall, output at constant prices increased marginally by 0.4 per cent from KSh. 27,407 million in 2000 to KSh. 27,509 million in 2001. This was attributed to increases in production of tea, pyrethrum, sisal, rice and dairy produce. However, coffee production declined significantly by 48.7 per cent, from 100.7 thousand tonnes in 1999/2000-crop year to 51.7 thousand tonnes in the 2000/2001-crop year.

Total value of recorded marketed production increased by 2.2 per cent from KSh. 78,775.0 million to KSh. 80,535.7 million in 2001. This was attributed to the total value of marketed cereals increasing by 55.8 per cent from KSh. 5,617.1 million in 2000 to KSh. 8,752.2 in 2001. The increase in the value of marketed cereals was largely due to the higher marketed production volumes for maize and wheat. However, the value of permanent crops marketed declined by 4.2 per cent from KSh. 48,434.5 million in 2000 to KSh. 46,415.2 million in 2001. The decline could be explained by the lower prices of tea in the world market. The value of livestock and livestock products increased slightly by 8.6 per cent from KSh. 13,948.7 million in 2000 to KSh. 15,151.3 million in 2001. This was attributed to the low prices offered per litre for milk produce due to glut of milk and milk powder in the market. The glut was as a result of importation of milk powder.

In the year under review, prices of coffee and sisal increased marginally by 2.3 and 9.1 per cent, respectively. Similarly, prices of wheat, beef and bacon pigs increased while those of sugar cane and pyrethrum (extract equivalent) remained static. On the other hand, prices of maize, milk and seed cotton declined.

The value of horticultural exports increased by 69.1 per cent from KSh. 13.9 billion in 2000 to KSh. 23.5 billion in 2001. However, the quantity declined from 99.2 thousand tonnes in 2000 to 95.2 thousand tonnes in 2001. The significant increase in value of the horticultural exports was attributed to commodity value addition through improved packaging coupled with higher volumes of cut-flower exports.

Environment and Natural Resources

The forest plantation area decreased from 147.2 thousand hectares to 120 thousand hectares. There was a notable decline of 9.0 per cent in the sales of timber mainly from exotic trees. Development expenditure on water supplies and related services increased by 5.7 per cent from KSh 1,670.2 in 2000 to KSh 1,76.1 in 2001. Overall fish landed increased by 5.3 per cent from 202,276 tonnes in 2000 to 212,948 tonnes during the period under review. The quantity of mineral production declined by 13.1 per cent while the value increased by

31.4 per cent from KSh 3.6 billion in 2000 to KSh 4.8 billion in 2002. The population of some of the large herbivores recorded declines in numbers. The possible causes of these declines may be explained by the drought during the period, poaching of some species, and land-use changes that are occurring within the rangeland areas.

Energy

During the year under review, world's crude oil prices were maintained at low levels as a result of increase in production level among the member countries. Consequently Murban Benchmark crude oil prices declined from 23.0 US dollar per barrel in December 2000, to 19.10 US dollar per barrel in December, 2001.

Sales of petroleum products in the domestic market declined marginally by 2.6 per cent from 2,448.1 thousand tonnes in 2000 to 2,385.2 thousand tonnes in 2001. Transport sector (road, rail, marine and aviation) continued to be the main consumer of petroleum products during the period under review. The total net energy imports continued to dominate the total energy consumption and accounted for 52.1 per cent of the total energy consumed in the country in 2001. Domestically produced energy increased by 16.4 per cent.

The reforms in power sub-sector since 1997 have seen entry of five Independent Power Producers (IPPS) with current capacity of 187.5 MW. Four IPPS (Ibera Africa, Westmont, Mumia Sugar Company and Tsavo Power Company) are in thermal generation while the fifth one Orpower4 is exploiting geothermal energy. As a result total installed capacity has expanded since the process started. During the review period, total electricity installed capacity decreased by 1.4 per cent 1,159.4 MW in 2000 to reach 1,143.1 MW in 2001.

Total electricity generation went up from 4,178.9 GWH in 2000 to 4338.4 GWH in 2001; an increase attributed mainly to improved weather conditions, which resulted in improved water levels in hydroelectric power dams.

Manufacturing

Real output growth in the manufacturing sector recorded a modest expansion of 0.8 per cent in 2001 compared with a revised decline of 1.4 per cent recorded in 2000. Favourable weather conditions in the year led to an improved supply of raw materials to the agro-based industries while the lifting of power rationing ensured a stable supply of power to manufacturers leading to increased plant capacity utilization. The food sub-sector gained, though marginally, after a drop in 2000. Other sub-sectors that recorded growth were in clothing, leather and footwear, paper and paper products, basic industrial chemicals, petroleum and other chemicals, electrical and non-electrical machinery. The biggest drop in output was recorded in the transport equipment and clay and glass product sub-sectors.

The level of poverty that continued to rise, coupled with the general slowdown of the economy, inhibited growth in the demand of locally manufactured goods as effective demand continued to shift more in favour of relatively cheaper imported manufactured items. In addition, the high cost of inputs as a result of a combination of dilapidated and inefficient general infrastructure led to high prices of locally manufactured products thereby limiting their capacity to effectively compete in the regional and international market. To spur growth, the Government has seized available opportunities especially in the export front, to come up with appropriate policies that would benefit the local manufacturing sector. To achieve this, the Government has, in the last five years signed several trade agreements geared towards gaining export opportunities. Among them are; African Growth and Opportunity Act (AGOA)- a United States Government

initiative, African Caribbean and Pacific-European Union (ACPT-EU) Partnership Agreement geared towards preferential access of ACP exports to European Union market, Common Market for Eastern and Southern Africa (COMESA) and East African Community (EAC). Export Processing Zones (EPZ), with an investment portfolio at KSh. 9.0 billion by 2001, recorded impressive performance mainly as a result of the AGOA initiative. During this period, investment in the sector remained weak though better compared to previous year.

Building and Construction

In the year 2001, building and construction sector recorded mixed performance. Cement consumption increased marginally by 2.1 per cent from 1067 thousand tonnes in 2000 to 1089 thousand tonnes in 2001. Labour costs in the building and construction sector recorded a higher growth of 9.2 per cent in 2001 as compared to a growth of 7.0 per cent in the year 2000. The total values of building plans approved and reported private building works completed declined by 4.0 per cent and 23.1 per cent respectively during the year under review. Actual government expenditure on housing has been declining mainly because of inadequate budgetary allocation. Recurrent expenditure on roads increased by 13.1 per cent, from KSh 5922.1 million to KSh 6696.0 million in the years 2000 and2001 respectively. The continual increase of recurrent expenditure allocation has been necessitated by the need to improve the road network by regular maintenance and repair.

Tourism

The global recession that was experienced in the year 2001 coupled with the aftermath of the September 11th terrorist attack in the U.S.A did not augur well for the tourism industry. The industry experienced mixed performance in 2001 when compared to 2000. International visitor arrivals as well as visitor departures dropped by 4.1 per cent and 0.4 per cent, respectively. Despite a drop in the average length of stay from 8.7 days in 2000 to 8.4 days in 2001, tourism earnings went up from a revised figure of KSh. 21,553 million in 2000 to KSh 24,239 million in 2001. This rise in earnings could partly be attributed to aggressive marketing by the Kenya Tourist Board (KTB).

Hotel capacity as defined by the number of bed-nights available as well as bed-nights occupied declined by 11.2 per cent and 9.0 per cent from 9,382.3 thousand and 3,687.8 thousand to 8,327.8 thousand and 3,354.9 thousand, respectively over the same period. The reduction in capacity was as a result of the closure of a number of hotels for renovations during the tourist low season. This precipitated into a marginal increase of 1.0 percentage points in bed occupancy in 2001 compared to 2000. On the other hand the number of visitors to game parks rose marginally by 0.3 per cent to stand at 1,650.3 thousand in 2001 compared to 1,644.9 thousand for the previous period. Visitors to museums and other historical sites went up significantly by 15.5 per cent from 585.1 thousand to 675.8 thousand.

Transport, Storage and Communications

The value of output from transport, storage and communications sector registered 18.7 per cent rise during 2001 compared to a 12.2 per cent increase realised in 2000. Improvement and rehabilitation of roads enhanced cargo and passenger transport services during the year, resulting in an increase of 20.2 per cent in the value of output from the road transport sub-sector. Inward bound transit traffic from the port of Mombasa to the Great Lakes Region via railway network increased by 59.8 per cent, although the demand for domestic rail freight services declined substantially during the period under review. Imports of goods through sea and air transport modes increased by 22.1 and 14.1 per cent respec-

tively during the same period. Similarly, throughput of white petroleum products pumped by the Kenya Pipeline Company in 2001 increased by 45.6 per cent above the volume pumped in 2000. Volume of freight exports through air declined by 2.7 per cent while those by sea increased by 12.3 per cent. Demand for cellular phones was more pronounced during the year as subscription shot up by almost sevenfold from 85,000 in 2000 to 668,000 in 2001. The number of internet cyber cafes recorded a steady growth on one hand while on the other, circulation copies of daily and weekly English and Swahili newspapers declined by significant margins during the year.

Labour force participation in Kenya

Of the 15.9 million aged 15 – 64 years, 12.3 million were economically active representing 77.4 per cent. The employed population stood at 10.5 million with the rural area accounted for 70.8 per cent. The overall participation rate was 73.6 per cent. For those who were in paid-employment, they earned an average of KSh 7,766 per month. The total unemployed population was estimated at 1.8 million with the urban areas accounting for 57.1 per cent. The overall unemployment rate stood at 14.6 per cent. The urban unemployment rate was reported to be 25.1 per cent whereas the rural unemployment rate was 9.4 per cent. The participation rate was found to increase with higher levels of education.

The new consumer price indices

A new Consumer Price Index was started in October 1997 and will replace the old CPI from July 2002. Analysis shows that the old CPI underestimated inflation rate by about 3.6 per cent. The main features of the new CPI as opposed to the old CPI are

- Income brackets have been revised to take account of the current income levels,
- The results of the 1993/94 Urban Household Budget Survey were used to construct a new market basket of goods and services,
- The new CPI has been expanded to cover other urban towns apart from Nairobi,
- Housing costs, which were imputed in the old CPI, are now collected on a monthly basis in the new CPI, and the base period has been updated to a recent date.

CPI attempts to reflect on a monthly basis the combined price movement of many retail transactions. Since the index is based on a fixed basket of goods and services bought in the base year, it tends to be outdated over time. Changes take place in the social and economic characteristics of the population; new products and services come into the market and there are also changes in consumer's tastes. As a result of the above reasons, CPI is normally revised after every ten years.

Migration, Urbanization, Housing and Social Amenities In Kenya

The pattern of migration in Kenya for the intercensal periods 1969-79, 1979-89 and 1989-99 remained almost the same. The majority of the migrants are young adults in the 20-49 age bracket who migrated in search of employment opportunities. Although the majority of migrants were males in some regions, females were also increasingly involved in long-distance migration.

Demographic, social, economic and political factors have greatly impacted on the urbanization process, resulting in varied urbanization levels, trends and patterns at both the provincial and district levels. Urbanization process in Kenya is on the increase, but still at the medium level. The process seems to be guided by the policy of growth centre strategy.

The composition and structure of households has remained unchanged over the last ten years. The female-headed households accounted for 36.7 per cent of the total households in the country. The dwelling unit counts reflected a concentration of the housing stock in the rural areas as opposed to urban areas. The construction materials for most dwelling units were conventional, notably iron sheets and cement. The results further show that 76 per cent of the households in the urban areas are renters while 86 per cent of the households in the rural areas own their dwelling units.

Outlook

The good rains in the long season already being experienced in the country will boost the agricultural production. Tea production is expected to improve as well as the prices as relative political stability returns in Afaghanstan. Coffee and horticultural output are also expected to improve.

The main challenges for the banking sector will remain the Non-Performing Loans (NPLs) and the Central Bank of Kenya (Amendment) 2000 Act. The profits of the May decline if the act is implemented.

The Government domestic debt is expected to rise if the donor funds will not be forthcoming. The plans to convert the domestic debt into long term bonds will continue this year and this may ease interest and principal repayments by the Government.

The year 2002 will be election year and it is expected that election funds will improve the household consumption which will trigger investment. The inflation is projected to rise to 2 per cent and the economy is expected to register a real GDP growth rate of 2 per cent in 2002.

Table 1: KEY ECONOMIC AND SOCIAL INDICATORS, 1997 - 2001*

	DESCRIPTION		1997	1998	1999	2000	2001**
1	Population****	(million)	28.1	28.8	29.5	30.2	30.8
2	Growth of GDP at constant prices	(per cent)	2.4	1.8	1.4	-0.2	1.2
3	GDP at market prices	(KSh. mn)	623,235.1	690,910.0	742,135.7	795,972.5	895,278.5
4	Net cost of petroleum products	(KSh. mn)	18,703.6	21,008.6	29,954.8	53,667.0	44,375.3
5	Trade balance	(KSh. mn)	-70,228.4	-76,608.1	-83,841.6	-113,276.8	-142,518.0
6	Money Supply (M3)	(KSh. mn)	294,052.0	303,750.0	312,116.0	314,686.0	322,326.0
7	Total domestic credit	(KSh. mn)	327,412.0	350,629.0	371,366.0	381,325.0	380,197.0
8	Balance of payments (current account balance)	(KSh. mn)	-26,829.0	-28,688.0	-6,875.0	-15,512.0	-24,969.0
9	Coffee-marketed production	('000 tonnes)	68.0	51.3	64.3	98.0	54.6
10	Tea-marketed production	('000 tonnes)	220.7	294.2	248.8	236.3	294.6
11	Maize-marketed centrally	('000 tonnes)	204.6	218.0	223.5	201.2	376.5
12	Wheat-marketed centrally	('000 tonnes)	124.2	176.7	52.9	70.5	131.8
13	Sugar-cane production	('000 tonnes)	4,278.3	4,661.4	4,415.8	3,941.5	3,550.8
14	Milk sold centrally	(mn litres)	197.0	126.0	180.0	137.0	148.0
15	Manufacturing output	(KSh. mn)	675,240.0	703,000.0	742,500.0	661,200.0	669,600.0
16	Construction output	(KSh. mn)	33,140.0	37,800.0	43,214.0	47,103.4	53,615.3
17	Cement Consumption	('000 tonnes)	1,136.9	1,071.9	1,111.1	1,067.0	1,089.0
18	Petroleum Consumption	('000 tonnes)	2,175.2	2,199.1	2,311.6	2,448.1	2,385.2
19	Electricity consumption	(GWH)	3,671.7	3,601.8	3,685.2	3,320.7	3,654.8
20	Tourism earnings	(KSh mn)	22,640.0	17,509.0	21,367.0	21,553.0	24,239.0
21	New registration of vehicles	(number)	29,893.0	31,718.0	27,892.0	20,236.0	26,024.0
22	Rail freight	(mn tonnes-Km)	1,068.2	1,111.0	1,491.6	1,556.9	1,603.0
23	Air passengers handled	('000)	3,792.0	3,566.0	4,002.0	4,383.0	4,329.0
24	Wage employment	('000)	1,647.4	1,664.6	1,673.6	1,695.4	1,677.1
25	Education-primary enrolment	('000)	5,677.3	5,919.6	6,064.3	6,155.5	6,314.5
26	Education-secondary enrolment	('000)	687.5	700.5	713.3	759.0	818.2
27	Education-post secondary enrolment	('000)	89.0	76.0	77.0	90.4	111.4
28	Hospital beds and cots	(number)	50,909.0	52,186.0	54,378.0	56,416.0	57,540.0
29	Registered doctors and dentists	(number)	4,782.0	4,997.0	5,145.0	5,252.0	5,393.0
30	GDP Per capita (Current)	(KSh mn)	19,084.1	20,606.1	21,736.6	22,720.5	25,093.9
31	GDP Per capita (Constant)	(KSh mn)	3,575.5	3,550.4	3,527.3	3,425.7	3,399.3
32	Government Budget Out-turn***						
	Overall Deficit (% of GDP) at Current Market Prices		-1.4	0.6	1.6	-1.6	-3.7
	Overall Deficit (-)/Surplus(+)	(KSh mn)	-8,979.6	-4,318.8	-11,495.0	-12,826.4	-32,656.6
	Recurrent Revenue and Grants	(KSh mn)	172,417.8	185,246.8	184,788.2	201,450.3	217,512.0
	Total Expenditure	(KSh mn)	315,136.9	243,336.5	223,643.4	270,068.2	313,550.8
33	Debt Service Charge as % of GDP ***		4.3	4.2	4.2	4.3	1.8
	External Debt Service as % of Exports of Goods & Services		15.1	17.0	16.49	16.31	6.88

							1997 - 2001 Annual % Rate of change
		INDEX NUMBERS: (1982=100)					
	Export volumes	174	173	186	191	204	4.1
	Import volumes	177	179	162	187	222	5.8
	Terms of trade	102	100	86	84	79	-6.2
	Consumer prices +	575	613	635	674	680	4.3
	Real wages	70.7	87	96	104	119	13.9
	Agricultural terms of trade	100.6	107	105	104	90	-2.8

** More precise measures are given in individual chapters.*
*** Provisional.*
**** Year ending 30th June*
+ Weighted Revised Index (Feb/March 1986=100)
***** The population figures are adjusted for under-reporting and therefore higher than enumerated figures during census year*

List of Abbreviations

ACP-EU	-	African Caribbean and Pacific Countries – European Union
AFC	-	Agricultural Finance Corporation
AGOA	-	African Growth and Opportunity Act
AHITI	-	Animal Health Tranining Institutes
AIA	-	Appropriation In Aid
ASAL	-	Arid and Semi-Arid Lands
BEC	-	Broad Economic Category
BEE	-	Business Expectation Enquiry
BH	-	Bore Hole
BOD	-	Biological Oxygen Demand
CBE	-	Curriculum Based Establishment
CBK	-	Central Bank of Kenya
CBS	-	Central Bureau of Statistics
CCF	-	Country Cooperation Framework
CEDC	-	Children in Especially Difficult Circumstances
CMA	-	Capital Markets Authority
COFREP	-	Coffee Factories Rural Electrification Programme
COMESA	-	Common Market for Eastern and Southern Africa
CPE	-	Certificate of Primary Education
CPI	-	Consumer Price Index
CSRP	-	Civil Service Reform Programme
DBK	-	Development Bank of Kenya
DfID	-	Department for Internation Development
Dip	-	Diploma
E.A	-	East African
EAC	-	East African Community
EFA	-	Education For All
EIA	-	Environmental Impact Assessment
EPC	-	Export Promotion council
EPZ	-	Export Processing Zones
EU	-	European Union
FAD	-	Fish Aggregating Devices
FCD	-	Foreign Currency Deposits
FDI	-	Foreign Direct Investment
FIB	-	Foreign Investors Board
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
ICT	-	Information & Communication Technology
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
JETRO	-	Japan External Trade Organization
JKIA	-	Jomo Kenyatta International Airport
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
KUSCCO	-	Kenya Union of Savings and Credit Co-operative Societies
KUTIP	-	Kenya Urban Transport Infrastructure Project
KV	-	Kilo Volt
KVA	-	Kilo Volt Amperes
KWH	-	Kilo Watts Hours
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
MOE	-	Ministry of Energy
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
NBFIs	-	Non-Bank Financial Institutions
NCC	-	Nairobi City Council
NEPAD	-	New Partnership fo Africa Development
NFA	-	Net Foreign Assets
NGO	-	Non Governmental Organization
NHC	-	National Housing Corporation
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
OECD	-	Organization for Economic Co-operation and Development
OMO	-	Open Market Operations
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
POSB	-	Post Office Savings Bank
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
UAE	-	United Arab Emirates
UEB	-	Uganda Electricity Board
UHBS	-	Urban Household Budget Survey
UNDP	-	United Nations Development Programme
UNFCCC	-	United Nations Framework Convention on Climate Change
UPE	-	Universal Primary Education
US	-	United States
USA	-	United States of America
Ush	-	Uganda Shilling
VAT	-	Value Added Tax
WPP	-	Water Purification Points
WTO	-	World Trade Organization

Chapter 1

International Scene

Introduction

In the year 2001, the global output was estimated to have recorded the lowest growth since 1991. This was occasioned by decline in equity prices, lagged impact of the rise in oil prices, contraction of World Trade and fall in consumer and business confidence. Japan, the world's second largest economy, recorded a negative growth of 0.7 per cent. The US economy managed a marginal growth of 1.1 per cent in the same period down from real GDP growth of 4.1 per cent in 2000. Virtually all OECD countries recorded slower growth rates compared to 2000. Real GDP for the OECD area grew by 1.0 per cent in 2001 down from 3.7 per cent in 2000.

1.2. In addition to the human and physical loss, the 11th September 2001 terrorist attack to the USA, dealt a big blow to the already weak global economy. It caused a considerable state of uncertainty and, therefore, reduced the confidence of economic agents. Although USA suffered most from the terrorist attack, other countries were also adversely affected. Air transport and auxiliaries services, tourism and insurance were the major sectors affected. A member of major airlines reported huge losses and subsequently laid off some personnel. The lagged effects of the terrorist attack are far from being over and are likely to continue pinning down economic activities worldwide.

1.3. In European Union, GDP growth was weakened by sluggish trade, reduced demand of capital goods and contracted growth of exports. The situation was worsened by the 11th September terrorist attack that heightened state of insecurity.

1.4. Despite the weak world economy, China's real GDP growth was estimated to be 7.4 per cent in the year under review. This was mainly due to the resilient domestic demand and rising foreign direct investment(FDI) inflows. Other exceptions to the suppressed performance were Russia and India whose growths were robust.

1.5. The unemployment rate was worse than predicted with the rate rising in most of the major economies. Similarly, the employment rate recorded declines virtually in all OECD countries except for Greece, Czech and Slovak Republics that recorded marginal growths. The situation is likely to worsen as employment rate is projected to go down in almost all the OECD countries.

1.6. World Trade volume slowed down in 2001 to 0.3 per cent in comparison to the envisaged growth of 9.7 per cent. This was mainly due to:

- the 11th September plane crash into World Trade Organization building in New York
- downturn in the high-tech sector (Information & Communication Technology-ICT) and
- suppressed demand for most commodities

Country/ Regional Analysis

1.7. **USA:** the downturn of economic activities, that started in late 2000 spilled into 2001. There was substantial fall in equity values that occasioned declines in business investments and decumulation in stocks. This was further worsened by effects of earlier monetary tightening and the state of insecurity caused by the terrorist attack on 11th September. It is however, expected that easing of monetary and fiscal policies should create a good environment for growth this year. Unemployment rate rose from 4.0 per cent in 2000 to 4.8 per cent in 2001. Tax cuts and rebates largely contributed to upholding the consumer spending. Despite weakened export demand, the current account balance contracted.

1.8. The terrorist attack substantially disrupted the production and demand particularly for air travel, tourism and financial services. The Federal government acted swiftly to counter the effects of the terrorist attack by providing substantial liquidity to ensure smooth continuity of economic agents and in particular the financial market.

1.9. **Japan:** the economic recovery that started in early 2000 came to a halt in 2001 when output contracted by 0.7 per cent. This was mainly on account of fall in exports, declined demand for Information and Communication Technology and fall in share prices. These developments in turn slowed down investments and industrial output. Public investment also fell as local governments tried to reduce their budget deficit.

1.10. Unemployment rate worsened from 4.7 per cent recorded in 2000 to 5.0 per cent in 2001. The rate is projected to reach 5.4 per cent in 2003. The government has put in place a reform programme in which major banks are expected to write off existing bad debts within the next two years. However, to curb increasing incidents of bad debts, inspection will be tightened and banks required to adopt better checks.

1.11. **Germany:** the economy grew by 0.7 per cent in comparison to 3.0 per cent of 2000. The deceleration emanated from contracted World Trade, and weak domestic and external demands. There was substantial tax reduction, which boosted household disposable incomes, which in turn improved private consumption. Thus the private consumption somewhat mitigated the effects of the aforementioned factors. The rate of unemployment remained at 7.5 per cent but is projected to reach 8.1 per cent in 2002. Inflation grew to 1.4 per cent in 2001 up from –0.4 per cent registered in 2000. The current account balance stood at US$ billion –12.9 in 2001 from US$ billion -18.8 in 2000.

1.12. **United Kingdom:** real GDP grew by 2.3 per cent in 2001 compared to 2.9 per cent in 2000 against a background of a resilient consumer confidence. The slowdown in economic activities stemmed mainly from declining global demand for Information and Communication Technology (ICT) and reduced external demand. In addition, adverse weather and foot-and-mouth disease crisis impacted negatively on tourism and agriculture sectors. Unemployment rate has been on decline for the third year in a row, reaching 5.1 per cent in 2001 from 5.5 per cent in 2000. Government employment has been going up occasioned by better government wages.

1.13. **China:** this economy was an exception to the widespread slowdown in economic performance mainly on account of robust domestic demand, increased fixed investment underpinned by government spending and rising Foreign Direct Investment possibly in anticipation of its joining the World Trade Organization (WTO). As a result the real GDP expanded by 7.4 per cent in 2001 slightly below the 8 per cent growth in the previous period. Increase in civil servants salaries largely improved the purchasing power and in turn maintained a strong private consumption.

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

	2000	2001	2002	2003
	% Changes from Previous Period			
Real GDP				
United States	4.1	1.1	0.7	3.8
Japan	1.5	-0.7	-1.0	0.8
European Union	3.3	1.7	1.5	2.9
Total OECD	**3.7**	**1.0**	**1.0**	**3.2**
Real total domestic demand				
United States	4.8	1.1	0.7	3.9
Japan	1.1	-0.2	-1.6	0.2
European Union	3.0	1.4	1.6	2.8
Total OECD	**3.8**	**0.7**	**1.0**	**3.0**
Inflation (GDP deflators)				
United States	2.3	2.1	1.2	1.3
Japan	-1.6	-1.6	-1.4	-1.6
European Union	1.5	2.5	2.2	1.8
Total OECD	**2.6**	**2.9**	**2.3**	**1.7**
	(US $billion)			
Current balances				
United States	-445	-414	-404	-438
Japan	117	87	118	141
European Union	-28	-14	1	3
Total OECD	**-336**	**-295**	**-256**	**-262**
	(% of labour force)			
Unemployment				
United States	4.0	4.8	6.2	6.0
Japan	4.7	5.0	5.5	5.4
European Union	8.1	7.8	8.1	8.0
Total OECD	**6.2**	**6.5**	**7.2**	**7.0**
	% Changes from Previous Period			
World Trade**	**13.3**	**0.3**	**2.0**	**8.7**

Source: OECD Economic Outlook no. 70 December, 2001
Assumptions underlying the projections include:
No change in actual and announced fiscal policies;
Unchanged exchange rates from 2 November 2001 '; in particular $1 = ¥ 121.90 and 1.107 euros;
Cut off date for other information used in the compilation of the projections was 8th, November 2001
Growth rate of the arithmetic average of the world import volumes and world export volumes

1.14. **Russia:** the economy was another notable departure from the slowdown trend in most economies and recorded a growth of 6.0 per cent in 2001. The growth was largely bolstered by strong domestic demand and high export prices, particularly for natural gas. The Rouble has remained strong while the robust domestic demand is likely to spur import growth.

1.15. **South America:** Real GDP growth declined to 1.7 per cent in 2001 from 4.2 per cent in 2000. The growth was on a downward trend in most countries, reflecting the impact of the global economic downturn, economic difficulties in Argentina and political uncertainties and the energy crisis in Brazil. High external financing requirements linked to large public expenditure deficits and debts dominated in foreign exchange, resulting to depreciation of currencies, high interest rates and high inflation. Low coffee prices in Colombia and outbreak of

foot-and-mouth disease in Uruguay further worsened the economic performances. Level of unemployment remained high across most countries in the region.

1.16. To stimulate growth, the economies have to adopt restrictive monetary and fiscal policies to bring down inflation and boost external confidence for improved investments.

1.17. **Mexico:** economic performance declined sharply to record a zero growth in 2001 compared to 6.9 per cent in 2000. This downturn is mainly associated with decline in exports to the United States. However, the Peso remained strong causing inflation to decline. As a result of the declined exports, imports to Mexico went down portraying the trade interdependence between members of North American Free Trade Agreement. Unemployment level edged upward to stand at 2.5 per cent in 2001 from 2.2 per cent in 2000. Despite the poor economic performance the current account balance narrowed down marginally to US$ billion -18.2 in 2001 from US$ billion-18.4 in 2000.

1.18. **Africa:** Real GDP is estimated to have grown by 4.0 per cent in 2001, while inflation remained subdued in most countries. However, there were notable exceptions namely Angola, Democratic Republic of Congo, Zimbabwe, Ghana and Nigeria. In Zimbabwe output contracted by 8.5 per cent while inflation skyrocketed to 90 per cent.

1.19. Most of the countries, particularly those dependent on export of non-fuel commodities, continued to experience large current account deficits due to weak non-fuel commodity prices. Other than global developments, political uncertainty and instability, high external debt servicing and poor policy management have been major bottlenecks to African economies. Strong growths have been reflected in countries where sound macroeconomic and structural policies have been pursued.

1.20. A positive development in the continent was the resolution by African heads of States and Governments in July 2001 to embark on New Partnership for Africa Development (NEPAD) in recognition of the challenges facing the continent. Solutions to the economic problems were identified to depend on a variety of issues among them conflict resolution, improvement of public service delivery, strengthening of infrastructure, good governance, human resource development and increasing Africa's share of World Trade. Heavily Indebted Poor Countries (HIPC) initiative is expected to boost growths in the affected countries. The desire to alleviate poverty continues to be a priority in the Africa's approach to sustainable development.

Table 1.2 Poverty Indicators and Growth

	Life Expectancy at birth (in years)		Infant Mortality Rate (per 1000)		Share of population living Below $1 Per day (in %)		Real GDP Growth Rate Per Capita (Avg.)	
	1980	1998	1980	1998	1990	1998	1980-90	1990-99
Low and middle Income countries	58	65	87	59			1.3	1.4
East Asia and Pacific	-	69	55	35	28	15	5.7	5.9
Europe and Central Asia	68	69	41	22	2	5	1.9	-3.3
Latin America and Caribbean	65	70	61	31	17	16	-1.3	0.9
Middle East and North Africa	59	68	95	45	2	2	-1.1	-0.1
South Asia	54	62	119	75	44	40	3.9	3.2
Sub-Saharan Africa	48	50	115	92	48	46	-1	-0.2

Source: World Economic Outlook, October 2001

1.21. Unemployment has remained another major challenge to the continent; with the level going up almost every year.

1.22. Efforts to reduce poverty in sub-Saharan Africa have yielded little benefits. The gap between sub-saharan Africa and the rest of world has widened significantly in the past two decades. Share of population living below $1 per day in sub-Saharan Africa fell by 2 per cent compared to 4 per cent and 13 per cent in South Asia and East Asia respectively over the period 1990-1998.

1.23. **HIV/AIDS**

The pandemic has continued to be a major obstacle to the development of African economies. In addition to lowering costs of antiretroviral drugs, several bodies including Governments, United Nations, Non-governmental Organizations, public and private sectors have come up with several initiatives to curb the spread of the scourge. Progress in the fight against HIV/Aids has borne fruits, albeit unevenly. However, statistics indicate that African countries have a long way to go towards achieving this goal. It is important for the governments to emphasize on awareness and prevention.

1.24. **Dynamic Asian Economies:** these were impacted negatively particularly by the global downturn in information technology and the contraction of World Trade. GDP growth for this region was estimated to have gone down and is expected to be modest in 2002. In particular, Singapore and Taipei recorded recessions. For countries less dependent on information and communication, notably Indonesia and Thailand the future looks bleak especially due to the slump in OECD economies and the weak world commodity markets.

1.25. **Commodity Prices**

Oil prices declined in the year 2001 as compared to 2000 notably due to the increasing sluggish pace of global economic activity together with rising stocks levels. The prices were further dampened by the falling demand for crude oil and its products, particularly with the air transport restrictions after the September 11th terrorist attack.

1.26. Agricultural commodity prices remained low mainly as a result of good harvests, although weak global demand exacerbated the weakness with coffee prices being mostly affected.

Table 1.3 Selected World Commodity Price Indices, 1997-2001 (Base: 1995=100)

Year	"Other milds" Coffee*	Tea**	Sisal***	Sugar+	Petroleum++	All+++ Commodities	World Bank LMIC's
1997	123.80	144.5	109.4	90.9	112.0	95.7	96.2
1998	88.6	145.3	115.6	86.9	76.0	81.7	81.1
1999	68.1	141.3	97.9	86.0	104.5	75.9	72.2
2000	56.9	151.1	-	80.6	164.2	77.3	71.0
2001	41.4	120.7	-	76.5	141.1	73.0	64.6

Source: IMF, International Financial Statistics, (February, 2002).
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).

1.27. **Impact of September 11th 2001 Terrorist Attack to the global economy**

The global downturn that started in 2000 became a synchronized downturn across almost all major regions in the world by mid 2001 leaving the economy vulnerable to negative impulse. The occurrence of the September 11th terrorist attack, against this backdrop, magnified the underlying impact.

1.28. The aftermath of the attack affected the global macroeconomic situation through the following channels with varying importance for each country:

- **Destruction of life and property;** there was significant loss of life, cost of replacing and repairing the buildings and equipments destroyed, disruption of activities notably global airline industries and related services.
- **Confidence;** the deterioration in confidence about the future altered the assessment of economic risks by both consumers and businesses negatively, reducing the incentive to spend.
- **Financial market responses;** the incidence altered the perception of the future by increasing costs of borrowing.
- **Commodity markets;** the slowed activity reduced the demand for commodities and other goods sold in similar markets as reflected in the weak prices.

1.29. Industrial countries experienced a fall in aggregate demand due to loss in confidence and its impact on output. The emerging market economies were characterized by low external demand and constrained capital flows including direct foreign investment. Lower external demand and falling commodity prices heavily affected the developing countries although for some the weakening oil prices limited the increase in external financing requirements.

1.30. The long-term impact reflects the shock as a temporary disturbance to growth, while GDP being a conventional measure of output, is likely to overstate the economic welfare.

Outlook

1.31. The world economic outlook is partly pegged on the wait-and-see attitude towards the prevailing global insecurity that emanated from the 11th September terrorist attack to the United States. In addition, the high-tech sector recovery and the World Trade performance are also expected to play major roles in the global economy.

1.32. Unemployment in the OECD countries is likely to reach 7.2 per cent in 2002 from 6.5 per cent in 2001. On the other hand, inflation is projected to remain subdued as a result of the prevailing moderate oil prices.

1.33. The security situation globally, has apparently improved due to the progress made in war against terrorism particularly the overthrowal of the Taliban regime in Afghanistan and the suppression of the Al-Queda terrorist activities. However, global peace cannot be assured should the United States extend war against terrorism outside Afghanistan. So far business confidence seems to be improving.

1.34. The United States economy is projected to grow at a slower rate of 0.7 per cent in 2002, but the trend is likely to change in 2003 when it is projected to grow at 3.8 per cent. Easing of the monetary and fiscal policies should spur growth as security situation improves. Inflation rate is likely to fall from 2.1 per cent in 2001 to 1.2 per cent in 2002 while the current account balance is expected to drop from US$ billion -413.6 to US$ billion -404.1 within the same period.

1.35. The Japanese economy is projected to record a negative real GDP growth of 1.0 per cent in 2002. However, export demand is likely to grow from mid 2002. The government reform measures are likely to improve the economic performance. The current account, which stood at US$ billion 86.8 in 2001 is projected to reach US$ billion 117.7 in 2002.

1.36. In Germany, headline inflation is set to fall as a result of the falling oil prices. Real GDP is likely to grow at 1.0 per cent in 2002 up from 0.7 per cent in 2001. A boost in growth is also expected from the expansion of World Trade and income tax reductions. Unemployment may reach 8.1 per cent in 2002 up from 7.5 per cent registered in 2001.

1.37. In United Kingdom, the effect of the 'terrorist attack to the USA is expected to continue impacting negatively, but growth is expected to remain steadfast as a result of support from eased fiscal and monetary policies. Real GDP is expected to fall from 2.3 per cent in 2001 to 1.7 per cent in 2002, while unemployment is likely to rise from 5.1 per cent to 5.3 per cent within the same period.

1.38. In Mexico, inflation is projected to go down to 5.3 per cent in 2002 and further to 4.8 per cent in 2003.

1.39. China's growth is likely to contract in 2002 due to decrease in export demand. However, the domestic demand is likely to remain high. If the World Trade expands, the economy is projected to pick up in 2003. As a result of strong domestic demand, import growth should remain high in the next two years.

1.40. Global downturn of economic activities is likely to slowdown growth in most African countries; given that exports account for a third of African GDP. However, countries dependent on oil are likely to be favoured by the growing demand for crude oil. Oil prices are likely to go up if the Middle East insecurity crisis continues.

Chapter 2

Domestic Economy

Overview

The economy recovered from a revised growth of negative 0.2 per cent in the year 2000 to register a modest 1.2 per cent growth in 2001. Several factors that contributed to this improvement include favourable weather, which had positive impact on agriculture and power generation; increased demand for information and communication services; favourable tax reforms and; expanded market outlets through the Africa Growth and Opportunity Act (AGOA), the Common Market of Eastern and Southern Africa (COMESA), the European Union (EU) and the East Africa Community (EAC).

2.2. On the other hand, several constraints hampered full economic recovery during the year under review. These include, the continued decline in the domestic savings to finance capital formation, dilapidated infrastructure, subdued credit expansion, low prices for the main export commodities (Tea and coffee) and lack of donor funding which subsequently affected the investors' confidence. Domestic savings to finance capital formation dropped by 39 per cent in 2001 compared to 27.6 per cent in 2000.

2.3. Agriculture and manufacturing sectors, which contribute one third of the GDP, grew by 1.2 per cent and 0.8 per cent respectively in 2001. Transport, Storage and Communications sector registered the highest growth of 3.1 per cent while Building and Construction sector had the lowest growth of negative 0.3 per cent.

2.4. The Government continued to pursue tight fiscal policy to control expenditures. Despite these efforts, the growth rate of the current receipts in the year was slower than that of current expenditure. Subsequently, current deficit stood at KSh. 2,152.0 million in 2001/02 compared to a surplus of KSh. 10,186.7 million last financial year.

2.5. The inflation rate declined from 6.2 per cent in 2000 to 0.8 per cent in 2001. Tight fiscal and monetary policies, stable world petroleum prices and exchange rates and; low food prices in the year 2001 contributed to the low inflation rate.

2.6. The trade deficit worsened by 25.7 per cent from KSh. 113,340 million in 2000 to KSh. 142,518 million in 2001. Subsequently, the current account deficit widened by KSh. 24,869 million in 2001 from KSh. 15,512 million in 2000. This scenario was as a result of a higher rate of growth of imports (17.1 per cent) than exports growth of 9.8 per cent during the year. In the capital and financial account, the capital account improved from KSh. 3,775 million in 2000 to KSh. 5,736 million during the year. On the other hand, the direct investment dropped to KSh. 417 million from KSh. 8,448 million. Overall, the capital and financial account improved from KSh. 24,523 million in 2000 to KSh. 28,900 million in 2001.

Agriculture

2.7. During the year under review, the Agricultural Sector recovered from revised negative growth of 2.1 per cent in 2000 to a growth of 1.2 per cent. The growth is largely attributed to favourable weather conditions in 2001 as opposed to the severe drought experienced in 2000. Almost all crops registered increased output in 2001. However, low prices in both the domestic and world markets was a big challenge to the sector.

Table 2.1

Table 2.2

Table 2.10 GROSS FIXED CAPITAL FORMATION BY INDUSTRY, 1996 - 2000

		Current Prices					
		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	
B. MONETARY ECONOMY:							
	Enterprises and Non- Profit Institutions:						
	Agriculture	6,794.90	6,867.18	8,025.54	7,731.85	8,304.32	
	Forestry	101.40	127.96	113.10	20.10	35.00	
	Fishing						
	Mining and Quarrying	741.20	876.84	972.06	1,082.46	1,087.20	
	Manufacturing	23,457.80	24,202.79	25,118.06	23,868.98	23,977.64	2
	Building and Construction	6,030.00	8,048.76	8,129.58	8,447.60	10,634.98	1
	Electricity and Water	7,837.20	6,982.60	8,526.60	8,358.14	9,031.06	
	Trade, Restaurants and Hotels	3,391.40	3,846.30	3,657.18	3,755.58	3,504.96	
	Transport,Storage and Communications	23,813.60	25,097.44	25,264.80	25,619.98	24,383.44	2
	Finance,Insurance,Real Estate and Business Services	4,485.00	4,831.04	4,889.96	5,114.46	5,212.44	
	Ownership of Dwellings	2,616.80	2,812.28	2,395.30	2,374.12	2,394.70	
	Other Services	3,400.40	3,622.26	4,526.84	4,769.54	5,284.36	
	TOTAL	**82,669.70**	**87,315.45**	**91,619.02**	**91,142.81**	**93,850.10**	**9**
	Producers of Government Services						
	Public Administration	7,117.60	7,827.96	7,093.38	6,518.80	6,078.80	
	Defence						
	Education	2,794.00	2,461.42	2,066.52	1,956.60	2,054.78	
	Health	1,892.00	2,512.78	2,654.72	2,769.22	2,937.46	
	Agricultural Services	3,253.60	2,672.72	2,880.04	2,531.64	2,617.20	
	Other Services	3,755.40	3,999.28	4,418.18	4,863.86	5,670.98	
	TOTAL	**18,812.60**	**19,474.16**	**19,112.84**	**18,640.12**	**19,359.22**	**2**
NON-MONETARY ECONOMY		2,987.20	3,083.60	3,146.88	3,178.26	3,159.20	
MONETARY ECONOMY		101,482.30	106,789.61	110,731.86	109,782.93	113,209.32	12
TOTAL		**104,469.50**	**109,873.21**	**113,878.74**	**112,961.19**	**116,368.52**	**12**
C. PERCENTAGE RATES OF GROWTH:							
	Non-Monetary Economy	-6.00	3.23	2.05	1.00	(0.60)	
	Monetary Economy	4.97	5.23	3.68	(0.87)	3.12	
TOTAL		**5.00**	**5.17**	**3.63**	**(0.82)**	**3.02**	

**Revised*
***Provisional*

Table 2.2 GROWTH OF GROSS DOMESTIC PRODUCT, 1997 - 2001

Percentages

		Current Prices				
		1992-91	**1997-98**	**1998-99**	**1999-00***	**2000-01****
A. NON-MONETARY ECONOMY						
	Forestry	5.7	4.5	3.9	15.3	9.
	Fishing	4.3	2.0	6.6	4.6	10.
	Building and Construction	9.4	1.4	2.8	2.6	17.
	Water Collection	8.3	5.6	6.2	13.5	6.
	Ownership of Dwellings	6.8	2.1	9.2	5.6	2.
TOTAL NON-MONETARY ECONOMY		**7.3**	**2.7**	**7.1**	**7.1**	**6.**
B. MONETARY ECONOMY						
1.Enterprises and Non-Profit Institutions						
	Agriculture	32.3	7.3	-5.5	-11.2	8.
	Forestry	7.2	5.3	7.4	18.6	11.
	Fishing	20.5	0.7	5.3	4.6	10.
	Mining and Quarrying	8.0	1.0	20.7	15.0	10.
	Manufacturing	5.4	20.9	19.9	12.1	9.
	Building and Construction	21.5	14.0	14.3	8.2	13.
	Electricity and Water	8.9	12.5	7.0	8.8	10.
	Trade, Restaurants and Hotels	33.9	12.4	11.8	17.6	19.
	Transport, Storage and Communications	33.3	3.4	5.5	10.4	5.
	Finance, Insurance, Real Estate and Business Services	25.0	9.1	1.4	-8.3	8.
	Ownership of Dwellings	20.6	6.6	9.0	11.9	8.
	Other Services .	26.2	18.8	17.2	15.1	13.
Less:Imputed bank service charges.		96.0	19.9	-10.5	-27.1	-7.
TOTAL		**18.7**	**9.8**	**7.8**	**7.4**	**13.**
2.Private Households (Domestic Services)		16.7	8.7	8.7	11.0	10.
3.Producers of Government Services						
	Public Administration .	16.7	14.5	-17.3	16.2	44.
	Defence	-4.1	1.1	23.1	33.3	21.
	Education	18.3	23.8	12.5	4.6	2.
	Health	16.1	5.0	15.0	2.1	14.
	Agricutural Services	3.6	-9.4	45.6	20.5	9.
	Other Services .	10.5	15.0	9.1	-2.1	6.
	TOTAL	**15.8**	**18.0**	**7.0**	**7.0**	**11.**
	TOTAL MONETARY ECONOMY	**18.2**	**10.9**	**7.7**	**7.4**	**12.**
TOTAL NON-MONETARY AND MONETARY ECONOMY		**17.7**	**10.7**	**7.7**	**7.4**	**12.**
GROSS DOMESTIC PRODUCT PER CAPITA		**14.1**	**8.0**	**5.1**	**4.9**	**10.**

**Revised*
***Provisional*
****Average annual change*

Table 2.3 PRODUCTION ACCOUNTS, 2000 AND 2001 (KSh.million)

		2000* Gross Domestic Product (at Factor Cost)						
		Gross Output at approx. Basic Prices +	**Intermediate Con-sumption**	**Total**	**Labour Costs**	**Operating Surplus*** **	**Gross Output at approx. Basic Prices +**	**Inter su**
A. NON-MONETARY ECONOMY		**20,002.73**	**3,668.90**	**16,333.83**	**130.42**	**16,203.41**	**20,546.80**	
B. MONETARY ECONOMY								
1.Enterprises and Non-Profit Institutions								
	Agriculture	140,189.00	15,936.00	124,253.00	18,279.20	106,396.20	152,338.00	
	Forestry	7,708.80	878.80	6,830.00	3,450.00	3,380.00	8,611.80	
	Fishing	1,991.40	119.60	1,871.80	486.60	1,385.20	2,208.20	
	Mining and Quarrying	4,363.60	3,220.73	1,142.87	609.60	533.27	4,809.80	
	Manufacturing	661,165.86	572,451.26	88,714.60	38,215.18	50,499.42	669,564.10	
	Building and Construction	47,103.40	20,637.20	26,466.20	18,671.20	7,795.00	53,615.30	
	Electricity and Water	22,218.50	15,886.50	6,332.00	4,850.50	1,481.50	24,499.66	
	Trade, Restaurants and Hotels	321,502.80	159,111.80	162,391.00	61,026.60	101,364.40	385,367.80	
	Transport, Storage and Communications	97,061.00	33,883.46	50,338.54	16,415.58	36,085.54	102,906.45	
	Finance, Insurance, Real Estate							
	and Business Services	92,772.00	23,022.00	69,750.00	30,131.00	39,619.00	124,658.00	
	Ownership of Dwellings	30,125.60	2,862.00	27,263.60	0.00	27,263.60	32,703.20	
	Other Services	69,535.60	37,549.20	31,986.40	23,350.00	8,636.40	78,648.60	
Less: Imputed Bank Service Charges			30,758.00	(30,758.00)	0.00	(30,758.00)		
Total		**1,495,737.56**	**916,316.55**	**566,582.01**	**215,485.46**	**353,681.53**	**1,639,930.91**	
2.Private Households (Domestic Services)		8,099.40	0.00	8,099.40	8,099.40	0.00	8,932.40	
3.Producers of Government Services		122,978.49	27,834.42	95,144.07	94,681.36	462.71	148,310.82	
TOTAL MONETARY ECONOMY		**1,626,815.45**	**944,150.97**	**669,825.48**	**318,266.22**	**354,144.24**	**1,797,174.13**	**1,**
TOTAL MONETARY AND NON-MONETARY ECONOMY		**1,646,818.18**	**947,819.87**	**686,159.31**	**318,396.64**	**370,347.65**	**1,817,720.93**	**1,**
		1,700,149.90	1,046,930.04	653,219.86	241,051.54	412,168.32	1,820,056.21	1,

*Revised
**Provisional
***including consumption of fixed capital.
+ After deduction of indirect taxes less subsidies from total of output.

2.8. **Maize:** Output of maize rose to 30 million bags in 2001 from 25 million bags produced in 2000, an increase of 20 per cent. In addition to the improved output, approximately 308.6 thousand tonnes of maize valued at KSh. 3.3 billion was imported, mainly for relief and commercial purposes. This resulted in excess maize supply in the domestic market subsequently pushing the prices down to KSh. 12.1 per kg by September 2001. To stabilize the maize price, the Government through National Cereals and Produce Board (NCPB) purchased 307.4 thousand tonnes of maize.

2.9. **Coffee:** Coffee production dropped to 51.7 thousand tonnes during the 2000/01 crop year from 100.7 thousand tonnes in 1999/2000 crop year, a decline of 48.7 per cent. This significant decline in production can be attributed to low global prices due to increased supply to the world market, administrative problems within the domestic coffee co-operative sub-sector, low input application due to high input prices, scarce credit and uncertainties surrounding the on-going reforms in the sub-sector.

2.10. **Wheat:** Production improved significantly from 73.8 thousand tonnes in 2000 to 138.4 thousand tonnes in 2001. As a result, imports dropped to 617.5 thousand tonnes valued at KSh. 7.5 billion from 636.0 tonnes in 2000. However, the level of output in 2001 was lower than those of 1997 and 1998.

2.11. **Tea:** Favourable weather coupled with improved crop husbandry in year 2001 contributed to a significant increased in tea output. The output increase by 24.7 per cent from 236.3 thousand tonnes in 2000 to 294.6 thousand tonnes in 2001. However, international tea prices declined from KSh. 162 in 2000 to KSh. 127 per kg in 2001. The decline was mainly due to effects of the September 11th attacks on the USA and the bilateral trade dispute between Kenya and Egypt.

2.12. **Sugarcane:** The problems in the domestic sugar industry continued to be experienced in 2001. These include stiff competition from cheap imports, delayed remuneration to the cane farmers, administrative problems facing the industry and the long spell of dry weather in 1999-2000 among others. Consequently, sugarcane production declined further by 9.9 per cent from 3.9 million tonnes in 2000 to 3.5 million tonnes in 2001. To meet the domestic demand, sugar imports rose significantly from 118.0 thousand tonnes in 2000 to 182.5 thousand tonnes in 2001, an increase of 54.6 per cent.

2.13. **Cotton:** The year 2001 marked the revival of the textile industry and subsequently the cotton sub-sector after Kenya joined the AGOA initiative. The ginneries intake of cotton increased from 508 tonned in 2000 to 535 tonnes in 2001. It is anticipated that the re-opening of more textile factories will further boost the cotton growing in the country.

Manufacturing

2.14. The sector was adversely affected by drought in the year 2000 causing shortage of agricultural material and power supply to the sector. However, in 2001 the sector registered an improved growth rate of 0.8 per cent, compared to negative 1.4 per cent in 2000. Improved power supply and agricultural production, favourable tax reforms (taxes on intermediate products were lowered by 5 per cent) and expanded market outlets through the AGOA, COMESA and EAC arrangements contributed to the sector performance. However, the poor state of the country's infrastructure, high electricity tariffs, high interest rates, low consumer demand, cheap manufactured imports, subdued credit expansion and insecurity situation in the country hampered the sector's capacity utilization.

2.15. The sub-sectors in manufacturing had a mixed performance during the year. Agro-based industries performed well on the account of favourable weather.

Output of processed food marginally expanded by 0.6 per cent in 2001 from a negative growth of 2.7 per cent in 2000. Other sub-sectors that registered modest growth were wood and cork, and basic industrial chemical products. Significant growth was recorded in the production of clothing, leather and foot wear, petroleum and other chemicals, plastic products, electrical machinery and output from miscellaneous industries. On the other hand, output of clay and other products sub-sector recorded the big declines.

Transport, Storage and Communications

2.16. The output from the sector registered a growth of 18.7 per cent compared to 12.2 per cent in 2000. Despite the uncertainties surrounding the Air Transport industry after the 11th September terrorist attack in the USA, the value of output from the domestic Air Transport industry expanded by 23.9 per cent. Similarly, road transport, communications and pipeline transport sub-sectors recorded increased outputs of 2.4, 9.3 and 4.2 per cent respectively. Railway transport registered a 14.0 per cent drop attributable to administrative problems faced by the State Corporation, and competition from other forms of transport.

2.17. It is estimated that about 57 per cent of the classified roads are in good condition. With the formation of Kenya Roads Board whose core functions are to co-ordinate the maintenance, rehabilitation and development of the road network, the road network is expected to improve further. The number of newly registered motor vehicles picked up to record a growth of 28.6 per cent in 2001 after dropping in the previous two years.

2.18. The number of cargo ships docking at the port of Mombasa and the container traffic increased by 12.1 and 22.6 per cent, respectively. Similarly, the total volume of exports and imports handled by the port rose by 12.3 and 22.1 per cent respectively. The major exports in terms of quantity handled by the port during the year were tea, soda ash, cement, horticulture while crude petroleum, iron and steel, and wheat were the main imports.

2.19. The liberalization of the Telecommunications sector continued to encourage further expansion and growth in the industry. Telephone connections rose by 5.7 per cent from 304 thousand in 2000 to 321 thousand in 2001. Other expansions in the sub sectors were in the cellular telephone services, internet services and cyber cafes.

Trade, Restaurants and Hotels

2.20. The sector recorded real GDP growth of 1.3 per cent in 2001 compared to a 1.0 per cent in 2000. Increased aggregate demand due to low inflation rate and improved factor earnings in both private and public sectors contributed to this improvement. Proportion of the imported consumables were on the increase while those of the locally manufactured goods declined. This is because the price differential favoured imports compared to locally produced goods.

2.21. Tourism sector registered increased earnings of 12.5 per cent from KSh. 21,533 million to KSh. 24,239 in 2001. This is as result of aggressive marketing of the country abroad by the Kenya Tourist Board as a leading tourist destination as well as improved security within the tourist sites in the country.

Producer of Government Services

2.22. The sector recorded a substantial increase in nominal output. Output increased by 11.9 per cent in 2001 compared to 7.0 per cent in 2000. This increase is due to the enhanced housing allowances awarded to civil servants and teachers. Public administration recorded the highest growth of 44.5 per cent as majority of the civil servants fall in this category. The social sector continued to receive a greater share of the public expenditure allocation with education accounting for about 57.0 per cent of the total expenditure.

Finance, Insurance, Real Estate and Business Services

2.23. The Government through the Central Bank of Kenya continued to pursue tight monetary policy aimed at containing the overall inflation rate within the 5.0 per cent target. The Central Bank also pursued active management of liquidity to ensure stability in the financial market. This is in addition to the continued financial reforms through development and regulation of financial markets and supervisory framework. The ultimate goal of the tight monetary policy is to support sustainable growth in income and to maintain stable prices and consequently reduce the poverty levels.

2.24. During the year, the broad money supply M3, M3X recorded the same growth of 2.4 per cent whereas M3XT grew 5.7 per cent. There was significant decline in inflation rate compared to the year 2000. Overall average annual inflation declined to 0.8 per cent in 2001 from 6.2 per cent in December 2000. The downward pressure on inflation during the year was a result of continued implementation of tight monetary policy coupled with relatively stable exchange rate, low food prices and decline in international prices of crude oil and petroleum products.

2.25. The effects of withholding the donor funds in early 2001, was felt during the year as this created a big financing gap. To bridge the financing gap, the Government resorted to domestic borrowing. Subsequently, the domestic credit to Government rose significantly from KSh. 81,758 million in 2000 to KSh. 100,383 million in 2001, an increase of 22.8 per cent. On the other hand, the depressed economy and the anticipated adverse effects of the proposed Central Bank (Amendment 2000) Act affected the demand for the domestic credit by private sector and other public sectors, which fell by 5.9 per cent.

2.26. The average interest rate for 91-day Treasury bill stood at 10.81 per cent in December 2001 compared to 12.43 per cent in June 2001 and 13.47 in December, 2000. In general, the nominal interest rates for year 2001 were lower than those of the previous two years. It should be noted that some of the public domestic debt has been restructured from short-term treasury bills to medium-term bonds with floating interest rates.

2.27. The Non-Performing Loans (NPLs) port folio remained the main challenge facing the banking sector. The NPLs stood at 107.4 billion by the end of 2001, representing 38.1 per cent of total loans of KSh. 281.7 billion. The other challenge was the passing of the Central Bank of Kenya (Amendment) Act 2000, which is aimed at regulating the interest rates causing uncertainty in the Banking sector. However, despite these challenges, the profit before tax in the sector improved significantly from KSh. 3.5 billion at the end of 2000 to KSh. 8.6 billion at the end of 2001.

2.28. In the capital market, NSE 20 share index declined from 1,913.3 in December 2000 to 1,355.0 in December 2001 reflecting a depressed state of the economy. Similarly, the total Foreign Investors Board (FIB) turn over dropped from KSh. 699 million in 2000 to 449 million in 2001, reflecting a 35.7 per cent drop.

2.29. The paid up capital requirements section of the Insurance Act, was amended in 2001. The company offering life and general business had their minimum paid up capital raised from KSh. 100 million to 150 million while those offering general business alone was raised from KSh. 50 million to KSh. 100 million.

Building and Construction

2.30. In the year under review, the sector was characterized by low level of activities. No major road construction work took place, except the rehabilitation and reconstruction of roads in urban centres under the El Nino Emergency Fund, no major roads construction work took place. National Housing Corporation completed no housing units in 2001, mainly due to lack of funds and low demand for houses. Loans to the sector remained low although increased marginally over those of the year 2000. The value of the reported private building works in major towns declined to KSh. 1.0 billion from KSh. 1.3 billion in 2000. Employment in the sector dropped by 2.4 per cent in 2001. In real terms the sector grew by negative 0.5 per cent.

Electricity

2.31. In the year 2000, the sub-sector experienced an extremely difficult situation with a negative impact on the economic performance. However, this situation was reversed in 2001 mainly due to good rains, which improved water level in the hydro-electric power dams and subsequently improving hydro-electric power generation. As a result, the emergency power generators installed in 2000 were decommissioned and the power rationing which had been in place since September 1999 was lifted in the early part of 2001.

2.32. During the year under review, the Kipevu II with 74 MW capacity was commissioned and there was further injection of 2 MW by Mumias Sugar Company. However, the decommissioning of emergency generators had a bigger impact on the installed capacity of thermal based plants and thermal based electricity generation. The installed capacity of thermal plants dropped from 427.9 MW in 2000 to stand at 408.9 MW in 2001. On the other hand, there was no change in the geothermal based installed capacity. The upgrading of Kamburu Plant and the injection of additional 76MW from Kipevu II and Mumias Sugar Company could not fully compensate the capacity lost after the decommissioning of emergency generators. Consequently, the overall installed capacity dropped marginally from 1,159.4 MW in the previous year to 1143.1 in 2001.

2.33. As a result of improved weather conditions, the total electricity generation rose by 3.8 per cent in 2001. This increase was largely from the hydro-based generation, which improved by 6.9 per cent from 1,793.8 GWH in 2000 to 1,917.3 GWH in 2001. An increase in generation of 24.1 per cent was also registered in geothermal plants. However, the thermal based electricity generation dropped by 2.6 per cent. To boost power supply in future, work in Olkaria III and Sondu Miriu is still going on.

Table 2.4: GROSS DOMESTIC PRODUCTSECTOR SHARES AT CONSTANT (1982) PRICES, 1997 - 2001 (Percentage)

		1997	1998	1999*	2000*	2001**
A. ON-MONETARY ECONOMY						
	Forestry .	0.7	0.7	0.7	0.7	0.8
	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	2.6	2.6	2.6	2.7	2.7
TOTAL NON-MONETARY ECONOMY		**5.5**	**5.6**	**5.6**	**5.6**	**5.7**
B. MONETARY ECONOMY						
1. Enterprises and Non-Profit Institutions						
	Agriculture	24.6	24.6	24.5	24.1	24.1
	Forestry	1.3	1.4	1.4	1.3	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	13.3	13.3	13.2	13.1	13.0
	Building and Construction .	2.5	2.5	2.4	2.4	2.4
	Electricity and Water	1.0	1.0	1.0	1.0	1.0
	Trade, Restaurants and Hotels	12.3	12.4	12.5	12.6	12.7
	Transport, Storage and Communications	6.0	6.0	6.0	6.1	6.2
	Finance, Insurance, Real Estate and					
	Business Services	10.3	10.5	10.5	10.6	10.6
	Ownership of Dwellings	5.6	5.6	5.6	5.7	5.7
	Other Services	3.4	3.4	3.4	3.5	3.5
	Less: Imputed Bank Service Charges	-4.0	-4.0	-4.0	-4.1	-4.1
	TOTAL	**77.0**	**77.1**	**77.1**	**76.6**	**77.5**
2. Private Households (Domestic Services) .		**2.6**	**2.7**	**2.8**	**2.9**	**2.9**
3. Producers of Government Services						
	Public Administration					
	Defence					
	Education					
	Health					
	Agricutural Services					
	Other Services					
	TOTAL	**14.8**	**14.9**	**14.5**	**14.6**	**14.7**
TOTAL MONETARY ECONOMY		**94.5**	**94.4**	**94.4**	**94.4**	**94.3**
TOTAL MONETARY & NON-MONETARY ECONOMY		**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

**Revised.*
***Provisional.*

Terms of Trade Impact on Per Capita Income

2.34. The adjusted terms of trade improved highly from negative KSh. 5,491.4 in 2000 to negative KSh. 4,900.5 in 2001. This was largely due to stability in both the world petroleum prices and the exchange rates during the year. Similarly, the adjusted per capita GDP registered negative growth 0.1 per cent compared to negative 3.7 per cent recorded in 2000. This is mainly due to relatively stable prices of imports and exports.

Table 2.5: IMPACT OF COMMODITY TERMS OF TRADE ON PER CAPITA GDP, 1997 - 2001

		1997	1998	1999*	2000*	2001**
1	Unadjusted GDP at constant Factor Cost (KSh.mn.)	100,472.80	102,252.70	103,701.50	103,455.80	104,697.10
2	Adjustment for changes in terms of trade (KSh.mn.)	480.9	45.5	-4,482.90	-5,491.40	-4,900.50
3	Adjusted GDP (KSh.mn.)	100,953.70	102,298.20	99,218.60	97,964.40	99,796.60
4	Population (millions)	28.1	28.8	29.5	30.2	30.8
5	Unadjusted per capita GDP (KSh)	3,575.54	3,550.44	3,515.31	3,425.69	3,399.26
6	Adjusted per capita GDP (KSh)	3,592.66	3,552.02	3,363.34	3,243.85	3,240.15
7	Growth in unadjusted per capita GDP***	2.36	1.77	1.42	-0.24	1.2
8	Growth in adjusted per capita GDP***	2.96	-1.08	-5.32	-3.7	-0.11

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

Use of Resources

2.35. Table 2.6 presents total use of resources at current prices. The indirect taxes collected improved further in 2001 to record a higher growth of 11.3 per cent compared to 6.6 per cent in 2000. This rise is due to expansion of the tax rates and improved administrative measures which have been adopted by KRA in the recent past. The other factor which may have contributed to the rise is the recovery of the economy as portrayed by growth in real GDP by 1.2 per cent and GDP at market prices growth of 12.0 per cent. The total resources available for both consumption and investment increased by 11.9 per cent from KSh. 871.6 billion in 2000 to KSh. 975.4 billion during the year under review.

2.36. The import surplus expanded by 6 per cent in 2001 compared to 76.0 per cent recorded in 2000. The rise in the import surplus is due to increased importation of consumables. The general public sector consumption went up by 8.1 per cent as a result of the house allowance awards in the year 2001. Similarly, the private consumption rose significantly by 17.8 per cent compared to 10.0 per cent in 2000. Consequently, the overall consumption rose by 12.9 per cent.

Table 2.6: TOTAL USE OF RESOURCES AT CURRENT PRICES, 1997 - 2001 (Ksh million)

	1997	1998	1999*	2000*	2001**
G.D.P. at Factor Cost ..	536,264.26	593,420.56	639,056.22	686,159.31	772,892.95
Of which:					
Non-Monetary	13,879.80	14,248.30	15,254.30	16,333.83	17,340.07
Monetary	522,384.46	579,172.26	623,801.92	669,825.48	755,552.88
Indirect Taxes	87,001.51	97,539.22	103,198.88	110,013.22	122,485.52
Subsidies	30.7	49.8	119.37	200.07	100
G.D.P. at Market Prices	623,235.07	690,909.98	742,135.73	795,972.46	895,278.47
Import of goods and non-factor services	220,768.60	224,771.85	232,232.57	287,067.21	314,376.99
Export of goods and non-factor services	174,846.20	171,894.74	189,264.97	211,432.70	234,212.82
Import Surplus	45,922.40	52,877.11	42,967.60	75,634.51	80,164.17
Total Resources available for Domestic					
Investment and Consumption	669,157.47	743,787.09	785,103.33	871,606.97	975,442.64
Gross Fixed Capital Formation	109,873.21	113,878.74	112,961.19	116,368.52	124,258.59
Change in Stocks	5,400.00	6,210.00	7,141.50	6,141.69	5,281.85
Gross Investment	115,273.21	120,088.74	120,102.69	122,510.21	129,540.44
Public Consumption	100,711.60	113,568.40	125,943.00	139,158.55	150,430.13
Private Consumption	453,172.66	510,129.95	539,057.64	609,938.21	695,472.07
TOTAL CONSUMPTION	553,884.26	623,698.35	665,000.64	749,096.76	845,902.20

** Revised*
***Provisional*

2.37. For a long time, the per capita consumption growth rate has been higher than the per capita incomes growth rate. In the year 2001, the per capita consumption grew by 10.7 per cent, while per capita investment increased by a lower rate of 3.7 per cent. This trend implies that the marginal propensity to save has also been declining and so investment.

Financing of Capital Formation

2.38. Three broad components support financing of Fixed Capital Formation (FCF) in the country namely; grants from abroad, net borrowing from abroad and domestic saving. Domestic saving has been the largest component over the years although in the year 2001 the other two overtook it. Net borrowing from abroad to finance capital formation grew significantly by 59.2 per cent from KSh. 15.5 billion to KSh. 25.0 billion while grants from abroad declined by 5.0 per cent in 2001. The domestic saving to finance capital formation declined marginally. Overall, the financing of capital formation rose by 5.7 per cent. Consequently, Gross Fixed Capital Formation (GFCF) increased by 6.7 per cent while changes in stocks dropped from KSh. 6.1 billion to KSh. 5.3 billion in 2001.

Table 2.7: FINANCING OF CAPITAL FORMATION, 1997 - 2001 (Ksh million)

	1997	1998	1999*	2000*	2001**
GROSS CAPITAL FORMATION:					
Gross Fixed Capital Formation	109,873.21	113,878.74	112,961.19	116,368.52	124,258.59
Changes in Stocks	5,400.00	6,210.00	7,141.50	6,141.69	5,281.85
TOTAL	**115,273.21**	**120,088.74**	**120,102.69**	**122,510.21**	**129,540.44**
FINANCING:					
Grants from Abroad	23,202.22	23,913.33	33,023.46	48,480.15	46,079.01
Net borrowing from Abroad***	26,829.20	28,688.00	6,303.32	15,512.21	24,969.00
Domestic Saving	65,241.79	67,487.41	80,775.91	58,517.85	58,492.43
TOTAL	115,273.21	120,088.74	120,102.69	122,510.21	129,540.44

* *Revised*
** *Provisional*

Factor Incomes and Gross National Product (GNP)

2.39. There was significant improvement in the total remuneration of employees from KSh. 316.10 billion in 2000 to KSh. 357.74 billion in 2001. This represents an increase of 13.2 per cent compared to 9.6 per cent increment in 2000. Employees working in enterprises, private houses and civil service recorded increased factor incomes. The share of total remuneration to Gross National Product (GNP) increased to 40.5 per cent compared 40.2 per cent in 2000. On the other hand, the share of other operating surplus including depreciation remained at the level as in 2000.

2.40. Factor incomes received from abroad declined to KSh. 3,363 million from KSh. 3,426 million in 2000 while those paid abroad increased by 10.2 per cent. Overall, the GNP recorded a higher growth of 12.5 per cent compared to 7.5 per cent in 2000.

Table 2.8: GROSS NATIONAL PRODUCT AT CURRENT PRICES 1997- 2001 (KSh.million)

		1997	1998	1999*	2000*	2001**
FACTOR INCOMES:						
A. Non-Monetary Economy		13,879.80	14,248.30	15,254.30	16,333.83	17,340.07
B. 1. Remuneration of Employees :						
	Enterprises	146,503.20	170,611.32	192,596.80	213,322.88	243,038.26
	Private Households	6,174.80	6,710.20	7,293.60	8,099.40	8,932.40
	Producers of Government Services	68,989.00	82,190.20	88,597.54	94,681.36	105,769.74
	T0TAL	**221,667.00**	**259,511.72**	**288,487.94**	**316,103.64**	**357,740.40**
2. Rental Surplus (including						
	depreciation)	20,968.64	22,352.60	24,368.80	27,263.60	29,596.40
3. Other Operating Surplus (including						
	depreciation)	279,748.82	297,307.94	310,358.92	326,880.63	370,933.27
	TOTAL MONETARY ECONOMY	**522,384.46**	**579,172.26**	**623,801.92**	**669,825.48**	**755,552.88**
TOTAL FACTOR INCOMES = GROSS						
DOMESTIC PRODUCT (AT FACTOR COST)		536,264.26	593,420.56	639,056.22	686,159.31	772,892.95
	Add:Indirect Taxes	87,001.51	97,539.22	103,198.88	110,013.22	122,485.52
	Deduct:Subsidies	30.70	49.80	119.37	200.07	100.00
GROSS DOMESTIC						
PRODUCT AT MARKET PRICES		623,235.07	690,909.98	742,135.73	795,972.46	895,278.47
	Add: Factor Incomes Received From					
	Abroad .	1,350.00	2,490.40	2,230.00	3,426.00	3,363.00
	Deduct: Factor Incomes Paid Abroad	14,973.20	12,958.40	13,425.80	13,565.70	14,949.01
	GROSS NATIONAL PRODUCT	609,611.87	680,441.98	730,939.93	785,832.76	883,692.46

** Revised*
***Provisional*

Table 2.9 GROSS FIXED CAPITAL FORMATION BY TYPE OF ASSET, 1997 - 2001 (KSh.million)

	CURRENT PRICES						CONSTANT (1982) P			
	1996	1997	1998	1999	2000*	2001**	1996	1997	1998	199
DWELLINGS:										
PRIVATE:										
Non-Monetary	2,987.20	3,083.60	3,146.88	3,178.26	3,159.20	3,222.38	583.00	581.80	572.16	56
Monetary .	**594.20**	**774.60**	**670.20**	**594.10**	**653.52**	**673.13**	**112.20**	**146.20**	**121.86**	**10**
TOTAL	3,581.40	3,858.20	3,817.08	3,772.36	3,812.72	3,895.51	695.20	728.00	694.02	67
PUBLIC	**1,870.00**	**1,670.00**	**1,403.00**	**1,496.06**	**1,547.18**	**1,384.73**	**352.80**	**315.20**	**255.10**	**26**
TOTAL .	**5,451.40**	**5,528.20**	**5,220.08**	**5,268.42**	**5,359.90**	**5,280.24**	**1,048.00**	**1,043.20**	**949.12**	**93**
NON-RESIDENTIAL BUILDINGS:										
PRIVATE	912.20	988.00	1,045.40	1,482.60	1,488.92	2,040.34	149.60	173.20	180.24	24
PUBLIC	8,777.60	9,389.86	8,675.60	8,055.16	7,455.16	7,088.76	1,439.40	1,647.34	1,495.80	1,35
TOTAL	**9,689.80**	**10,377.86**	**9,721.00**	**9,537.76**	**8,944.08**	**9,129.10**	**1,589.00**	**1,820.54**	**1,676.04**	**1,60**
OTHER CONSTRUCTION WORKS:										
PRIVATE	8,572.00	8,052.40	8,780.46	9,580.46	9,215.72	10,152.66	1,577.20	1,610.40	1,656.70	1,71
PUBLIC	17,157.60	17,246.02	17,080.94	18,114.60	20,665.62	21,606.57	3,157.00	3,449.20	3,222.82	3,24
TOTAL	**25,729.60**	**25,298.42**	**25,861.40**	**27,695.06**	**29,881.34**	**31,759.23**	**4,734.20**	**5,059.60**	**4,879.52**	**4,96**
LAND IMPROVEMENT AND PLANTATION DEVELOPMENT										
PRIVATE	367.20	452.60	538.34	467.14	485.82	515.23	66.40	80.54	92.02	7
PUBLIC	80.60	66.40	26.92	3.16	0.24	1.34	14.56	11.82	4.60	
TOTAL	**26.68**	**27.68**	**28.68**	**29.68**	**486.06**	**516.57**	**80.96**	**92.36**	**96.62**	**7**
TRANSPORT EQUIPMENT:										
PRIVATE	11,331.50	11,798.69	14,222.43	13,965.59	13,982.38	18,842.90	2,012.59	1,966.45	2,293.93	2,18
PUBLIC	2,685.20	3,241.42	3,561.22	2,989.14	2,602.20	2,663.34	477.00	540.24	574.40	46
TOTAL	**14,016.80**	**15,040.10**	**17,783.66**	**16,954.72**	**16,584.58**	**21,506.24**	**2,489.59**	**2,506.68**	**2,868.34**	**2,65**
MACHINERY AND OTHER EQUIPMENT:										
PRIVATE	40,029.40	42,818.40	43,707.44	42,476.02	43,204.08	43,611.10	7,109.39	6,872.95	6,829.27	6,33
PUBLIC	9,064.80	10,247.94	10,959.32	10,480.86	11,842.90	12,381.22	1,610.00	1,644.94	1,712.40	1,56
TOTAL	**49,094.20**	**53,066.34**	**54,666.76**	**52,956.88**	**55,046.98**	**55,992.32**	**8,719.39**	**8,517.88**	**8,541.68**	**7,89**
BREEDING STOCK AND DAIRY CATTLE:										
PRIVATE	40.00	43.28	60.59	78.04	65.58	74.89	40.00	7.76	10.28	1
TOTAL:										
Non-Monetary Dwellings	2,987.20	3,083.60	3,146.88	3,178.26	3,159.20	3,222.38	583.00	581.80	572.16	56
Other	61,846.50	64,927.97	69,024.86	68,643.95	69,096.02	75,910.25	11,067.38	10,857.50	11,184.30	10,67
TOTAL PRIVATE	**64,833.70**	**68,011.57**	**72,171.74**	**71,822.21**	**72,255.22**	**79,132.63**	**11,650.38**	**11,439.30**	**11,756.46**	**11,24**
TOTAL PUBLIC* **	**39,635.80**	**41,861.64**	**41,707.00**	**41,138.98**	**44,113.30**	**45,125.96**	**7,050.76**	**7,608.74**	**7,265.12**	**6,89**
TOTAL PRIVATE AND PUBLIC	**104,469.50**	**109,873.21**	**113,878.74**	**112,961.19**	**116,368.52**	**124,258.59**	**18,701.14**	**19,048.04**	**19,021.58**	**18,14**

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

Gross Fixed Capital Formation (GFCF)

2.41. GFCF is estimated to have grown by 6.8 per cent in 2001 compared to a growth of 3.0 per cent in 2000. This improvement is attributable to the heavy investments in transport equipments in 2001. This growth in transport equipment investments is reflected in the improved performance of the Transport, Storage and Communication sector particularly in 2000 and 2001.

2.42. On the contrary, investments in some key assets notably dwellings and machinery and other equipments recorded declines in 2001 compared to 2000. The negative growth of dwellings is mainly due to high costs of borrowing from commercial banks and the reduced Government expenditure on housing projects. Almost all the sectors recorded growths in addition to their fixed assets except for mining and quarrying, electricity and water, and ownership of dwellings. In electricity sub-sector, increased hydroelectric power generation by the existing plants reduced demand for importation of thermal electric power generation equipment.

Table 2.10 GROSS FIXED CAPITAL FORMATION BY INDUSTRY, 1996 - 2000 (Ksh million)

		Current Prices						
		1996	**1997**	**1998**	**1999**	**2000****	**2001***	**1996**
A. NON-MONETARY ECONOMY:								
	Non-Monetary Dwellings	2,987.20	3,083.60	3,146.88	3,178.26	3,159.20	3,222.38	583.00
B. MONETARY ECONOMY:								
	Enterprises and Non-Profit Institutions:							
	Agriculture	6,794.90	6,867.18	8,025.54	7,731.85	8,304.32	8,619.95	1,240.10
	Forestry	101.40	127.96	113.10	20.10	35.00	43.64	18.40
	Fishing							
	Mining and Quarrying	741.20	876.84	972.06	1,082.46	1,087.20	1,093.64	131.62
	Manufacturing	23,457.80	24,202.79	25,118.06	23,868.98	23,977.64	25,492.51	4,194.04
	Building and Construction	6,030.00	8,048.76	8,129.58	8,447.60	10,634.98	10,862.59	1,074.22
	Electricity and Water	7,837.20	6,982.60	8,526.60	8,358.14	9,031.06	8,640.43	1,416.86
	Trade, Restaurants and Hotels	3,391.40	3,846.30	3,657.18	3,755.58	3,504.96	4,302.16	594.32
	Transport,Storage and Communications	23,813.60	25,097.44	25,264.80	25,619.98	24,383.44	26,579.14	4,235.84
	Finance,Insurance,Real Estate and Business Services	4,485.00	4,831.04	4,889.96	5,114.46	5,212.44	6,198.01	779.48
	Ownership of Dwellings	2,616.80	2,812.28	2,395.30	2,374.12	2,394.70	1,808.95	492.06
	Other Services	3,400.40	3,622.26	4,526.84	4,769.54	5,284.36	5,984.64	601.74
	TOTAL	**82,669.70**	**87,315.45**	**91,619.02**	**91,142.81**	**93,850.10**	**99,625.66**	**14,778.68**
	Producers of Government Services							
	Public Administration	7,117.60	7,827.96	7,093.38	6,518.80	6,078.80	7,290.38	1,258.40
	Defence							-
	Education	2,794.00	2,461.42	2,066.52	1,956.60	2,054.78	2,170.84	490.66
	Health	1,892.00	2,512.78	2,654.72	2,769.22	2,937.46	3,111.00	337.18
	Agricultural Services	3,253.60	2,672.72	2,880.04	2,531.64	2,617.20	2,621.08	591.06
	Other Services	3,755.40	3,999.28	4,418.18	4,863.86	5,670.98	6,217.25	662.16
	TOTAL	**18,812.60**	**19,474.16**	**19,112.84**	**18,640.12**	**19,359.22**	**21,410.55**	**3,339.46**
NON-MONETARY ECONOMY		2,987.20	3,083.60	3,146.88	3,178.26	3,159.20	3,222.38	583.00
MONETARY ECONOMY		101,482.30	106,789.61	110,731.86	109,782.93	113,209.32	121,036.21	18,118.14
TOTAL		**104,469.50**	**109,873.21**	**113,878.74**	**112,961.19**	**116,368.52**	**124,258.59**	**18,701.14**
C. PERCENTAGE RATES OF GROWTH:								
	Non-Monetary Economy	-6.00	3.23	2.05	1.00	(0.60)	2.00	-5.50
	Monetary Economy	4.97	5.23	3.68	(0.87)	3.12	6.91	1.13
TOTAL		**5.00**	**5.17**	**3.63**	**(0.82)**	**3.02**	**6.78**	**1.26**

**Revised*
***Provisional*

Chapter 3

Social Scene

Overview

Investment by the Government in education, health and other social services increased as reflected in the 2000/2001 national budget. Expenditure in the social services rose from Kshs 71,332.4 million in 2000/2001 to Kshs 81,258.3 million in 2001/2002 for both the Central and Local Government. Share of education expenditure accounted for 69.8 per cent of the total expenditure on social services followed by health that accounted for 13.2 per cent.

Gross Enrolment Rate (GER) in primary schools declined from 93.9 per cent in 1999 to 91.2 per cent in 2001. Completion rate for primary education stood at 49.8 per cent while progression rate to secondary education was 46.2 per cent, reflecting a high drop out rate. Gross enrolment in secondary school increased from 24.8 per cent in 2000 to 26.7 per cent in 2001, while those in tertiary education recorded an increase rise of 24.8 per cent.

The number of registered medical personnel per hundred thousand population declined from 190.1 in 2000 to 188.2 in 2001 while the number of health facilities increased from 4,355 to 4,421, over the same period. HIV/AIDS prevalence rate declined a from a national average of 13.9 per cent in 1998 to 13.0 per cent in 2001.The National Social Security Fund (NSSF) paid out a total of Kshs 2,221.7 million to its members in 2001; an increase of 17.0 per cent. Crimes reported at the police stations rose by 10.8 per cent while the prison population registered an increase of 8.0 per cent from 253,732 to 273,928 prisoners.

Expenditure on Social Services

3.2. Table 3.1 shows that the Central Government expenditure on social services for the financial year 2001/2002 was about Kshs 79,376.0 million, an increase of 14.2 per cent compared to Kshs 69,526.50 million in 2000/2001.

Table 3.1 Central Government Expenditure On Social Services, 1998/99 - 2001/2002 (in KSh million)

RECURRENT EXPENDITURE	1998/99	1999/2000*	2000/2001**	2001/2002**
Ministry of Education Science & Technology***	43,233.60	45,896.00	47,740.77	53,655.30
Ministry of Health	11,911.60	9,335.80	14,870.25	10,527.40
Ministry of Labour and Human Resource Development	212.80	678.40	825.00	1,048.20
Ministry of Home Affairs, National Heritage and Sports	5,954.40	3,220.40	3,882.26	6,581.60
Total	**61,312.40**	**59,130.60**	**67,318.30**	**71,812.40**
DEVELOPMENT EXPENDITURE	**1998/99**	**1999/2000***	**2000/2001****	**2001/2002****
Ministry of Education Science & Technology***	1,525.00	660.20	758.67	2,640.50
Ministry of Health	1,253.00	865.40	759.11	3,539.50
Ministry of Labour and Human Resource Development	1.20	147.00	334.38	493.30
Ministry of Home Affairs, National Heritage and Sports	167.40	83.60	356.04	890.30
Total	**2,946.60**	**1,756.20**	**2,208.20**	**7,132.10**
TOTAL EXPENDITURE	**64,259.00**	**60,886.80**	**69,526.50**	**79,376.00**

**Provisional*
*** Estimates including supplementaries*

The Ministry of Education, Science and Technology had the highest expenditure in 2001/2002, constituting 70.9 per cent of the total Central Government on social services expenditure followed by health with 17.7 per cent. Development expenditure nearly tripled from Kshs 2,640.5 million in 2000/2001 to Kshs 7,132.1 in 2001/2002. This was due to increased expenditure on core poverty programmes identified in the Poverty Reduction Strategy Paper (PRSP). Overall, recurrent expenditure constituted 90.5 per cent of the total Central Government expenditure in the social services in 2001/2002. This represented an increase of 6.7 per cent from Kshs 67,318.3 million in 2000/2001 to Kshs 71,812.42 million in 2001/2002.

3.3 Local Government expenditure on social services for the fiscal years 1997/1998 to 2001/2002 shown in Table 3.2 reveals that total expenditure on social services increased by 4.2 per cent from Kshs 1,805.9 million in 2000/2001 to Kshs 1,882.3 million in 2001/2002. Health expenditure constituted 49.0 per cent of the Local government expenditure on the social services and education accounted for 38.2 per cent in the same period. The Local government expenditure on education iutilized mainly in the development of early childhood education.

Table 3.2 Local Government Expenditure on Social Services, 1997/98 - 2001/2002 (in Ksh million)

	1997/98+	1998/99+	1999/2000*	2000/2001**	2001/2002**
Education	509.1	642.8	631.1	693.7	718.2
Health	891.1	762.9	786.2	858.6	922.9
Other Social Services	70.4	124.3	100.2	253.6	231.2
Total Expenditure	**1,470.6**	**1,530.0**	**1,517.5**	**1,805.9**	**1,882.3**

**Provisional*
***Estimates*
+Revised

Education

3.4 Table 3.3 provides the recurrent and development expenditure pattern for the Ministry of Education, Science and Technology for the fiscal years 1997/1998 to 2001/2002. The total expenditure in Education has been on the increase since 1997/98 fiscal year. The budget estimates for the fiscal year 2001/2002 rose by 13.3 per cent to stand at Kshs 56,295.8 million from Kshs 49,694.0 in 2000/2001.

3.5. Under recurrent General administration and planning expenditure, which includes salaries and related items, constituted 83.0 per cent of the total. Higher education category share was 11.9 per cent followed by Technical and Secondary education with 1.6 per cent and 1.3 per cent respectively. Recurrent expenditure estimates for the Polytechnics increased by 27.7 per cent from Kshs 251.2 million to Kshs 320.8 million in 2001/2002. However, budget estimates for Primary education declined by 9.1 per cent from Kshs 816.2 million in 2000/2001 to Kshs 742.0 million in 2001/2002. The table further revels that development expenditure more than doubled to Kshs 2,640.5 million in 2001/2002 from Kshs 1,289.0 million in 2000/2001. General administration and Planning accounted for 38.0 per cent of the development expenditure followed by Teacher training, 23.0 per cent and Higher education representing 20.6 per cent.

Table 3.3 Expenditure Of The Ministry Of Education, Science and Technology, 1997/98 - 2001/2002 (in KSh Million)

	1997/98	1998/99*	1999/2000*	2000/2001**	2001/2002**
RECURRENT EXPENDITURE					
General Administration and Planning	35,656.60	37,303.81	39,611.80	40,559.72	44,521.94
Pre-Primary Education	6.80	3.78	6.20	5.94	6.69
Primary Education	279.40	360.23	483.40	816.16	741.98
Secondary Education	319.20	308.68	595.80	691.94	667.31
Technical Education+	446.60	613.60	726.00	790.76	865.77
Teacher Training	196.60	190.20	185.80	145.16	177.08
Special Education	60.20	73.00	81.60	47.39	54.49
Polytechnic Education	187.00	201.60	195.40	251.24	320.84
Higher Education***	5,149.40	5,094.71	5,449.80	5,096.60	6,382.29
Miscellaneous	133.00	184.46	263.80	-	-
Total	**42,434.80**	**44,334.06**	**47,599.60**	**48,404.92**	**53,655.27**
DEVELOPMENT EXPENDITURE					
General Administration and Planning	21.80	170.00	27.20	461.56	1,004.09
Pre-Primary Education	45.80	104.00	268.40	271.88	278.20
Primary Education	310.40	160.80	284.80	235.86	150.20
Secondary Education	10.60	14.00	2.40	9.30	3.10
Technical Education+	2.80	0.60	-	13.33	9.63
Teacher Training	321.20	208.20	2.80	228.68	608.10
Special Education	58.20	0.20	-	-	-
Polytechnic Education	-	-	-	-	-
Higher Education***	839.80	1,509.00	74.60	68.43	544.00
Miscellaneous	-	-	-	-	-
Total	**1,610.60**	**2,166.80**	**660.20**	**1,289.04**	**2,640.49**
GROSS TOTAL EXPENDITURE	**44,045.40**	**46,500.86**	**48,259.80**	**49,693.98**	**56,295.76**

**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

3.6 The total number of educational institutions in the country as depicted in Table 3.4 rose from 48,150 in 2000 to 50,127 in 2001, representing an increase of 4.1 per cent. The number of pre-primary schools increased by 4.9 percent from 26,294 in 2000 to 27,573 in 2001. Primary schools constitute more than half, 53.0 per cent, of the total educational institutions in the country. In the same period, the number of primary schools increased slightly by 1.5 per cent from 18,617 to 18,901. The highest increase in number of institutions was registered in secondary schools at 12.9 per cent from 3,207 in 2000 to 3,621 in 2001. However, the number of teacher training colleges for both primary and

Table 3.4 Number of Educational Institutions, 1994 – 2001, (Numbers)

Category	1995	1996	1997	1998	1999	2000	2001*
Schools							
Pre-Primary	23,344	21,261	23,344	23,977	25,429	26,294	27,573
Primary	17,080	16,552	17,080	17,356	17,623	18,617	18,901
Secondary	3,028	3,004	3,028	3,057	3,197	3,207	3,621
Training Colleges							
Primary	27	26	27	28	29	29	29
Secondary+	3	3	3	3	3	3	3
TOTALS	**43,482**	**40,846**	**43,482**	**44,421**	**46,281**	**48,150**	**50,127**

** Provisional*
+Includes Kenya Technical Teachers Colleges
Source: Ministry of Education, Science and Technology

secondary schools remained constant at 29 and 3 respectively.

Pre-Primary

3.7 Pre-primary schools enrolment increased by 6.1 per cent from 1,096,629 in 2000 to 1,163,532 in 2001. This is attributed to continuing government support towards early childhood education. Consequently, there was a substantial increase in the teaching force of 10.6 percent from 42,609 in 2000 to 47,119 in 2001. Over the same period, the proportion of untrained teachers declined marginally to 52.6 percent in 2001 from 54.5 percent in 2000, reflecting improved access to training. The pupil to teacher ratio improved slightly to 25:1 in 2001 as compared to 26: 1 in 2000.

3.8 As shown in Table 3.5, primary schools gross enrolment rose by 4.2 per cent to 6,314,600 in 2001 from 6,155,500 in 2001. This constitutes of 91.2 per cent of the primary school going age population. Further analysis reveals that, standard 1 constituted 15.3 per cent of the pupil population, declining to 13.7

Table 3.5 Primary School Enrolment By Standard, 1997 – 2001 (in '000)

Class	1997		1998		1999**		2000**		2001*	
	Boys	Girls	Boys	Girls	Boys	Girls	Boys	Girls	Boys	Girls
Standard 1	498.2	468.2	503.1	473.0	509.9	477.0	519.1	505.1	499.4	471.5
Standard 2	442.9	421.1	460.4	431.1	462.3	434.8	482.8	447.7	475.2	451.0
Standard 3	402.1	370.4	428.2	405.8	438.5	415.2	437.6	391.1	451.2	429.9
Standard 4	379.5	372.4	397.1	390.3	418.5	403.6	415.9	420.3	439.8	427.5
Standard 5	331.7	334.6	351.3	352.3	362.1	364.5	358.9	368.9	392.0	388.2
Standard 6	304.1	312.4	316.2	326.0	333.6	337.2	339.9	347.6	351.1	355.6
Standard 7	301.2	310.9	317.2	331.3	310.6	321.7	330.4	334.7	329.6	341.9
Standard 8	220.5	207.1	221.0	215.3	246.6	228.0	243.0	232.6	262.4	248.3
TOTAL	**2,880.2**	**2,797.1**	**2,994.5**	**2,925.1**	**3,082.2**	**2,982.1**	**3,117.6**	**3,037.9**	**3,200.7**	**3,113.8**
GRAND TOTAL	**5,677.3**		**5,919.6**		**6,064.3**		**6,155.5**		**6,314.6**	

**Provisional*
***Revised data includes private schools enrolment*
Source: Ministry of Education, Science and Technology

per cent in standard 4 and 8.0 per cent in standard 8. This is mainly attributed to a progressive drop-out rate between the classes. In 2001, public schools enrolled total of 6,065,505 pupils accounting for 96.1 per cent of the total primary schools enrolment. Gender balance in education indicates that girls constituted 49.3 per cent in 2001 reflecting a slight decline from 49.4 per cent recorded in 2000. The distribution of girls in standard 1 to 5 and 8 is lower than boys while the converse is true for standard 6 and 7. In 2001, a total of 514,350 candidates sat for the KCPE and of these, 47.5 per cent were girls.

3.9 The number of primary school teachers and qualification in public schools is shown in Table 3.6. The total number of teachers increased marginally by 1.1 per cent from 178,900 in 2000 to 180,860 in 2001. The increase comprised an additional 4,148 teachers recruited during the last school term of the year 2001. The Government implemented the scheme of service for non-graduate teachers, a move that translated the S1/Diploma primary school teachers to approved graduate status. This explains the large increase in the number of approved teachers from 2,635 in 2000 to 19,223 in 2001. Trained teachers constituted 98.3 per cent of the total primary schools teaching force. In 2001, the ratio of

Table 3.6 Number of Primary Teachers by Qualification and Sex, 1997-2001

Qualifications	1997			1998*			1999			2000		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	To
TRAINED:												
Graduate	17	14	31	-	-	-	97	67	164	130	63	
Approved+	1,364	795	2,159	924	727	1,651	1,674	920	2,594	1,733	902	
S1/Diploma	9,993	5,392	15,385	12,363	7,381	19,744	11,550	7,392	18,942	11,335	6,635	1
P1	70,017	50,221	120,238	73,311	54,299	127,610	71,147	54,343	125,490	69,338	51,662	12
P2	17,809	13,108	30,917	16,544	12,541	29,085	15,502	12,171	27,673	14,683	11,579	2
P3	3,474	3,796	7,270	3,158	3,374	6,532	2,513	2,788	5,301	2,261	2,685	
P4	11	23	34	708	406	1,114	-	-	-	-	-	
TOTAL	**102,685**	**73,349**	**176,034**	**107,008**	**78,728**	**185,736**	**102,483**	**77,681**	**180,164**	**99,480**	**73,526**	**17**
UNTRAINED:												
K . A . C . E.	622	387	1,009	246	71	317	-	-	-	-	-	
K .C .E./K.S.C.E.	4,940	2,935	7,875	3,501	1,848	5,349	3,511	1,785	5296	3,350	1,719	
K. J. S. E.	873	350	1,223	490	156	646	614	239	853	609	216	
C.P.E.	151	129	280	120	82	202	-	-	-	-	-	
Other	74	95	169	42	14	56	184	115	299	-	-	
TOTAL	**6,660**	**3,896**	**10,556**	**4,399**	**2,171**	**6,570**	**4,309**	**2,139**	**6,448**	**3,959**	**1,935**	
GRAND TOTAL	**109,345**	**77,245**	**186,590**	**111,407**	**80,899**	**192,306**	**106,792**	**79,820**	**186,612**	**103,439**	**75,461**	**17**

**Provisional*

Source: Ministry of Education , Science and Technology

pupil to trained teacher in public schools stood at 33.7:1.

Secondary Education

3.10 Table 3.7 shows that total public and private secondary schools enrolment went up by 7.8 per cent from 758,967 in 2000 to 818,247 in 2001. Public secondary schools enrolment was 753,953 constituting 92.1 per cent of the total enrolment. The increase in enrolment is as a result of schools that have been started through local community initiatives to enhance access. The proportion of girls in secondary schools in 2001 was 47.2 per cent reflecting a marginal increase as compared to 47.0 per cent in 2000. The completion rate in 2001 was 94.8 per cent for girls and 98.1 per cent for boys. Total candidates registered for KCSE in 2001 was 192,589 out of whom 88,784 or 46.1 per cent were girls, representing a 5.3 per cent increase from 182,863 registered in 2000.

Table 3.7 Enrolment in Secondary Schools By Form and Sex, 1997 - 2001 (Numbers)

Form	1997		1998		1999**		2000**		2001*	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Form 1	98,487	88,614	102,449	92,813	97,231	90,773	108,116	97,196	116,174	103,425
Form 2	95,539	86,856	98,066	86,922	102,042	93,079	104,078	93,550	111,761	99,633
Form 3	89,365	79,496	90,293	77,871	92,003	81,666	98,610	87,346	103,339	95,351
Form 4	80,457	68,659	82,632	69,492	84,233	72,232	91,700	78,371	100,542	88,022
TOTAL	**363,848**	**323,625**	**373,440**	**327,098**	**375,509**	**337,750**	**402,504**	**356,463**	**431,816**	**386,431**
GRAND TOTAL	**687,473**		**700,538**		**713,259**		**758,967**		**818,247**	

**Provisional* ***Revised data includes private schools*

Source: Ministry of Education, Science and Technology

3.11 The number of secondary school teachers in public schools by qualification and sex is presented in Table 3.8. The strength of the teaching profession in secondary schools increased by 9.9 per cent from 40,900 teachers in 2000 to 44,943 teachers in 2001. The increase is partly due to additional recruitment of 2,657 teachers on the basis of Curriculum Based Establishment (CBE) offered by each secondary school. The recruitment focused on reinforcing shortages in specific selected disciplines namely; English, Mathematics and science subjects. In 2001, the proportion of trained teachers constituted 95.9 per cent of the total teaching force. Female teachers composition in the secondary schools teaching fraternity was 35.0 per cent while university graduates constituted 63.7 per cent. Technical teachers accounted for only 0.2 per cent of the teaching force.

Table 3.8 Number of Secondary Teachers by Qualification and Sex, 1997 - 2001

Qualifications	1997			1998*			1999			2000*	
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female
TRAINED:											
Graduate	14,706	8,559	23,265	18,326	11,062	29,388	15,271	9,148	24,419	15,211	8,94
Approved T.	2,237	866	3,103				3,585	1,637	5,222	3,545	1,61
S1/Diploma	7,123	3,908	11,031	6,644	3,490	10,134	5,690	2,977	8,667	5,612	2,96
Technical	699	171	870	575	203	778	810	305	1,115	805	29
P1	135	23	158	107	30	137	-	-	-	-	
TOTAL	**24,900**	**13,527**	**38,427**	**25,652**	**14,785**	**40,437**	**25,356**	**14,067**	**39,423**	**25,173**	**13,82**
UNTRAINED:											
Graduate	2,068	545	2,613	2,032	497	2,529	925	225	1,050	734	13
Dip\Technical	482	164	646	439	152	591	206	103	309	166	5
K . A . C . E .	1,516	474	1,990	58	18	76	-	-	-	-	
K .C .E./K.S.C.E.	362	89	451	37	5	42	-	-	-	-	
Other	173	78	251	13	6	19	-	-	-	-	
TOTAL	**4,601**	**1,350**	**5,951**	**2,579**	**678**	**3,257**	**1,131**	**328**	**1,359**	**900**	**19**
GRAND TOTAL	**29,501**	**14,877**	**44,378**	**28,231**	**15,463**	**43,694**	**26,487**	**14,395**	**40,782**	**26,073**	**14,01**

**Revised*
** *Provisional*
Source: Ministry of Education, Science and Technology

Tertiary Education

3.12 Figure 3.1 shows the tertiary education enrolment trends between 1996 and 2001. In the period under review, enrolment increased by 18.8 per cent from 90,380 in 2000 to 111,421 in 2001. The chart depicts an upward trend in enrollment in all categories between 2000 and 2001.

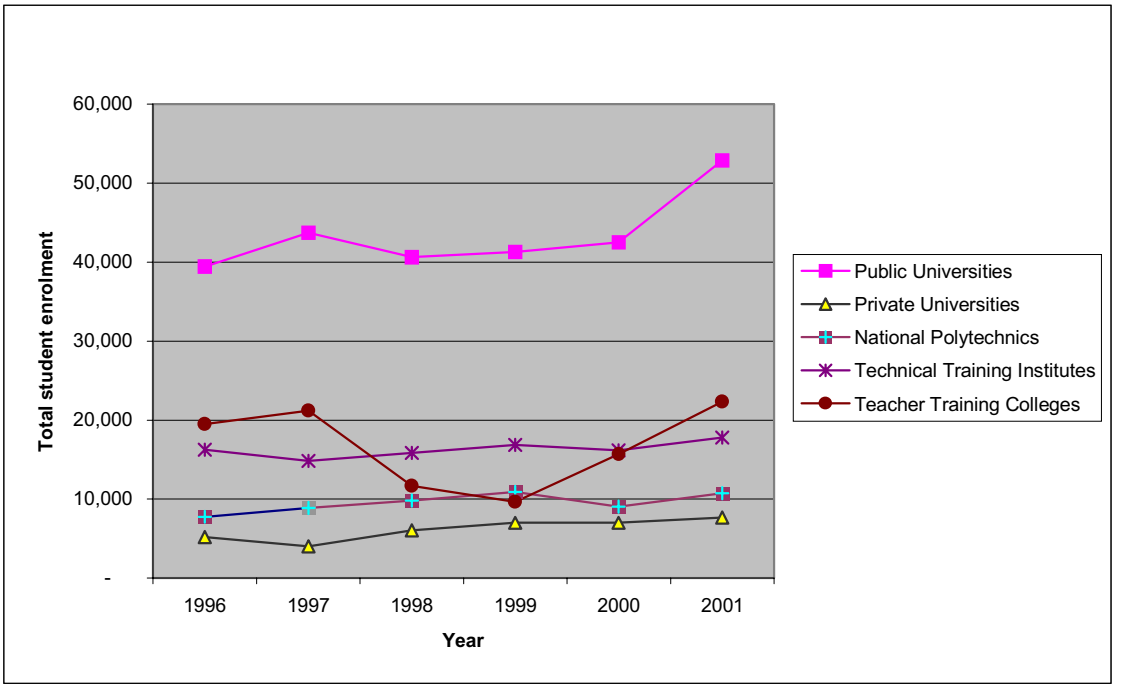


Fig 3.1: Tertiary Education Enrolment trends, 1996-2001

Teacher Training Institutes

3.13. In the 2001/2002 academic year, the 29 Government Primary Teacher Training Colleges had a total student enrolment of 15,708 students, compared to the 14,316 students in 200/2001 representing an increase of 9.7 per cent. Female population constituted 47.1 per cent of the total students enrolled. The colleges are mainly offering P1 certificate courses since P2 courses were phased out. This policy change is primarily to improve the quality of the trainees being admitted. There are a total of 8 private colleges mostly run by religious organizations that offer training in P1 course with a total enrolment of about 4,500 students. Teacher training Diploma colleges recorded an enrolment of 2,125 students: Of these, 42.9 per cent were female trainees. Kagumo had the highest number of admissions constituting 40.9 per cent followed by Kenya Technical Teachers College with 31.1 per cent. The sex ratio of 1:1 among the trainees in Kenya Science Teachers College depicts equal enrolment opportunities.

Polytechnic Institutes

3.14 Total enrolment of students in the national polytechnics increased by 15.8 per cent from 9,042 in 2000 to 10,472 in 2001. Kenya Polytechnic recorded the highest student enrolment with 4,562 or 51.7 per cent of the total polytechnics' enrolment. Mombasa Polytechnic had the next highest student population with 3,681 students followed by Kisumu polytechnic with 1,180 students and lastly Eldoret Polytechnic with 1,101 students. Kenya and Eldoret Polytechnics recorded an increase in enrolment of 10.5 per cent and 20.7 per cent respectively while Kisumu Polytechnic recorded a marginal increase of only 0.3 per cent. The overall increase in enrolment is an indication of improved capacity within the polytechnics for manpower skills development.

University Education

3.15 The student enrolment in other technical training institutes and institutes of technology rose from 15,155 in 2000 to 17,801 in 2001, an increase of 17.5 per cent. The increase indicates improved access to middle level manpower technical training. In 2001, the female student constituted a substantial total student enrolment of 44.0 per cent.

3.16 Enrolment in the six public universities increased by 24.5 per cent from 42,508 students in 2000/2001 to 52,906 students in 2001/2002 academic years. The increase in enrolment is attributed to increased access to University education arising from parallel and special degree programmes. Undergraduates constituted 87.5 per cent of the total student population. Female students constitute 32.2 per cent of the total showing an increase of 0.5 per cent over the 2000/2001 academic year. The total postgraduate students' enrolment stood at 3,120.

3.17 The University of Nairobi student population stood at 4,983 during the 2001/2002 academic year, constituting 28.3 per cent of the total enrolment in all universities. In the same period, the university registered a significant increase in enrolment of 26.8 per cent as compared to 2000/2001 academic year. The female students, comprising 30.1 per cent of total enrolment increased marginally by 0.3 per cent during the same period. There were 1,451 students undertaking postgraduate programmes with the undergraduate parallel degree programme constituted 12.9 per cent of the total student enrolment.

3.18 Kenyatta University registered a significant increase in student enrolment of 43.9 per cent from 7,474 during the 2000/2001 academic year to 10,757 in 2001/2002. This translates to 20.3 per cent of the total public universities enrolment. The female students composition of 40.5 per cent was the highest among all the universities. The University enrolled 7,057 full time students and 2,702 part time students. The postgraduate enrollment stood at 998 of which, 36.1 per cent were females.

3.19 Jomo Kenyatta University of Agriculture and Technology (JKUAT) recorded a decline in student enrolment by 14.0 per cent from 4,284 in 2000/ 2001 to 3,667 in 2001/2002 academic years. The male students constituting 69.4 per cent of the student population.

3.20 Moi University had a total student enrolment of 7,713 during the academic year 2001/2002 as compared to 6,713 in 2000/2001, an increase of 14.9 per cent, with female enrolment constituting 29.6 per cent of the student population. The university's enrolment constitutes 14.6 per cent of the total public universities enrolment. The University offers diverse courses in various disciplines of Technology, Health Sciences, Agriculture, Socio-cultural development and Education. There were 280 postgraduate students enrolled with females accounting for 25.8 per cent.

3.21 Egerton University student enrolment increased by 11.1 per cent from 8,086 students in 2000/2001 to 8,985 students in 2001/2002. The female students composition of 26.2 per cent was the lowest among the public universities. The student enrolment in the agricultural and science based courses accounted for 85.6 per cent of the student enrolment. The undergraduate student enrolment of 8,857 constitutes 96.6 per cent of the university student population while the postgraduate student enrolment was 128.

3.22 Maseno University enrolled 5,001 students during the 2001/2002 academic year, representing an increase of 16.6 per The female students constituted 38.6 per cent of the total student enrolment.The university had 190 postgraduate students.

3.23 There are six private accredited universities in the country with a total enrolment of 7,639 students. The universities registered a slower growth of 1.5 per cent in enrolment in 2001/2002 compared to 9.1 per cent registered in 2000/2001. The female students maintained a higher composition, constituting 54.5 per cent of the total enrolment. The United States International University of Africa (USIU) had the largest share of enrolment of 34.9 per cent followed by Day Star University with 24.4 per cent while Catholic University of Eastern Africa and Baraton constitute 20.6 and 17.5 per cent respectively. Both Scott Theological College and Kabarak University recorded the least enrolment of 103 and 150 students respectively.

3.24 The private unaccredited universities include; Kenya Methodist University, St Pauls United Theological College, Africa Nazarene University, Aga Khan University and East African School of Theology. In the same category also, are the Kenya Highlands Bible College, Pan African Christian College, Nairobi International School Of Theology and Nairobi Evangelical School of Theology. These universities had a total student enrolment of 1,490 with Africa Nazarene University accounting for 33.0 per cent of the student population. The female students constituted 49.8 per cent of the total enrolment

Developments in the Education Sector

3.25 **Textbooks Fund**: As part of the poverty reduction initiative, the Ministry of Education, Science and Technology disbursed Kshs 660 million to primary schools in 33 Districts in 2000/2001. Primary schools benefit annually from these funds to improve on the quality of education by increasing access to learning materials. This cushions poor parents with children in school from the burden and has enhanced the pupil performance especially in ASAL areas. It is envisaged that the leaner new curriculum being implemented where five subjects will be examinable for KCPE and a minimum of seven subjects for KCSE would greatly enhance teaching and learning processes as well as reduce the burden on textbook requirements.

3.26 **Bursary Fund**: The low transition rate to secondary school, other than labour opportunity cost is partly attributed to poverty situation of the households making them unable to meet the costs of secondary education. To alleviate this problem, the Ministry of Education, Science and Technology has an annual allocation of Bursary Funds disbursed to all public secondary schools. During the financial year 2000/2001, a total of Kshs 536 million was disbursed benefiting a proportion of the tuition requirements for about 28.0 per cent of the poor students in secondary schools.

3.27 **School Feeding Programme**: The school-feeding programme targets the primary schools in the Arid and Semi-Arid Lands (ASAL) areas. In 2001/2002, the estimated expenditure declined to Kshs 162.0 million from Kshs 313.9 million spent during the fiscal year 2000/2001. The expenditure in 2000/2001 increased substantially due to an injection of additional funds from the government to the programme to alleviate the sufferings of the Arid and Semi-Arid Lands (ASAL) communities that resulted from the prolonged 1999/2000 drought. The programme has spent a total of Kshs 778.9 million between the fiscal years 1997/98 to 2001/2002. During the financial year 2001/2002, a total of 3,892 pre-primary and primary schools in 15 districts are expected to benefit from this programme.

Health

3.28 Good health is a prerequisite to the socio economic development of the country. It is with this recognition that the government has continued to put in place plans and programmes to reduce incidences of diseases, with greater emphasis on HIV/AIDS pandemic.

3.29 Table 3.9 shows the distribution of health institutions and hospital beds and cots by province. There has been a modest increase in the number of institutions and facilities mainly due to existing enabling environment for setting Private health facilities. The total number of health institutions increased by 1.5 per cent from 4,355 to 4,421 in 2000 and 2001 respectively. Similarly, hospital beds and cots increased by 2.0 per cent from 56,416 to 57,540. In the same period, the number of hospitals and nursing homes increased from 481 to 500, a rise of 4.0 per cent. Eastern and Rift Valley provinces had the highest number of hospitals/nursing homes in the country.

Table 3.9 Health Institutions and Hospital Beds and Cots by Province, 2001*

Province	Health Institutions				Hospital Beds and Cots	
	Hospitals	Health Centres	Health Sub-Centres and Dispensaries	Total	No. of Beds and Cots	No. per 100,000 Population
Nairobi	55	51	375	481	4,703	20.0
Central	60	82	362	504	7,936	20.6
Coast	63	38	326	427	7,421	28.1
Eastern	62	77	686	825	7,112	14.7
North Eastern	6	9	61	76	1,610	13.6
Nyanza	95	111	324	530	1,041	22.6
Rift Valley	94	155	989	1,238	11,921	15.9
Western	65	88	187	340	6,336	18.0
Total 2001	**500**	**611**	**3,310**	**4,421**	**57,540**	**18.9**
Total 2000	**481**	**601**	**3,273**	**4,355**	**56,416**	**19.1**

Source: Health Information system, Ministry of Heath (MOH)
**Provisional*

3.30 The Government through the Ministry of Health has continued to train various cadres of health professionals. It also provides an enabling environment to private institutions in their efforts of supplementing the health care programmes. Table 3.10 shows the number of registered medical personnel for the period 2000 and 2001. The number of registered medical personnel increased by 2.6 per cent from 55,732 in 2000 to 57,208 in 2001 while those undergoing training rose marginally by 0.8 per cent from 7,850 to 7,912 over the same period. However, the ratio of medical personnel to a hundred thousand of population decreased from 190.1 to 188.2 in 2001, implying that the population was growing at a faster rate than the medical personnel. This can partially be attributed to medical personnel leaving the country to seek better employment opportunities elsewhere.

Table 3.10 Registered Medical Personnel*, 2000-2001						
Type of Personnel	2000**		2001**		In Training (Number)	
	Number	No.per 100,000 Pop	Number	No.per 100,000 Pop	2000-2001	2001-2002
Doctors	4,506	15.4	4,630	15.2	821	829
Dentists	746	2.5	763	2.5	159	165
Pharmacists	1,682	5.7	1,758	5.8	210	212
Pharmaceutical Technologist	1,232	4.2	1,321	4.3	144	152
Registered Nurse	9,211	31.4	9,392	30.9	1,210	1,223
Enrolled Nurse	27,902	95.2	28,420	93.5	3,841	3,840
Clinical Officer	4,492	15.3	4,610	15.2	852	862
Public health Officer	929	3.2	1,042	3.4	180	184
Public health technician	5,032	17.2	5,272	17.3	433	445
TOTAL	**55,732**	**190.1**	**57,208**	**188.2**	**7,850**	**7,912**

Source: Health Information system, Ministry of Heath (MOH)
**Provisional*
***Based on population projections*

3.31 HIV/AIDS has had profound negative effects on both the health of the population and socio-economic gains achieved over the years. The government and other development partners in the health sector have put in place strategic programmes, which are aimed at effectively controlling the spread of the virus that causes AIDS. The prevalence has begun showing some downward trends particularly in the urban areas. Table 3.11 gives the HIV prevalence rates for urban and rural Kenya for the years 1997 to 2001.

Table 3.11 Estimated HIV Prevalence, 1997-2001 (in %)					
Prevalence	1997	1998	1999	2000	2001
Urban	16.9	18.1	17.8	17.5	17.0
Rural	11.9	13.0	13.0	13.0	13.0
National	12.8	13.9	13.5	13.5	13.0

Source: National Aids Control Council (NACC)

3.32 **National Hospital Insurance Fund**: The members' contributions to National Hospital Insurance Fund (NHIF) increased by 4.9 percent from Kshs 2,116 million in 1999/2000 to Kshs 2,219 million in 2000/2001. Table 3.12 gives the receipts and members benefits for the fiscal years 1996/1997 to 2000/2001.

Table3.12 National Hospital Insurance Fund 1996/97-2000/2001 (in KSh million)			
Year	Receipts	Benefits	Contribution Net of benefits
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
2000/2001	2,219	537	1,682

Source: National Hospital Insurance Fund (N. H. I. F.)

Other Social Services

3.33 **National Youth Service (NYS)**: Table 3.13 below shows details of National Youth Service recruitment and income earned between 1997 and 2001. Due to budgetary constraints, the NYS did not carry out recruitment for the years 1998 and 1999. Recruitment picked up in the year 2000. In 2001 a total of 2,701 servicemen and 915 servicewomen were recruited to total 3,616. Compared to 2000 there was a decrease of 0.7 per cent in the number of service men and an increase of 17.0 per cent in service women recruited. The NYS through its activities earned Kshs 8.5 million in 2001, a decrease of 33.0 per cent compared to Kshs 12.6 million in 2000. The decline in income earned was a result of reduction in services offered by the NYS institute.

Table 3.13 National Youth Services Recruitment and Income, 1997-2000

Year	Recruitment (Numbers)			Income Earned** (Kshs million)
	Service Men	Service Women	Total	
1997	2,737	465	3,202	44.0
1998	-	-	-	20.0
1999	-	-	-	18.6
2000	2,719	782	3,501	12.6
2001*	2,701	915	3,616	8.50

Source: National Youth Service
**Provisional*
*'**Financial Year*

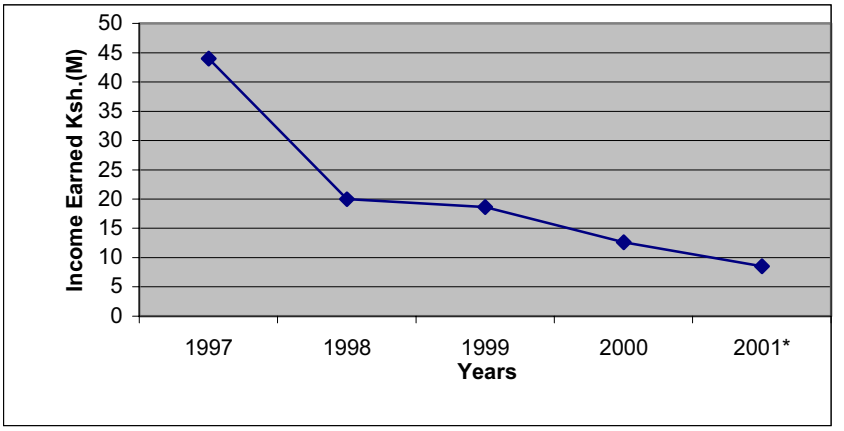


Fig. 3.2: Income Earned by National Youth Service 1997 - 2001

3.34 **National Social Security Fund (NSSF)**: The National Social Security Fund provides social security support to registered workers. Table 3.14 gives details of registered employers, employees, annual contributions and benefits paid to members from 1997 to 2001. The number of registered employers increased by 2.9 per cent from 51,200 in 2000 to 52,702 in 2001. Further, the number of registered employees went up by 2.5 per cent from 2,717.7 million in 2000 to 2,785.6 in 2001. Annual contributions similarly went up by 2.1 per cent

Table 3.14 National Social Security Fund, 1997 – 2001

	1997	1998	1999	2000	2001*
Registered Employers ('000)	48.0	48.0	49.6	51.2	52.7
Registered Employees ('000)	2,498.2	2,546.5	2,637.1	2,717.7	2,785.6
Annual contribution Ksh million)	1,590.0	1,540.0	1,570.0	1,651.8	1,687.0
Annual benefits paid (KSh million)	552.0	520.0	1974.0	1871.9	2221.7

Source: NSSF
**Provisional*

from Kshs 1,651.8 million in 2000 to Kshs 1,687.0 in 2001, thus attributing to subscribers' positive response to the public education programmes. A total of Kshs 2,221.7 million was paid out as annual benefits in 2001, reflecting an increase of 18.7 per cent compared to Kshs 1,871.9 million paid during the previous year.

3.35 **Adult Education**: Details of adult education enrolment by sex is given in Table 3.15 below. Total enrolment in 2001 declined marginally to stand at 93,052

Table 3.15 Adult Education Enrolment By Sex*, 1997 – 2001

Year	Male	Female	Total	% Female Enrolment
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
2001**	26,479	66,573	93,052	72.0

Source: Department of Adult Education
**Revised*
***Provisional*

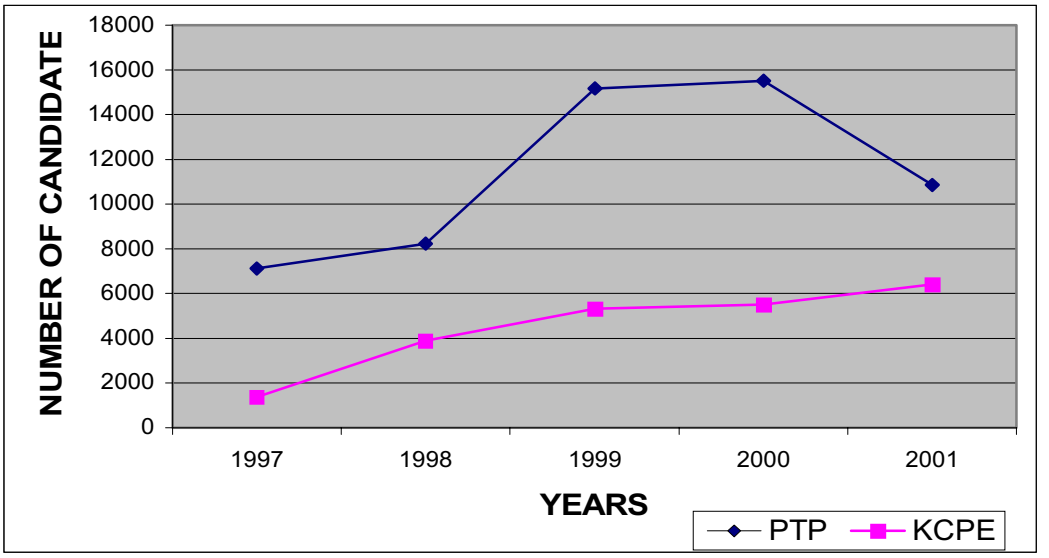
from 93,903 mainly contributed by female enrolment. Male enrolment went up by 2.7 per cent while that of females declined by 2.3 per cent between 2000 and 2001.

3.36 Table 3.16 and Figure 3.3 give details of adults who passed proficiency and registered for KCPE from 1997 to 2001 by province. A total of 6,406 candidates registered for KCPE in 2001 compared to 5,499 in 2000 representing an increase of 16.5 per cent. Nairobi and Rift Valley Provinces had the highest number of candidates registered for KCPE, followed by Eastern and North Eastern. Cen-

Table 3.16 Adults who Passed Proficiency Tests and Those Registered for KCPE By Province, 1997-2001

Province	1997		1998		1999		2000		2001*	
	PTP	KCPE	PTP	KCPE	PTP	KCPE	PTP	KCPE	PTP	KCPE
Nairobi	202	522	110	908	400	997	346	1,296	426	1,607
Central	1,174	110	877	139	1,543	111	1,812	160	1,141	149
Coast	283	204	495	212	1,305	480	1,205	368	1,042	342
Eastern	1,430	67	1,595	7	3,408	244	3,368	62	2,499	636
N/Eastern	1,823	42	2,096	52	532	231	634	536	394	636
Nyanza	580	57	667	146	3,046	227	3,987	100	2,803	101
Rift Valley	786	308	1,538	2,377	3,314	2,987	2,436	2,934	1,372	2,722
Western	833	61	861	42	1,611	46	1,720	43	1,179	213
Total	**7,111**	**1,371**	**8,239**	**3,883**	**15,159**	**5,323**	**15,508**	**5,499**	**10,856**	**6,406**

Source: Department of Adult Education
**Provisional*



tral and Nyanza recorded the lowest adults registered for KCPE. Nyanza and Eastern provinces, recorded the highest number of adults who passed proficiency test while Nairobi and North Eastern had the lowest.

3.37 Gender and Development: Over the years, the Government has demonstrated its commitment to improving the status of women. This has shifted from Women In Development (WID) programmes that focuses on women issues in isolation to Gender and Development (GAD) which focuses on gender mainstreaming strategies. The Mainstreaming approach is based on the principle that sustainable development can only occur when the dynamics of different power and privilege between women and men are addressed.

3.38 Furthermore, the government has undertaken policy commitment in the form of specific national statements on women's positions. The national policy on gender and development approved by the cabinet and session papers through

Table 3.17 Registered Women's Groups, Their Membership, Contribution And GOK Grants, 1997-2001

Year	No. of Women's Groups	Membership	Group Contribution (Ksh million)	Grants by GoK (Ksh million)
1997	85,205	3,096,102	352.5	200.00
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
2001*	115,884	4,520,178	457.9	9.00

Source: Women's Bureau
**Provisional*

legislative acts seek to promote a gender equitable society. The five year strategic plan and the National Development Plans lays out a framework of activities that address gender issues that would enhance goals set for the next phase of the 1985 Beijing Platform for Action. Table 3.17 shows the number of registered women groups that receive assistance for community development activities.

The registered women groups increased by 3.8 per cent from 111,688 in the year 2000 to 115,884 in 2001.

3.39 The table further, provides details on group membership, group contribution and Government grants. There was a 2.3 per cent increase in membership while group contributions went up from Kshs 436.5 million in the year 2000 to Kshs 457.9 million in 2001 reflecting an increase of 4.9 per cent. Government grants increased tremendously from Kshs 1.75 million in 2000 to Kshs 9 million in 2001.

Table 3.18 Incidents of Reported Rape, Attempted Rape and Allied Offences Against Women by Province, 1997-2001

Province	1997	1998	1999	2000	2001*
Nairobi	87	86	83	89	95
Central	153	164	179	181	186
Coast	76	79	75	77	82
Eastern	107	105	123	128	135
North Eastern	15	14	12	13	17
Nyanza	93	102	114	117	124
Rift Valley	167	176	207	215	223
Western	45	49	56	63	71
Total	**743**	**775**	**849**	**883**	**933**

Source: Women's Bureau
**Provisional*

3.40 Table 3.18 gives details of reported cases of violence against women by province. Rift Valley had the highest number with 223 cases followed by Central, Eastern and Nyanza with 186, 135 and 124 cases respectively. North Eastern Province recorded the lowest number with 17 cases followed by Western province with 71 cases and Coast province with 82 cases. There was an increase of 5.7 per cent in the number of reported cases in the year 2001.

3.41 Details of reported rape and attempted rape cases, and other cases of assault are presented in Table 3.19. Rape and attempted rape cases increased by 5.7 percent while assault cases increased by 6.3 per cent. In 2001, cases of defilement and incest increased by 63.0 per cent from 752 in 2000 to 1,226. In total, reported cases of violence against women, increased by 11.6 per cent from 7,890 in 2000 to 8,807 in 2001.

Table 3.19 Reported Cases Of Rape, Attempted Rape, Assault And Battering, 1997-2001

Offence	1997	1998	1999	2000	2001*
Rape and Attempted Rape	743	775	849	883	933
Defilement/Incest	307	554	616	752	1,226
Assault and battering	5,488	5,866	5,918	6,255	6,648
Total	**6,538**	**7,195**	**7,383**	**7,890**	**8,807**

Source: Women's Bureau
**Provisional*

Crime Statistics

3.42 This section presents for the first time in many years, an analysis of the annual crimes committed in Kenya and the prison population from 1997 to 2001. The total number of crime cases reported in the Police Stations has risen over the past five years. By extension, the prison population has also increased. Rising

levels of crime is closely linked to unemployment and poverty situations in the country on the one hand and other socio-economic factors afflicting Kenyans on the other hand. The crime cases reported to the Police Stations underestimates the actual due to under-reporting by the affected. Over half of victims affected do not usually report to police due to various reasons.

3.43 Table 3.20 presents details of the crimes reported to the Police Stations. The total number of crime cases reported declined from 80,143 in the year 2000 to 75,352 in 2001, representing a decrease of 6.0 per cent. The decline in the number of crime cases is attributed to the deliberate effort by the police to fight crime through direct intervention and involving the community. In the city of Nairobi for example, hotlines have been introduced and police information service expanded beyond the police stations. Most prevalent crimes reported in 2001 to the Police Stations were assault (16.7 per cent), breakings (13.8 per cent), robbery and allied offences (12.2 per cent), general stealing (11.8 per cent), and dangerous drugs (7.0 per cent). Murder, which claimed the life of people, although decreased marginally by 6.6 per cent, represents a bigger percentage of prevalent cases (2.2 per cent). The least reported cases included corruption (0.03 per cent) and manslaughter (0.01 per cent).

Table 3.20 Annual Crime Statistics, 1997 – 2001

Cases reported to Police Stations	1997	1998	1999	2000	2001*
Murder (including attempt)	1,642	1,637	1,625	1,807	1,688
Manslaughter	14	5	16	18	8
Rape (including attempt)	1,050	1,329	1,465	1,675	1,987
Assault	10,288	10,847	11,891	13,035	12,611
Other offences against the person	2,601	2,920	3,173	3,563	3,020
Robbery and Allied offences	7,465	8,303	8,612	8,923	9,180
Breakings	12,619	11,382	9,940	10,712	10,363
Theft of Stock	2,630	2,333	2,278	2,906	2,327
General stealing	10,462	9,899	9,591	10,129	8,919
Theft of Motor vehicles	989	1,081	1,004	896	960
Theft of Motor vehicle parts	1,062	934	770	748	753
Theft from motor vehicles	634	624	526	569	558
Theft of bicycles	682	596	652	836	565
Theft by servant	3,641	3,230	3,075	3,221	2,757
Dangerous drugs	3,722	5,171	5,912	5,481	5,300
Handling stolen property	336	347	384	361	347
Corruption	148	145	43	42	23
Causing death by dangerous driving	275	304	259	346	301
Other offences against property	3,120	3,168	3,359	3,555	3,073
All other penal code offences	9,581	9,418	10,415	11,320	10,612
TOTAL	**72,961**	**73,673**	**74,890**	**80,143**	**75,352**

Source: Kenya Police Department
**Provisional*

3.44 "General stealing" and "theft of stock" decreased from 10,129 in 2000 to 8,919 in 2001 and from 2,906 in 2000 to 2,327 in 2001 respectively. Theft by servants declined by 14.4 per cent over the same period. The same was observed in cases involving assault and corruption. The decline in corruption cases is notable and can be attributed to the setting – up of the anti – corruption machinery by the Government. The decline in the other crimes reported can be alluded

to safety precautions and crime prevention initiatives being undertaken by the police and Kenyans in safeguarding their property. Majority of the people especially in the urban areas are using burglar- proof, fences or high walls and dogs; and have intensified Police surveillance.

3.45 Rape, including attempted rape cases went up from 1,675 in the year 2000 to 1987 in 2001 representing an increase of 18.6 per cent. Cases involving theft of motor vehicles and motor vehicle parts rose during the period under review. Theft of motor vehicles increased from 896 in 2000 to 960 in 2001 representing a 7.1 per cent rise while that of motor vehicle parts went up from 748 in 2000 to 753 in 2001. The increase in these crimes was attributed to the worsening economic situation in the country that has led to high unemployment rates and poverty. All these make the perpetrators to look for alternative means of survival.

3.46 Cases involving handling dangerous drugs declined marginally by 3.3 per cent from 5481 in 2000 to 5300 in 2001. The high prevalence of dangerous drugs is probably as a result of Kenya being used as a conduit for drug trafficking from other countries and the immense returns from these drugs. Accident statistics show that Kenyan roads are not safe for pedestrians, passengers, drivers and other road users as the cases reported on causing death by dangerous driving are on the rise. These cases only declined marginally by 13.0 per cent from 346 in 2000 to 301 in 2001. The death caused by dangerous driving affected the economy in various ways, which included loss in manpower due to deaths and hospitalisation, high insurance claims and increased transportation costs to cover high insurance premiums.

Prison Population

3.47 Table 3.21 shows that the number of persons committed to the Kenyan jails over the period 1997 to 2001 has been on the raise. There was an increase of 20,196 prisoners from 253,732 in 2000 to 273,928 in 2001, representing 8.0 per cent increase of prison population .The table also depicts a general increase in the number of persons committed to jail for less than one month. This figure

Table 3.21 Prison Population, 1997 - 2001

	1997	1998	1999	2000	2001*
Number of persons committed	188,617	208,192	226,631	253,732	273,928
For improvement					
2 years or more	4,917	10,111	10,449	10,304	10,484
1 month - 2 years	33,558	37,102	45,520	47,126	50,354
Less than 1 month	2,768	2,845	7,710	9,305	12,648
Total	**41,243**	**50,058**	**63,679**	**66,735**	**73,486**
For debt	367	485	617	742	1,076
For safe custody	147,007	157,649	162,335	186,255	199,366
Total	**147,374**	**158,134**	**162,952**	**186,997**	**200,442**
Number previously convicted	18,455	15,268	16,955	20,573	23,713
Daily average in prison	34,146	29,443	36,243	38,231	44,978
Deaths (excluding executions)	904	943	987	769	734

Source: Kenya Prisons Department
**Provisional*

rose from 9,305 in 2000 to 12,648 in 2001, indicating a 36.0 percent increase.

The rise in prison population is likely to be associated with the increase in crimes reported in the country .The number of prisoners committed to deaths is on the decline from 769 in 2000 to 734 in 2001. This represented a reduction of 5 per cent.

3.48 The number of people jailed for a period ranging from one month to 2 years went up from 47,126 in 2000 to 50,354 in 2001, resulting in an increase of 3,228 or 7.0 per cent. Those committed to jail for 2 or more years also increased from 10,304 in 2000 to 10,482; representing an increase of 2 per cent. Table 3.21 also shows that the total number of those committed to jail is rising. In 2000, this figure was 66,735 while in 2001 it rose to 73,486, giving an increase of 10.0 per cent.

3.49 The figures representing people jailed for debts and safe custody increased from 742 and 186,255 in 2000 to 1,076 and 199,366 in 2001, giving an increase of 45.0 and 7.0 per cent respectively. The number of prisoners who died in prisons for causes other than executions went down from 769 in 2000 to 734 in 2001, representing a drop of 5.0 per cent.

Chapter 4 Employment, Earnings and Consumer Prices

Overview

Trends in labour market show that the weak economic performance and the on-going public sector reforms have adversely affected employment in Kenya in the recent past. Growth in wage employment has decelerated from 2.1 per cent in 1998 to negative 1.1 per cent in 2001. This represents the first down turn since Independence and effectively returns to the 1998 level. There has been a significant shift of workforce from the small-scale farming and pastoralist activities, mainly due to population pressure on the available land. The combined forces have led to a steady expansion of the informal sector, with its employment reaching 4.6 millions in 2001 as compared to 3.4 millions in 1998. The annual average inflation declined from 6.2 per cent in 2000 to 0.8 percent in 2001. Over the years, overall real average wage earnings in the private sector have risen, from Kshs 21,449.2 in 1998 to Kshs 29,252.8 in 2001, partly due to increased efficiency arising from down-sizing during the current recession. However, earnings in the public sector have lagged behind the private sector equivalents.

Employment

4.2. In 2001, total employment, excluding employment in small-scale agriculture and pastoralist activities, was estimated at 6.4 million persons as compared to 5.9 million in 2000, an increase of 7.7 per cent. The growth in employment is almost entirely attributed to an increase in employment in the informal sector.

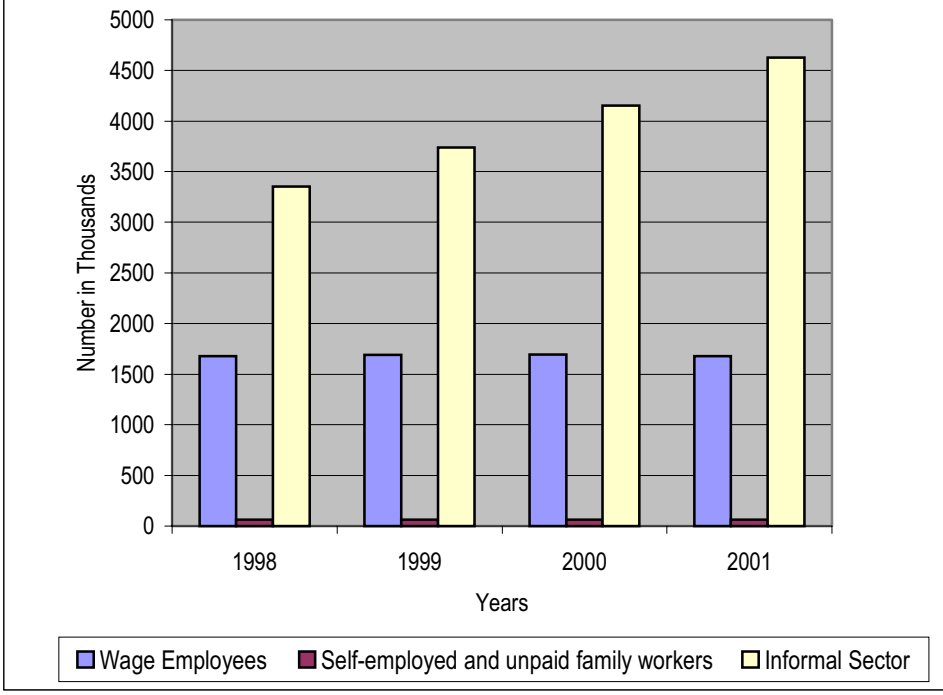
Table 4.1 Total Recorded Employment: June, 1998 - 2001 ('000's)

	1998	1999	2000	2001*
Modern Establishments - Urban and Rural Areas:				
Wage Employees**	1,678.40	1,688.70	1,695.40	1,677.10
Self-employed and unpaid family workers	64.8	65.1	65.3	65.4
Informal Sector	3,353.50	3,738.80	4,150.90	4,624.40
TOTAL	**5,096.70**	**5,492.60**	**5,911.60**	**6,366.90**

**Provisional*
***Revised. Source: DPM*

4.3. Modern sector – During the year under review, the economy continued to perform poorly and this adversely affected most employers leading to massive retrenchments in all activities in the modern sector. As indicated in Table 4.1, there was a decline of 1.0 per cent in the modern sector employment, a decrease of 18,200 persons. Employment in the public sector also went down by about 34,000 persons due to the retrenchment of public servants, natural attrition and restrictive Government employment policy in the public institutions. The number of self-employed and unpaid family workers within the modern sector rose from 65.3 thousand in 2000 to 65.4 thousand persons in the year under review. Figure 1 gives a graphical representation of the total recorded employment as at June for the period 1998 to 2001.

Fig 1: Total recorded Employment: June 1998-2001



4.4. Table 4.2 shows wage employment by industry and sector. The share of private sector employment in the modern sector of the economy rose from 57.6 per cent in 1997 to 60.7 percent in 2001. Expansion of employment in the private sector went up from 1.3 per cent in 2000 to 1.6 percent in 2001. Performance in the manufacturing sector improved marginally over the year and this led to a growth in employment of 0.1 per cent compared to a decline of 0.4 per cent in 2000. Employment in the building and construction industry also went up from 52.3 thousand in 2000 to 52.4 thousand in the year under review, a rise of 0.2 percent. A significant increase in employment within the private sector was noted in the transport and communication activities reflecting the dynamism in the public transport. Increased use of cellular phones also contributed to the rise in employment in the industry.

Table 4.2 Wage Employment by Industry and Sector*, 1997 - 2001 ('000's)						
	1997	1998	1999	2000	2001*	% Change
PRIVATE SECTOR						
Agriculture and Forestry	240.6	245.2	249.6	251.3	254.7	1.4
Mining and Quarrying	4.3	4.3	4.5	4.6	4.6	0
Manufacturing	177.1	180.8	183.6	182.9	183.1	0.1
Electricity and Water	1.4	1.5	1.5	1.5	1.6	6.7
Building and Construction	51.6	51.9	52.2	52.3	52.4	0.2
Wholesale and Retail Trade, Restaurants and Hotels	141.7	144.3	147.3	149.1	150.8	1.1
Transport and Communications	43.1	43.1	43.7	44.5	46.2	3.8
Finance, Insurance, Real Estate and Business services	65.4	66.8	68.1	68.8	68.8	0
Community, Social and Personal Services	221.6	229.3	239.4	247.8	256.5	3.5
TOTAL PRIVATE SECTOR	**946.8**	**967.2**	**989.9**	**1,002.90**	**1,018.70**	**1.6**
PUBLIC SECTOR**						
Agriculture and Forestry	64.4	64.6	62.9	60.9	57.8	-5.1
Mining and Quarrying	0.7	0.7	0.7	0.7	0.6	-14.3
Manufacturing	37.1	36.7	36.3	35.8	33.5	-6.4
Electricity and Water	21.8	22	21.6	21.2	19.8	-6.6
Building and Construction	28.1	27.8	27	26.3	24.4	-7.2
Wholesale and Retail Trade, Restaurants and Hotels	6.5	6.5	6.4	6.4	6.1	-4.7
Transport and Communications	42.4	42.6	40.9	39.7	38.1	-4
Finance, Insurance, Real Estate and Business Services	17.7	17.5	16.7	16.2	15	-7.4
Community, Social and Personal Services	478.5	492.8	486.3	485.3	463.1	-4.6
TOTAL PUBLIC SECTOR	**697.1**	**711.2**	**698.8**	**692.5**	**658.4**	**-4.9**

**Provisional*
***Revised*

4.5. Wage employment in community, social and personal services was the highest in the private sector with 256,500 persons during the year under review compared to 247,800 in 2000, an increase of 3.5 per cent. This was a share of 25.2 per cent of private sector employment. Wage employment in agricultural activities in this sector grew by 1.4 per cent from 251,300 in 2000 to 254,700 persons in 2001, absorbing 25.0 per cent of private sector wage employment, slightly down from 25.1 percent in 2000.

4.6. As a result of the continued effort to restructure the public sector, wage employment within the public sector went further down from 692.5 thousand persons in 2000 to 658.4 thousand in 2001, an overall decline of 4.9 per cent as compared to a 0.9 per cent decline observed in 2000. Thus, the share of public sector in total wage employment went down from 41.4 per cent in 1999 to 40.8 percent in 2000 and further down to 39.3 percent in 2001. The drop in public sector employment was felt in all the economic activities, with the mining and quarrying industry recording the highest percentage fall but the bulk of the contraction i.e. 22,100 persons came from the community, Social services and Personal Services sector mostly in Central Government employment.

4.7. Table 4.3 sets out wage employment in the public sector by type of employer. Local Government was the only employer that registered a positive growth, albeit small, of 2.0 per cent rising from 80,700 in 2000 to 82,300 persons in 2001. After declining by 0.5 per cent in 2000, the number of civil servants further declined by 12.2 per cent from 222.9 thousand in 2000 to 195.7 thousand in 2001 as the Government continued its efforts to restructure.

Table 4.3 Wage Employment in the Public Sector, 1997 - 2001* ('000's)

	1997	1998	1999	2000	2001**	Annual Percentage Change 2001/2000
Central Government***	215.7	227.6	224	222.9	195.7	-12.2
Teachers' Service Commission	241.3	247.7	242.3	236.8	231.3	-2.3
Parastatal Bodies+	112.8	108.9	105.2	104.1	101.6	-2.4
Majority Control by the Public Sector++	52.5	49.9	48.5	48	47.5	-1.1
Local Government	74.9	77.1	78.8	80.7	82.3	2
TOTAL	**697.2**	**711.2**	**698.8**	**692.5**	**658.4**	**-4.9**

**Figures refer to employment stock as at 30th June.*
*** Provisional*
**** Covers all civil servants (source DPM), 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 shares

4.8. Employment in the parastatals and other institutions with a majority share control by the Government declined as a result of the restructuring and the privatization processes. Parastatals recorded a decline of 2.4 per cent in employment while the latter recorded a decline of 1.1 per cent. Employment in the Teachers' Service Commission (TSC), which is the sole employer of public sector teachers, declined by 2.3 per cent to stand at 231.3 thousand. The employment in the TSC was composed of primary school teachers, post primary school teachers, employees in special and technical institutions, and the TSC Secretariat.

4.9. Table 4.4 gives details of wage employment by province. Nairobi province commanded the highest share at 25 per cent in modern sector wage employment, though its employment declined by 1.3 per cent from 425,400 persons in 2000 to 419,900 persons in 2001. Rift Valley province with 376,000 paid employees absorbed the second largest share of 22.4 per cent of total modern

Table 4.4: Wage Employment by Province, 1998 - 2001 ('000's)**

Province	1998	1999	2000	2001*	Percentage Change 2000/1999
Nairobi	421.7	424.6	425.4	419.9	-1.3
Coast	207.1	208.5	209.5	207.7	-0.9
North Eastern	15.5	15.5	15.5	15.5	0
Eastern	140.2	140.9	141.4	139.8	-1.1
Central	240.4	241.6	242.7	240.3	-1
Rift Valley	374.8	377.7	379.9	376	-1
Nyanza	167.7	168.5	169.2	167.4	-1.1
Western	111	111.4	111.8	110.5	-1.2
TOTAL	**1,678.40**	**1,688.70**	**1,695.40**	**1,677.10**	**-1.1**

** Provisional*
*** Revised*

sector employment in 2001, while Central province was third with a share of 14.3 per cent. The depressed nature of the economy was felt all over the country such that the positive growth recorded throughout the economy in 2000 was not only turned back but even reduced to almost 1998 levels.

4.10. Wage employment in major urban centers by six selected dominant industries is presented in Table 4.5. Over the five-year period, there was a growth of 10.9 per cent in urban wage employment in these industries from 833,900 in 1996 to 925,000 in 2001. Nairobi City had the highest total wage employment of the six main urban areas of 401,300, representing 43.4 per cent of the total urban workforce. Mombasa had the second largest share of urban wage employment of 16.6 per cent at 153,400 persons. Nakuru, Thika and Kisumu towns registered the highest growth rates of 10.5 per cent, 9.6 per cent and 8.4 per cent, respectively, over the five years. Community, social and personal services was still the largest employer of the urban population with a share of 37.0 per cent while manufacturing followed with 22.6 per cent. The success of the decentralized district development policy can be noted from the fact that minor urban centers generated 64,200 of the 91,100 jobs created between 1996 and 2001.

Table 4.5 WAGE EMPLOYMENT BY URBAN CENTRES AND SELECTED INDUSTRIES*, 1996 AND 2001 ('000's)

	Manufacturing		Construction		Wholesale and Retail Trade, Restaurants and Hotels		Transport and Communications		Finance, Insurance, Real Estate and Business Services		Community, Social and Personal Services		Total Six Industries	
Towns	**1996**	**2001****	**1996**	**2001****	**1996**	**2001****	**1996**	**2001****	**1996**	**2001****	**1996**	**2001****	**1996**	**2001****
Nairobi	74.2	75.2	39.1	37.8	53.0	59.8	30.8	29.5	41.2	42.1	150.8	156.9	389.1	401.3
Mombasa	30.1	31.2	6.2	6.1	20.9	22.9	30.4	30.4	12.9	13.4	47.4	49.4	147.9	153.4
Kisumu	6.9	7.2	2.2	2.5	4.1	4.2	1.8	1.8	2.5	2.5	19.2	21.6	36.7	39.8
Nakuru	8.4	8.8	2.6	2.9	5.4	5.6	1.6	1.6	2.4	2.6	11.1	13.3	31.5	34.8
Thika	14.8	16.6	0.6	0.6	2.9	3.1	0.4	0.4	1.5	1.8	5.7	5.9	25.9	28.4
Eldoret	15.8	16.7	1.9	2.1	3.9	4	0.9	1	2.8	2.9	4.3	5	29.6	31.7
Malindi	0.4	0.5	0.3	0.3	2.8	2.9	0.3	0.3	0.4	0.4	3.1	3	7.3	7.4
Kericho	3.7	4	1.0	1.1	1.2	1.3	0.2	0.2	0.5	0.5	5.9	5.5	12.5	12.6
Others	24.2	48.4	17.3	5.8	19.9	48.9	8.2	6.9	4.7	24.1	79.1	81.5	153.4	215.6
TOTAL	**178.5**	**208.6**	**71.2**	**59.2**	**114.1**	**152.7**	**74.6**	**72.1**	**68.9**	**90.3**	**326.6**	**342.1**	**833.9**	**925.0**

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

4.11. Table 4.6 presents wage employment by industry and sex. The table shows that there were a total of 495,200 females in employment, which indicated that female participation maintained its share of 29.5 per cent of modern sector employment. The number of females in wage employment declined by 1.1 per cent from 500,600 recorded in 2000 to 495,200 in 2001. The largest proportion of females, 58.5 per cent, were employed in community, social and personal services activities with education services taking 27.1 per cent of the total females employed. Female participation in activities traditionally dominated by males remained low. Females in the Building and Construction industry constituted only 6.3 per cent of the total employment in the industry.

Table 4.6 Wage Employment by Industry and Sex, 2000 and 2001 ('000's)

INDUSTRY	MALES		FEMALES		TOTAL	
	2000	2001*	2000	2001*	2000	2001*
Agriculture and Forestry	234.7	234.5	77.6	78	312.3	312.5
Mining and Quarrying	4.1	4.2	1.1	1.1	5.2	5.3
Manufacturing	181.1	178.6	37.5	38	218.6	216.6
Electricity and Water	18.9	17.8	3.9	3.6	22.8	21.4
Building and Construction	73.6	71.9	5	4.8	78.6	76.7
Trade, Restaurants and Hotels	113.2	114.3	42.3	42.6	155.5	156.9
Transport and Communications	66.9	66.7	17.3	17.6	84.2	84.3
Finance, Insurance, Real Estate and Business Services	63.2	62.5	21.8	21.3	85	83.8
Community, Social and Personal Services						
Public Administration	102.5	96.4	58.6	55.2	161.1	151.6
Education Services	181.4	177.6	135.4	134.1	316.8	311.7
Domestic Services	60.3	60.5	39.9	40	100.2	100.5
Other Services	94.9	95.4	60.2	60.4	155.1	155.8
TOTAL	**1,194.80**	**1,176.30**	**500.6**	**495.2**	**1,695.40**	**1,677.10**
Of which: Regular	989	973.3	402.5	396.7	1,391.50	1,370.00
Casual	205.8	203	98.1	98.5	303.9	307.1

**Provisional*

Wage Earnings in the Modern Sector

4.12. The analysis of total wage payments by industry in the modern sector is presented in Table 4.7. The overall nominal wage bill increased from Kshs 285,871.7 millions in 2000 to Kshs 324,578.8 millions in 2001, representing a rise of 13.5 per cent. The private sector wage bill went up by 16.6 per cent from Kshs 168,869.7 million in 2000 to Kshs 196,961.0 million in 2001, while the public sector wage bill went up by 9.1 per cent, which is lower than the rise of 13.7 per cent recorded in 2000. The upward adjustments in the housing allowances for public servants for the year 2001, is not reflected in the earnings for 2001 since the adjustment was made in July 2001 and our reference period is June of each year. Community services, domestic trade and manufacturing industries gave rise to the greatest share of private sector wage bill with each contributing 21.4 per cent, 20.2 per cent and 8.9 per cent, respectively.

Table 4.7 Estimated Total Wage Payments by Industry and Sector, 1998 - 2000 (KSh Million per Annum)

	1998	1999	2000	2001*
PRIVATE SECTOR				
Agriculture and Forestry	12,490.10	14,798.00	16,595.80	18,669.70
Mining and Quarrying	309.6	361.2	407.4	466.6
Manufacturing	24,548.60	29,052.80	31,903.70	34,744.00
Electricity and Water	291.1	359.2	395.8	444.5
Building and Construction	6,037.40	7,106.40	7,932.10	8,694.60
Wholesale and Retail Trade, Restaurants and Hotels	26,541.80	31,721.00	37,476.30	45,052.80
Transport and Communications	8,489.10	9,929.50	11,962.90	14,420.50
Finance, Insurance, Real Estate and Business Services	16,142.30	18,920.90	22,059.50	25,733.80
Community, Social and Personal Services	26,040.60	32,450.00	40,136.20	48,734.50
TOTAL PRIVATE SECTOR	**120,890.60**	**144,699.00**	**168,869.70**	**196,961.00**
PUBLIC SECTOR**				
Agriculture and Forestry	4,735.50	5,545.10	6,431.70	7,383.00
Mining and Quarrying	86.6	97.5	110.2	126.1
Manufacturing	4,594.60	5,098.40	5,670.90	6,076.20
Electricity and Water	3,758.70	4,180.60	4,730.90	5,080.00
Building and Construction	2,810.60	3,143.60	3,469.30	3,701.40
Wholesale and Retail Trade, Restaurants and Hotels	961	1,112.60	1,269.40	1,426.60
Transport and Communications	7,799.10	9,393.50	11,993.40	15,051.80
Finance, Insurance, Real Estate and Business Services	6,126.00	6,291.90	7,178.30	7,718.20
Community, Social and Personal Services	63,103.20	68,055.50	76,147.90	81,054.50
TOTAL PUBLIC SECTOR	**93,975.30**	**102,918.70**	**117,002.00**	**127,617.80**
TOTAL PUBLIC AND PRIVATE	**214,865.90**	**247,617.70**	**285,871.70**	**324,578.80**

***Revised following revision of the public sector employment*

4.13. A summary of total wage payments in the public sector by type of employer is presented in Table 4.8. The public sector wage bill constituted 39.3 per cent of the total wage payments in the modern sector. As a result of

Table 4.8 Total Wage Payments in the Public Sector, 1998 - 2001 (Ksh Million)

	1998	1999	2000++	2001*
Central Government++	25,962.00	26,664.20	26,981.50	26,588.50
Teachers' Service Commission**	36,184.00	36,588.80	36,920.90	37,854.80
Parastatal Bodies***	13,933.30	17,885.90	23,675.80	27,918.70
Majority Control by the Public Sector+	8,232.40	9,641.90	14,389.20	17,174.40
Local Government	9,663.60	12,138.00	15,034.60	18,081.50
TOTAL	**93,975.30**	**102,918.70**	**117,002.00**	**127,617.80**

**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.
++Revised

retrenchment in the Central Government, there was a decline in expenditure on wages from Kshs 26,981.5 millions in 2000 to Kshs 26,588.5 in 2001, a drop of 1.5 per cent. Overall, there was an increase of 9.1 per cent in the public sector wage payments from Kshs 117,002.0 million in 2000 to Kshs 127,617.8 million 2001, as a result of rise in wage payment in the "other public sector" employers besides the Central Government.

4.14. The Teachers' Service Commission took the greatest share of the public sector wage bill, standing at 29.7 per cent, with its total wage payment rising by 2.5 per cent from Kshs 36,920.9 million in 2000 to Kshs 37,854.8 million in 2001. The revised Central Government wage bill represented a share of 20.8 per cent. Wage payments in the Local Government went up by 20.3 per cent from Kshs 15,034.6 millions in 2000 to Kshs 18,081.5 millions in 2001, while that of parastatal bodies went up by 17.9 per cent.

Table 4.9 Average Wage Earnings Per Employee, 1998 - 2001* (Ksh per annum)

	1998	1999	2000	2001*
PRIVATE SECTOR:				
Agriculture and Forestry	50,937.00	59,287.40	67,062.00	74,595.60
Mining and Quarrying	71,186.50	80,320.20	90,003.30	102,657.40
Manufacturing	135,790.70	158,205.40	177,614.30	194,869.50
Electricity and Water	161,373.40	236,173.60	274,461.60	316,976.60
Building and Construction	116,435.50	136,234.00	156,827.90	175,759.30
Trade, Restaurants and Hotels	183,965.70	215,340.70	251,308.20	291,620.50
Transport and Communications	196,999.00	227,427.60	266,584.90	322,235.40
Finance, Insurance, Real Estate and Business Services	241,478.20	277,762.80	320,497.70	374,016.00
Community, Social & Personal Services	139,546.50	161,523.40	187,980.40	219,899.30
TOTAL PRIVATE SECTOR	**131,151.90**	**152,459.20**	**175,845.90**	**202,083.20**
PUBLIC SECTOR				
Agriculture and Forestry	74,566.60	85,628.70	102,187.00	119,596.30
Mining and Quarrying	122,997.20	133,654.90	151,277.80	168,080.90
Manufacturing	94,750.60	106,592.30	124,847.20	143,855.30
Electricity and Water	154,091.60	175,692.40	209,572.90	245,501.90
Building and Construction	108,631.80	124,530.30	148,239.70	173,508.60
Trade, Restaurants and Hotels	153,094.10	171,760.70	200,684.80	230,178.10
Transport and Communications	157,607.30	180,017.50	215,425.50	255,716.60
Finance, Insurance ,Real Estate and Business Services	290,389.70	334,888.90	401,016.40	469,825.10
Community, Social & Personal Services	134,743.40	148,773.50	168,009.30	191,126.80
TOTAL PUBLIC SECTOR	**132,136.20**	**147,279.30**	**168,956.00**	**193,831.40**
TOTAL PRIVATE AND PUBLIC SECTOR	**131,569.10**	**150,316.40**	**173,031.70**	**198,802.10**
MEMORANDUM ITEMS IN PUBLIC SECTOR				
Central Government	114,068.50	119,036.60	121,047.60	135,863.50
Teachers Service Commission**	146,080.00	151,006.00	155,916.00	163,661.20
Parastatal Bodies***	127,946.00	170,018.00	227,433.70	274,790.00
Majority Control by the Public Sector +	164,978.00	198,802.00	299,774.00	361,596.00
Local Government	125,338.00	154,035.60	186,302.80	219,702.00
TOTAL PUBLIC SECTOR	**132,136.20**	**147,279.30**	**168,956.00**	**193,831.40**

** 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 shares

4.15. Table 4.9 shows that average wage earnings per employee per annum went up from Kshs 173,031.7 in 2000 to Kshs 198,802.1 in 2001, an increase of 14.9 per cent. Average earnings in the private sector also rose by 14.9 per cent from Kshs 175,845.9 in 2000 to Kshs 202,083.2 in 2001, and therefore still remained higher than average earnings for employees in the public sector. The highest average earnings in the private sector continued to be those for workers in the Financial Sector at Kshs 374,016.0 per annum, while those of workers in the primary activities of agriculture remained lowest at Kshs 74,595.6 per annum.

4.16. Public sector average earnings went up by 14.7 per cent from Kshs 168,956.0 per annum in 2000 to Kshs 193,831.4 per annum in 2001. Employees in institutions with majority control by the public sector had the highest average earnings at Kshs 361,596.0 per annum, while those in the Central Government had the lowest average earnings of Kshs 135,863.5 per annum. The average earnings for workers in parastatals rose by 20.8 per cent, while those for Central Government employees went up by 12.2 per cent.

Table 4.10 Percentage Changes In Wage Employment And Average Earnings*, 2001/1996 and 2001/2000

	EMPLOYMENT		AVERAGE EARNINGS	
	2001/1996	2001/2000**	2001/1996	2001/2000**
PRIVATE SECTOR				
Agriculture and Forestry	7.7	1.4	109.4	11.2
Mining and Quarrying	12.2	0	88.1	14.1
Manufacturing	6.3	0.1	106.8	9.7
Electricity and Water	23.1	6.7	218.9	15.5
Building and Construction	5.6	0.2	117.4	12.1
Trade, Restaurants and Hotels	10.7	1.1	129.5	16.0
Transport and Communications	11.6	3.8	130.6	20.9
Finance, Insurance ,Real Estate and Business Services	9.9	3.5	115.7	16.7
Community, Social & Personal Services	20.0	1.6	190.2	17.0
TOTAL PRIVATE SECTOR	**11.0**	**1.0**	**134.3**	**14.9**
PUBLIC SECTOR				
Agriculture and Forestry	-13	-5.1	150.2	17.0
Mining and Quarrying	-14.3	-14.3	96.1	11.1
Manufacturing	-12.3	-6.4	94.9	15.2
Electricity and Water	-10	-6.6	114	17.1
Building and Construction	-16.4	-7.2	143.1	17.0
Trade, Restaurants and Hotels	-12.9	-4.7	126.6	14.7
Transport and Communications	-15	-4	140.3	18.7
Finance, Insurance ,Real Estate and Business Services	-18.5	-7.4	131.1	17.2
Community, Social and Personal Services	-2.3	-4.6	161.8	13.8
TOTAL PUBLIC SECTOR*	**-6.1**	**-4.9**	**149.3**	**14.7**

4.17. Table 4.10 presents changes in wage employment and average earnings over the period 1996 to 2001. During the last five years, overall wage employment went up by 3.6 per cent' with private sector wage employment rising by 11.0 per

cent, while public sector employment went down by 6.1 per cent, reflecting the effects of public sector reforms. Over the same period, wage employment in the Central Government, Parastatal bodies and institutions with majority control by the Public Sector went down by 14.2 per cent, 11.1 per cent and 11.9 per cent, respectively. However, employment in the Local Government rose by 14.6 per cent as compared to an increase of 19.0 per cent in the previous period. During the five-year period, total average earnings went up by 140.7 per cent, with private sector earnings rising by 134.3 per cent and public sector earnings increasing by 149.3 per cent.

Table 4.11 Estimated Real Average Wage Earnings* Per Employee, 1998 – 2001 (1986 values) (KSh per annum)

	1998	1999	2000	2001*
PRIVATE SECTOR				
Agriculture and Forestry	8,304.10	9,339.80	9,947.90	10,976.40
Mining and Quarrying	11,605.30	12,653.10	13,350.90	15,105.60
Manufacturing	22,137.40	24,922.70	26,347.00	28,674.20
Electricity and Water	26,308.10	37,205.30	40,713.20	46,641.70
Building and Construction	18,982.00	21,461.40	23,263.60	25,862.20
Trade, Restaurants and Hotels	29,991.20	33,923.40	37,278.70	42,910.70
Transport and Communications	32,116.00	35,827.50	39,544.80	47,415.50
Finance, Insurance ,Real Estate and Business Services	39,367.30	43,757.00	47,542.10	55,034.80
Community, Social & Personal Services	22,749.70	25,445.30	27,884.70	32,357.20
TOTAL PRIVATE SECTOR	**21,381.20**	**24,017.40**	**26,084.70**	**29,735.60**
PUBLIC SECTOR				
Agriculture and Forestry	12,156.30	13,489.40	15,158.30	17,598.10
Mining and Quarrying	20,051.80	21,055.10	22,440.30	24,732.30
Manufacturing	15,446.80	16,791.90	18,519.60	21,167.70
Electricity and Water	25,121.00	27,677.40	31,087.70	36,124.50
Building and Construction	17,709.80	19,617.70	21,989.60	25,531.00
Trade, Restaurants and Hotels	24,958.30	27,058.10	29,769.30	33,869.70
Transport and Communications	25,694.10	28,358.80	31,955.90	37,627.60
Finance, Insurance ,Real Estate and Business Services	47,341.10	52,756.20	59,486.10	69,132.70
Community, Social & Personal Services	21,966.70	23,436.80	24,922.20	28,123.40
TOTAL PUBLIC SECTOR	**21,541.70**	**23,201.40**	**25,062.70**	**28,521.40**
TOTAL PRIVATE AND PUBLIC SECTOR	**21,449.20**	**23,679.90**	**25,667.20**	**29,252.80**
MEMORANDUM ITEMS IN PUBLIC SECTOR				
Central Government	18,596.20	18,752.30	17,956.00	19,991.70
Teachers Service Commission***	23,814.90	23,788.50	23,128.30	24,082.00
Parastatal Bodies+	20,858.60	26,783.50	33,737.20	40,434.10
Majority Control by the Public Sector++	26,895.70	31,318.00	44,468.00	53,207.20
Local Government	20,433.40	24,265.80	27,635.90	32,328.20
TOTAL PUBLIC SECTOR	**21,541.70**	**23,201.40**	**25,062.70**	**28,521.40**

**Average current earnings adjusted for the rise in consumer prices. Real Earnings and the consumer price indices, are based on February/March, 1986.*
*** 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 shares

4.18. Real average earnings per employee by sector and industry are presented in Table 4.11, while changes in real average earnings are shown in Table 4.12. The reduction of inflationary pressure, coupled with upward wage adjustments led to

a 14.0 per cent increase in real earnings from Kshs 25,667.2 per annum in 2000 to Kshs 29,252.8 per annum in 2001. Real average earnings in the private sector rose by 14.0 per cent from Kshs 26,084.7 to Kshs 29,735.6 per annum in 2001. In the public sector, real average earnings increased by 13.8 per cent from Kshs 25,062.7 in 2000 to Kshs 28,521.4 in 2001. The change to the new CPI is not expected to change the relative picture much.

Table 4.12 Changes in Wage Employment, Prices and Real Earnings, 1998 - 2001 (Percentage)

	1998	1999	2000	2001*
Wage employment	2.1	0.6	0.4	-1.1
Average earnings at current prices	18.6	14.2	15.1	14.9
Consumer prices (Inflation rates)**	6.6	3.5	6.2	0.8
Real average earnings	11.2	10.4	8.4	14.0

**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. The informal sector, which is defined to cover all semi-organised and un-regulated activities that are small-scale in terms of employment, has continued to play a big role on employment creation in the country. The ability of this sector to provide employment for the ever-increasing number of entrants in the labour market including those being pushed out of formal employment is widely acknowledged. Given a shrinking public sector employment and a marked slowdown in overall economic activity, which has occasioned massive retrenchments in the private sector, the informal sector has provided the greatest opportunities for employment. The informal sector created 473.5 thousand additional jobs in the year 2001, representing a rise of 11.4 per cent from 4,150.9 thousand in 2000 to 4,624.4 thousand persons in 2001.

4.20. Table 4.13 presents employment in the informal sector by province. Nairobi province continued to have the largest proportion of persons engaged in

Table 4.13 Informal Sector, 1998 – 2001: Number of Persons Engaged by Province (000's)

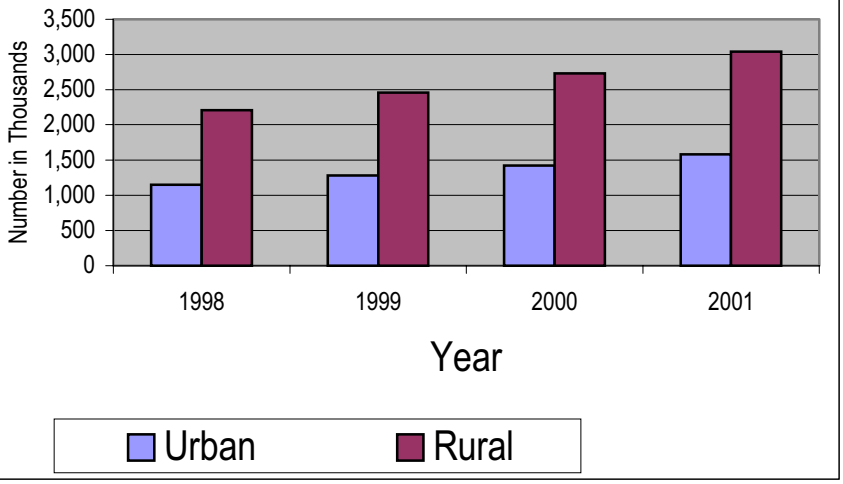
Province	1998	1999	2000	2001*
Nairobi	801.4	896	998.9	1,114.00
Central	530.8	592.4	656.4	732.2
Nyanza	402.7	447	494.4	548.9
Western	239.3	267.8	297.8	333.8
Rift Valley	635.9	708	785.2	875.9
Eastern	316.3	350.8	386.8	428.0
Coast	410.6	458.6	511.4	569.6
North Eastern	16.5	18.2	19.9	22.0
TOTAL	**3,353.50**	**3,738.80**	**4,150.90**	**4,624.40**
Of which				
Urban**	1,146.60	1,278.30	1,419.20	1,581.10
Rural**	2,206.90	2,460.50	2,731.70	3,043.30

**Provisional*
***Figures revised based on the 1998/99 Integrated Labour Force Survey*

the sector at 1.1 million persons, constituting 24.1 per cent. Rift Valley province took the second largest proportion in informal sector employment standing at

18.9 per cent, with 875.9 thousand employees. This was closely followed by Central province, which engaged 732.2 thousand persons. Further, as shown in the table, the distribution of employment in the sector in the urban and rural areas is revised and shows that rural areas engaged more persons in the sector as compared to the urban areas. A graphical representation of the informal sector employment for the urban and rural areas is given in Figure 4.2 below. The informal sector module of the 1998/99 Integrated Labour Force Survey, conducted by CBS gives a detailed analysis of the survey findings.

Fig 4.2: Comparison of Informal Sector Employment by Area



4.21. Table 4.14 presents the distribution of persons engaged in the informal sector by activity. Employment in trades, hotels and restaurants industry expanded by 11.4 per cent to 2.7 million persons in 2001. This industry continued to absorb majority of persons in the sector accounting for 57.4 per cent of the total persons engaged in the informal sector. Manufacturing industry was the second largest source of employment with 1.0 million persons, and a share of 23.3 per cent in informal sector employment in the year under review.

Table 4.14 Informal Sector, 1998 – 2001: Number of Persons Engaged by Activity* ('000's)**

Activity	1998	1999	2000	2001*
Manufacturing	779.9	861.8	934.2	1,029.80
Construction	109.5	125.9	133.2	139.5
Wholesale and Retail Trade, Hotels and Restaurants	1,924.4	2,145.6	2,405.2	2,691.4
Transport and Communications**	95.9	106.8	120.6	135.5
Community, Social and Personal Services	291.7	329.1	369.5	418.2
Others	152.1	169.6	188.2	210
TOTAL	**3,353.50**	**3,738.80**	**4,150.90**	**4,624.40**

**Provisional*
***Includes mainly support services to transport activity*
****Table revised based on the 1998/99 Integrated Labour Force Survey*

Wage Awards and Registered Collective Agreements

4.22. Part of Government wage policy is based on the payment of what is termed as controlled minimum wage, implemented through wage guidelines. These wage guidelines became necessary mainly to compensate workers for rise in the cost of living as reflected by the inflation rate although they have been revised to allow for changes in productivity also. The objectives of wage policy in Kenya are; to ensure wage earners a reasonable share of national product; to create a

just and reasonable relationship between wage earners and employers in different sectors of the economy; and to heed as far as possible the demands of the national economy. To this end, the Government through the Ministry of Finance issues wage guidelines which are applied by the Industrial Court.

4.23. On Labour Day of 2001, the Government raised the minimum monthly wages for workers in the agricultural industry by 7.5 per cent. The gazetted monthly basic minimum wages for workers in the agricultural industry is presented in Table 4.15. The highest paid category of employee got an increase from Kshs 2,092 to Kshs 2,249 per month, while the lowest paid category went up to Kshs 1,095 from Kshs 1,019 per month.

Table 4.15: Gazetted Monthly Basic Minimum Wages for Agricultural Industry, 1998 - 2001 (Ksh)

Type of Employee	1998	1999	2000	2001*
UNSKILLED EMPLOYEES				
18 years & above	1,259	1,347	1,428	1,535
Under 18 years	898	961	1,019	1,095
STOCKMAN, HERDSMAN AND WATCHMAN				
Under 18 years	1,042	1,115	1,182	1,271
18 year & above	1,453	1,555	1,648	1,772
SKILLED AND SEMI-SKILLED EMPLOYEES				
House servant or cook	1,436	1,537	1,629	1,751
Farm foreman	2,269	2,428	2,574	2,767
Farm clerk	2,269	2,428	2,574	2,767
Section foreman	1,470	1,573	1,667	1,792
Farm artisan	1,505	1,610	1,707	1,835
Tractor driver	1,595	1,707	1,809	1,945
Combined harvester driver	1,757	1,880	1,993	2,142
Lorry driver or car driver	1,845	1,974	2,092	2,249
AVERAGE	**1,567**	**1,676**	**1,777**	**1,910**

Source: Ministry of Labour
** Provisional*

4.24. Table 4.16 presents the gazetted monthly basic minimum wages in urban areas. Average monthly basic wages for workers in Nairobi and Mombasa rose from Kshs 4,809 in 2000 to Kshs 5,172 in 2001. For workers in all other municipalities, the minimum wage was raised from Kshs 4,462 to Kshs 4,796 per month. Average wages for workers in all other towns went up to Kshs 4,081 from Kshs 3,797 per month in 2000.

Table 4.16 Gazetted Monthly Basic Mininum Wages In Urban Areas (Excluding Housing Allowance), 1999 - 2001 (Kshs.)

Occupation	Nairobi Area & Mombasa			Other Municipalities plus Mavoko & Ruiru Town Councils			All other towns		
	1999	2000	2001*	1999	2000	2001*	1999	2000	2001*
General Labourer	2,886	3,059	3,288	2,662	2,822	3,034	1,540	1,632	1,754
Miner, stone cutter, turnboy, waiter, cook	3,116	3,303	3,551	2,764	2,930	3,150	1,779	1,886	2,027
Night watchman	3,219	3,412	3,668	2,985	3,164	3,401	1,837	1,947	2,093
Machine attendant	3,270	3,446	3,726	3,043	3,226	3,468	2,467	2,615	2,811
Machinist	3,732	3,956	4,253	3,492	3,702	3,980	2,856	3,027	3,254
Plywood machine operator	3,894	4,128	4,438	3,594	3,810	4,096	2,972	3,150	3,386
Pattern designer	4,445	4,712	5,065	4,063	4,307	4,630	3,465	3,673	3,948
Tailor, Driver (medium vehicle)	4,898	5,192	5,581	4,503	4,773	5,131	4,014	4,255	4,574
Dyer, Crawler, Tractor driver, Salesman	5,408	5,732	6,162	5,045	5,348	5,749	4,554	4,827	5,189
Saw doctor, Caretaker (building)	5,985	6,344	6,820	5,588	5,923	6,367	5,206	5,518	5,932
Cashier, Driver (heavy commercial)	6,512	6,903	7,421	6,127	6,495	6,982	5,745	6,090	6,547
Artisan (Ungraded)	3,894	4,128	4,438	3,594	3,810	4,096	2,972	3,150	3,386
Artisan Grade III	4,898	5,192	5,581	4,503	4,773	5,131	4,021	4,262	4,582
Artisan Grade II	5,408	5,732	6,162	5,045	5,348	5,749	4,554	4,827	5,189
Artisan Grade I	6,512	6,903	7,421	6,127	6,495	6,982	5,745	6,090	6,547
AVERAGE	**4,538**	**4,809**	**5,172**	**4,209**	**4,462**	**4,796**	**3,582**	**3,797**	**4,081**

Source: Ministry of Labour
**Provisional*

4.25. The industrial relations machinery provides for collective bargaining between the employer and employee on terms and conditions of employment. The industrial court has jurisdiction to register collective bargaining agreements in order to ensure their compliance with the law and also to give the courts ruling over any dispute. Table 4.17 shows the number of collective agreements registered by the industrial court in 2000 and 2001. The number of agreements registered declined to 247 in 2001 from 316 registered in 2000. There was one agreement in the motor mechanic and engineering products industry in the year under review as compared to none in the previous year. There were more agreements in the mining and quarrying, textiles wearing apparels and leather, and building and construction industries in the year 2001 as compared to the year 2000. The number of unionisable employees who benefited from the agreements went down from 71,586 in 2000 to 43,031 in 2001. The agreements registered offered an average basic minimum wage of Kshs 8,646 per month against Kshs 7,303 per month offered through registered agreements in 2000. The notably high monthly basic wage, offered by the agreements in the Transport and Communication industry was influenced by the agreement reached with the Pilot's Association in the year under review. The monthly basic housing allowance offered by the agreements rose from Kshs 1,526.7 in 2000 to Kshs 1,595 in 2001.

Table 4.17 Collective Agreements Registered By The Industrial Court, 2000 AND 2001

	No. of Agreements		No. of Unionisable Employees Covered by the Agreements		Monthly Basic Wage Offered by the Agreements (Kshs)		Monthly Basic Housing Allowance Offered (Kshs)	
Industry								
	2000	**2001***	**2000**	**2001***	**2000**	**2001***	**2000**	**2001***
Agriculture Hunting Forestry & Fishing	15	14	5,475	4,202	5,266.3	5,328.7	1,371.5	671.4
Mining & Quarrying	2	5	210	423	5,498.3	4,848.5	674.7	1,100.0
Food, Beverage & Tobacco	40	29	4,888	7,068	6,426.3	9,293.4	1,099.7	1,550.4
Textile, Wearing Apparels & Leather Industry	27	29	5,646	4,601	4,887.6	6,006.6	1,322.0	1,451.0
Wood & Wood Industry	1	2	29	130	-	5,229.8	910.0	900.0
Paper & Paper Products, Printing & Publishing	19	12	1,336	1,771	9,017.8	13,270.6	1,335.0	1,991.7
Chemical Petroleum Rubber & Plastic Product	24	21	1,761	1,854	10,055.4	11,248.0	1,576.6	1,523.4
Glass, Ceramic & Cement	6	3	710	488	6,020.7	9,236.3	1,325.0	1,432.7
Motor Mechanic & Engineering Products	-	1	-	21	-	7,143.0	-	1,000.0
Electronics & Electrical Products	46	32	1,901	2,020	5,334.5	7,102.6	1,173.0	1,345.4
Other Manufacturing Products	-		-		-		-	-
Electricity and Water	-		-		-		-	-
Building & Construction	2	4	604	3,268	8,989.4	6,004.7	3,215.0	953.3
Wholesale & Retail Trade, Restaurant & Hotels	28	27	1,075	3,266	6,356.5	6,198.7	1,356.0	2,662.4
Transport and Communication	35	19	38,098	2,590	11,004.9	20,760.7	2,245.8	3,000.5
Finance, Insurance, Real Estate & Business Services	25	23	2,726	9,555	9,042.9	10,966.3	2,206.1	2,622.2
Community & Social Services	46	26	7,127	1,774	7,043.2	7,053.3	1,563.9	1,720.6
Total	**316**	**247**	**71,586**	**43,031**	**7,303.4**	**8,646.1**	**1,526.7**	**1,595.0**

Source: Ministry of Labour
**Provisional*

Consumer Prices

4.26. The overall inflation rate, estimated using the Nairobi Consumer Price Indices, decreased from 6.2 per cent in 2000 to 0.8 percent in 2001 as shown in Table 4.18. The fall in inflation was more pronounced in the lower income group, which declined from 5.9 per cent in 2000 to minus 0.2 per cent in 2001, while inflation rate for middle-income group fell from 7.1 per cent in 2000 to 3.4 percent in 2001. However, inflation rate for upper income group edged up from 7.7 per cent in 2000 to 8.4 percent in 2001.

Table 4.18 Percentage Changes in Nairobi Consumer Prices, 1997/96 - 2001/2000

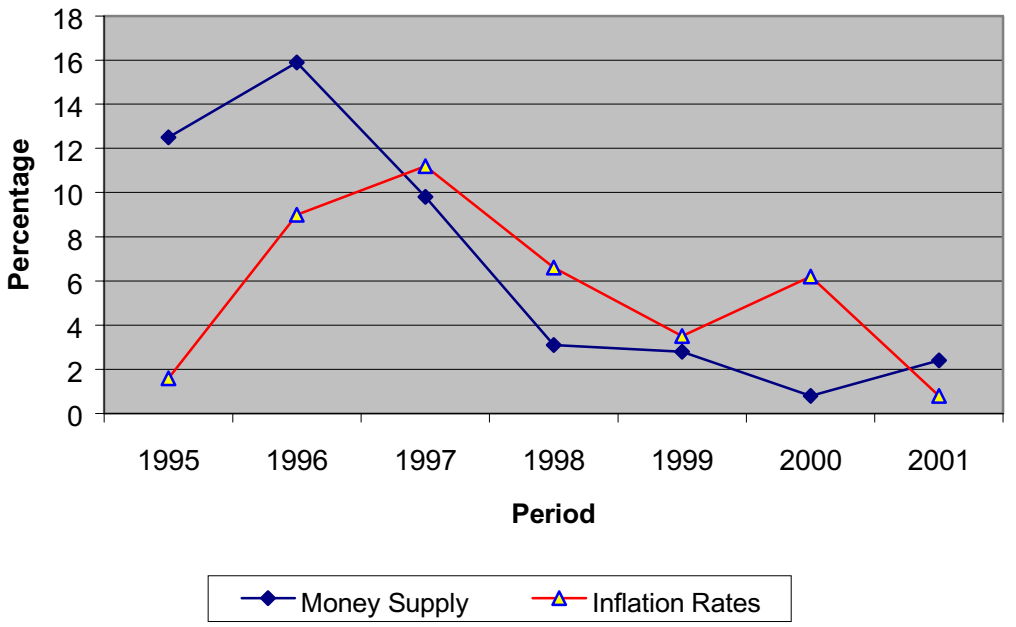
	1997/96	1998/97	1999/98	2000/99	2001/2000
Income Group **					
Nairobi Lower Income Group	12	5.8	2.6	5.9	-0.2
Nairobi Middle Income Group	8.4	9.3	6.1	7.1	3.4
Nairobi Upper Income Group	10.9	9.1	6	7.7	8.4
Weighted Average Increases for 12 Months (Inflation rates)***	11.2	6.6	3.5	6.2	0.8

***The Income Groups are defined as:*
1.The lower income group comprises households with monthly earnings below Kshs 2,000 in 1986
2.The middle-income group comprises households with monthly earnings between Kshs 2,000 - Kshs 7,999 in 1986
3.The upper income group comprises households with monthly earnings of Kshs 8,000 and above in 1986
****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 decline in inflation during the year under review was explained by the decreases in prices of basic foodstuffs especially maize grain and maize flour. Other factors included the tight monetary policy pursued by the Central Bank of Kenya, stability in the Kenya shilling exchange rate, low demand and decline in the price of crude oil. The low employment rate and economic recession experienced in 2000 also contributed to the fall in the inflation during the year.

4.28. The first quarter of 2002 has witnessed stable prices of most commodities. Prices of maize grain and maize flour continue to be low compared to last year's level. This is mainly due to a bumper maize grain harvest experienced in 2001. Inflation rate in the year 2002 is expected to be maintained at single digit level of about 2.0 per cent. Fig 4.3 compares inflation rate and growth in money supply from 1994. The graph suggests a correlation between the two economic variables.

Figure 4.3: Growth in Money Supply and Inflation Rates



4.29. 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 2001 where it reached 6.0 per cent. In January, month on month inflation was 5.8 per cent, 6.2 per cent and 12.7 per cent for the lower, middle and upper income groups, respectively. There was deflation from August 2001 to the end of the year where overall month on month inflation was negative. During this period, prices of some items especially fruits and vegetables were lower compared to the same period the previous year. The annual average index for the lower income group declined from 654.63 in 2000 to 653.05 in 2001, representing a decrease of 1.58 points. The middle-income group index rose by 24.94 points from 736.54 to 761.48, while the upper income group index rose by 63.65 points from 758.42 to 822.07, the highest among the three income groups. Overall, fuel and power category recorded the highest inflation due to higher prices of electricity in 2001 compared with the previous year.

Table 4.19 Nairobi Lower Income Group Consumer Price Index, 1996-2001 (Base: Feb/March 1986=100)

Months	1996	1997	1998	1999	2000	2001
January	481.96	537.10	597.60	581.77	631.54	667.97
February	484.57	545.91	615.23	603.1	633.87	662.53
March	491.37	579.88	621.06	621.72	637.09	658.45
April	492.55	583.40	617.63	619.95	641.70	658.84
May	496.01	595.87	611.92	619.71	648.31	654.63
June	510.73	584.74	620.26	626.95	661.50	653.22
July	519.35	570.20	634.99	622.44	663.60	652.00
August	521.29	561.38	583.63	624.72	659.44	649.07
September	524.02	569.04	587.22	626.03	668.39	647.43
October	524.24	569.33	583.24	627.84	668.55	644.62
November	525.32	565.72	577.22	623.02	671.48	645.15
December	528.52	570.28	579.85	623.27	670.08	642.71
Annual average	**508.33**	**569.4**	**602.49**	**618.38**	**654.63**	**653.05**

Table 4.20 Nairobi Middle Income Group Consumer Price Index, 1996-2001 (Base: Feb/March 1986=100)

Months	1996	1997	1998	1999	2000	2001
January	522.37	568.21	633.05	655.32	716.03	760.23
February	523.75	572.54	637.00	661.42	711.64	759.42
March	534.75	579.20	646.86	675.55	718.31	753.76
April	538.43	586.87	648.40	677.95	719.25	761.17
May	542.22	586.78	651.41	680.30	728.04	762.39
June	549.90	590.02	659.54	684.63	736.68	765.19
July	551.97	583.60	658.48	683.92	731.88	769.82
August	553.44	594.96	648.67	689.72	740.14	760.65
September	555.85	607.34	645.90	706.80	760.65	763.15
October	559.96	609.58	645.37	709.54	754.09	761.38
November	561.01	613.50	648.96	710.40	760.30	761.31
December	566.06	620.31	650.67	713.66	761.4	759.33
Annual average	**546.64**	**592.74**	**647.86**	**687.43**	**736.53**	**761.48**

Source: Central Bureau of Statistics

Table 4.21 Nairobi Upper Income Group Consumer Price Index, 1996-2001 (Base: Feb/March 1986=100)

Months	1996	1997	1998	1999	2000	2001
January	522.51	582.63	642.20	679.61	726.25	818.47
February	522.78	586.37	644.61	681.30	724.33	814.64
March	540.29	595.25	659.54	693.67	732.01	816.72
April	544.51	596.07	659.52	697.64	733.34	826.10
May	544.34	599.24	667.77	700.21	736.78	824.59
June	550.73	602.52	671.12	702.87	745.21	828.64
July	552.98	600.20	669.84	702.26	742.06	831.00
August	554.13	614.76	668.70	709.11	736.73	819.74
September	556.44	628.62	674.48	718.89	800.24	823.05
October	563.17	630.83	671.36	721.12	799.89	818.82
November	564.57	633.62	671.07	720.58	808.17	820.33
December	576.61	638.55	673.68	723.22	816.03	822.69
Annual average	**549.42**	**609.06**	**664.49**	**704.21**	**758.42**	**822.07**

Source: Central Bureau of Statistics

4.30. Table 4.22 shows the Nairobi Consumer Price Indices for food and other items combined for the three income groups. Throughout the year under review, there was a continuous decline of food index in the lower income group. Maize grain and maize flour are very important commodities for lower income households constituting about 16.8 per cent of the total food expenditure. In 2001, the annual average retail price of maize grain in Nairobi was Kshs. 16.27 per kilogram compared to Kshs. 20.54 per kilogram recorded in 2000 representing a decline of 20.8 per cent. Prices of vegetable cooking fat were lower in 2001 compared with the previous year. Overall food index declined by 3.4 per cent during the year under review.

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
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
2001	March	602.72	702.59	658.45
	June	589.79	703.47	653.22
	September	577.47	702.84	647.43
	December	568.94	701.14	642.71
MIDDLE INCOME	Weights	0.212	0.788	1.000
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
2001	March	680.93	773.35	753.76
	June	675.71	789.26	765.19
	September	675.25	786.8	763.15
	December	671.02	783.04	759.33
UPPER INCOME	Weights	0.139	0.861	1.000
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
2001	March	732.12	830.38	816.72
	June	726.79	845.08	828.64
	September	730.54	837.99	823.05
	December	733.00	837.17	822.69

4.31. The Consumer Price Indices for other items rose in the first half of the year in all the three income groups. Inflation for 'others' is mostly influenced by fiscal and monetary policies, and is referred to as underlying inflation. From December 2000 to December 2001 the inflation in the lower income group was negative1.3 percent and 0.5 per cent for both middle and upper income groups. During the third and fourth quarter of the year, prices of most consumer items remained stable. In 2001, fuel and power index rose by 11.7 per cent, drinks and tobacco 9.7 per cent while education and entertainment increased by 9.3 per cent. Drinks and tobacco index surged upwards mainly due to increases in the prices of beer and soda during the year.

4.32. The inflation rates prevailing in Nairobi for lower and middle income groups were lower than those experienced in other three major urban centres as indicated in Table 4.23. Inflation rates of 4.2 per cent, 3.3 per cent and 2.7 per cent were recorded for Mombasa, Kisumu and Nakuru, respectively. In 2000, the comparable inflation rates were 9.7 per cent 9.3 per cent and 8.4 per cent, respectively.

Table 4.23 Consumer Price Indices For Mombasa, Kisumu and Nakuru, 1996-2001 (Base: 1976 = 100)**

YEAR		Mombasa	Kisumu	Nakuru
1996	Annual Average	1286.15	1251.49	1360.39
1997	Annual Average	1430.61	1394.87	1483.91
1998	Annual Average	1510.84	1465.29	1562.92
1999	Annual Average	1606.37	1584.81	1639.62
2000	Annual Average	1761.67	1731.52	1777.51
2001	March	1819.85	1775.34	1804.08
	June	1834.29	1785.27	1829.73
	September	1863.60	1797.13	1836.63
	December	1826.49	1798.35	1832.20
	Annual Average	**1836.06**	**1789.03**	**1825.66**

*** These indices refer to households in the lower/ middle income groups and exclude rent*
Source: Central Bureau of Statistics

New Kenya Consumer Price Index

A new Kenya Consumer Price Index was launched in April 2002. It is superior to the old one in that it covers Nairobi and other urban areas representing all the provinces in the country. It has a more up-to-date base year period and item weights have been revised. A detailed report of the new CPI is presented in Chapter 16 of this survey. This new index will supercede the indices in Tables 4.19, 4.20, 4.21, and 4.23.

Chapter
5 Money, Banking and Finance

Overall Trends

In 2001, the Government maintained a tight monetary policy for the fifth consecutive year. The monetary policy pursued aimed at supporting sustainable growth in income and employment by containing overall inflation within the 5.0 per cent target. Money supply and domestic credit to private sector including other public sector were constrained to the levels consistent with inflation target. In order to regulate domestic credit and money supply, Open Market Operations (OMO) including repurchase agreements (REPOs), reserve ratio and discount facilities were used. The minimum cash ratio was reviewed downward from 12.0 per cent to 10.0 per cent. Statutory liquidity requirement remained at 20.0 per cent for both commercial banks and Non-Bank Financial Institutions (NBFIs). In 2001, an overall inflation rate of 0.8 per cent was achieved, while broad money supply (M3X) grew by 2.4 per cent. The interest rates in 2001 were lower than in 2000 as the benchmark interest rate on 91-day Treasury bills declined to 10.81 per cent from 13.47 per cent.

5.2. In 2001, the Net Foreign Assets (NFA) of the banking system grew by 9.9 per cent while domestic credit expanded by only 0.3 per cent. Commercial banks and Non - Bank Financial Institutions maintained higher liquidity than the statutory requirements.

Monetary Indicators

5.3. As indicated in table 5.1 which presents key monetary indicators for the period 1997 – 2001 Broad Money Supply (M3) grew from KSh. 314,686 million to KSh. 322,325 million, while net foreign assets grew from KSh. 83,616 million in 2000 to KSh. 91,775 million in 2001, a 9.9 per cent growth.

Table 5.1 Monetary Indicators, 1997 - 2001

As at end of	Net Foreign Assets (KSh.M)	DOMESTIC CREDIT (KSh. Million)			Money** Supply (M3) (KSh.M)	Commercial Bank Liquidity Ratio (per cent)	Advances /Deposits Ratio(per cent)
		Private*	Government	Total			
1997 December	46,497	244,743	82,665	327,409	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 December	83,478	297,536	83,789	381,325	314,686	43	90
2001 March	87,148	299,719	93,309	393,028	308,898	44	91
2001 June	87,789	303,460	83,231	386,691	305,590	42	94
2001 September	92,266	288,869	84,933	373,802	310,649	44	89
2001 December	91,775	279,814	100,383	380,197	322,326	46	84

Source: Central Bank of Kenya.
**Includes other public sectors.*
***See Table 5.2 for Coverage.*

The domestic credit to private and other public sectors declined by 6.0 per cent while credit to the Government rose by 20.3 per cent from KSh. 83,476 million to KSh. 100,383 million. The increased borrowing by Government was as a result of a financing share fall occasioned by withholding of foreign funds for

implementation of the Poverty Reduction Strategy Paper (PRSP), mainly from the IMF's Poverty Reduction and Growth Facility (PRGF). The decline in domestic credit to the private sector was as a result of the uncertainties surrounding the implementation of the Central Bank Amendment (2000) Act.

The commercial banks remained highly liquid with liquidity ratio ranging between 42 and 46 per cent over the year. The ratio of advances to deposits remained high at 91 per cent in March, 94 per cent in June and 84 per cent in December 2001.

Table 5.2 Money and Quasi-Money Supply, 1997- 2001 (Ksh Million)

As at end of	Money and Quasi-Money (MS)			Quasi (NBFIs)	Broad Money Supply***		
	Money*(M1)	Quasi-Money**	Total (M2)		M3	M3X	M3XT
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 December	119,393	178,479	297,872	16,814	314,686	359,647	424,427
2001 January	121,217	172,399	293,616	16,904	310,520	360,609	427,614
2001 February	119,332	170,791	290,123	16,894	307,017	355,149	423,072
2001 March	117,901	174,087	291,988	16,910	308,898	357,899	422,153
2001 April	125,332	170,545	295,877	16,611	312,488	363,112	432,810
2001 May	119,657	171,309	290,966	16,175	307,141	355,737	430,873
2001 June	119,608	170,513	290,121	15,469	305,590	354,715	430,788
2001 July	119,915	171,818	291,733	14,950	306,683	354,362	429,912
2001 August	119,236	172,653	291,889	12,453	304,345	351,347	433,091
2001 September	120,813	176,757	297,570	13,079	310,649	357,444	441,843
2001 October	127,191	174,392	301,583	13,903	315,485	362,024	447,288
2001 November	126,511	178,118	304,629	13,326	317,955	361,066	437,424
2001 December	130,026	178,709	308,735	13,591	322,326	368,132	449,304

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*

5.4. Table 5.2 presents various aggregates of money supply. All monetary aggregates registered single digit growths reflecting the sluggish growth in the economy that resulted in subdued credit expansion. As a result, money supply (M1) expanded by KSh. 10,633 million to stand at KSh. 130,026 million, a 8.9 per cent rise. This growth was due to 11.5 per cent and 4.3 per cent increases in commercial banks demand deposits and currency outside banks respectively. Narrow money supply (M2), and (M3) registered 3.6 per cent and 2.6 percent growth respectively in 2001. Broad money (M3X) grew by 2.4 per cent.

Table 5.3 Consolidated Accounts of the Banking System, 1997- 2001 (Ksh million)

	AS AT THE END OF							
	1997	1998	1999	2000	2001			
					1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Money (M1)								
1.1 Demand Deposits	54,883	56,005	67,117	75,927	76,109	77,180	79,057	84,681
1.2 Currency outside banks (M0)	36,178	38,713	42,963	43,466	41,792	42,430	41,756	45,345
Sub-Total	**91,061**	**94,718**	**110,081**	**119,393**	**117,901**	**119,610**	**120,813**	**130,026**
Quasi-Money (MS)								
2.1 Call + 7 days Notice Deposits	18,455	18,453	19,581	18,456	17,318	14,944	19,443	19,658
2.2 Savings Deposits	57,815	65,866	69,344	68,314	68,792	67,132	65,400	66,122
2.3 Time Deposits	110,479	105,474	96,508	91,710	87,977	88,437	91,914	92,928
Sub-Total	**186,749**	**189,792**	**185,433**	**178,479**	**174,087**	**170,513**	**176,757**	**178,709**
Money Supply (M2)	**277,811**	**284,510**	**295,513**	**297,872**	**291,988**	**290,123**	**297,570**	**308,735**
Quasi-Money (NBFIs)	20,084	22,002	19,428	18,562	17,850	16,909	14,310	13,591
Adjustments for Cross Bal	-3,843	-2,763	-2,825	-1,748	-940	-1,440	-1,231	30
Broad Money Supply (M3)	**294,052**	**303,750**	**312,116**	**314,686**	**308,898**	**305,592**	**310,649**	**322,356**
Foreign Currency Deposits	23,262	24,571	32,921	44,961	49,002	49,122	46,795	45,776
Broad Money Supply (M3X)	317,314	328,321	345,037	359,647	357,899	354,714	357,444	368,132
Treasury Bill Holdings	53,299	53,035	64,901	64,780	64,254	74,905	84,391	81,172
Broad Money Supply (M3XT)	370,613	381,356	409,938	424,427	422,153	429,619	441,835	449,304
Other Items (Net)	56,595	64,816	79,484	105,156	122,277	119,773	108,624	103,839
TOTAL	**373,909**	**393,137**	**424,521**	**464,803**	**480,176**	**474,487**	**466,068**	**471,971**
ASSETS								
Net Foreign Assets	46,497	42,508	53,155	83,478	87,148	87,789	92,266	91,775
Domestic Credit								
8.1 Central Govt. (Net)	82,665	90,067	86,656	83,789	93,309	83,231	84,933	100,383
8.2 Other Public Bodies	7,872	6,261	7,304	8,058	8,542	9,877	8,959	8,027
8.3 Private Sector	236,875	254,302	277,407	289,478	291,177	293,590	279,910	271,786
	327,413	**350,629**	**371,366**	**381,325**	**393,028**	**386,698**	**373,802**	**380,196**
TOTAL	**373,909**	**393,137**	**424,521**	**464,803**	**480,176**	**474,487**	**466,068**	**471,971**

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 system.

5.5. Consolidated Accounts of the Banking System are presented in Table 5.3. During the year 2001, assets and liabilities of the banking system grew by 1.5 per cent. On the liabilities side, narrow money supply (M0) grew by 4.3 per cent, while M1 grew by 8.9 per cent. Quasi money deposits for commercial banks grew only by 0.1 per cent as overall money supply (M2) grew by 3.6 per cent. Quasi money deposits for Non - Bank Financial Institutions (NBFI's) registered a drop of KSh. 4,304 million or a 23.2 per cent decline. These led to broad money supply (M3) growth of 2.6 per cent. Other money supply aggregates grew slightly with M3X growing by 2.4 per cent despite a 7.7 per cent decline in resident foreign currency deposits. Treasury bill holdings by non-bank public increased from KSh. 64,780 million in 2000 to KSh. 81,172 million in 2001 or 26.3 per cent increase. All these developments led to a 5.9 per cent growth in broad money supply (M3XT).

5.6. On the asset side, net foreign assets grew by 9.9 per cent in 2001 compared with 57.0 per cent increase in 2000, while domestic credit declined by 0.3 per cent. Credit to Central Government increased by 19.8 per cent while that of other public sector dropped by KSh. 31 million and that for private sector fell by KSh. 17,678 million or 6.1 per cent. The balance sheet structure underwent some substantial change as major institutions shifted towards investment in government securities at the expense of lending activities in response to economic recession that continued to plague the country as well as uncertainty over the legislation on interest rates.

5.7. Changes in money supply and their sources are presented in Table 5.4. Broad money supply (M3X), money supply (M3) plus Foreign Currency Deposits (FCDs), grew by KSh. 8,485 million representing a 2.4 per cent growth. Low growth was mainly as a result of an 8.9 per cent increase in currency plus demand deposits, which was more than offset by a 23.2 per cent decline in quasi money (NBFI's) deposits. On the other hand, a 9.9 per cent increase in net foreign assets, 19.8 per cent increase in domestic credit to Central Government and a 6.5 per cent drop in credit to private sector inclusive of other public bodies accounted for the 2.4 per cent growth in assets. The trends observed are in line with the monetary policy stance adopted by the government of keeping money supply growth commensurate with that of the real sector. This slowdown in monetary expansion achieved the intended objective of containing aggregate demand resulting in average annual inflation of 0.8 per cent by December 2001.

Table 5.4 Changes in Money Supply and Sources of Changes, 1997 - 2001

(comparing year-end values) (KSh million)

		1997	1998	1999	2000	2001
MONEY SUPPLY						
1.	Currency plus demand deposits	11,820	3,657	15,363	9,312	10,633
2.	Quasi-money (MS)	27,625	3,043	-4,360	-6,954	230
3.	Quasi-money (NBFIs)	-13,221	2,998	-2,597	212	-3,223
4.	Foreign Currency Deposits	7,540	1,309	8,350	12,039	846
5.	**Money supply (M3X)**	**33,764**	**11,007**	**16,756**	**14,610**	**8,485**
SOURCES OF CHANGES						
6.	Net foreign assets	6,905	-3,996	10,654	30,323	8,297
7.	Domestic credit					
	(a) to Central Government(net)	8,904	7,402	-3,411	-2,867	16,594
	(b) to other public sector	2,518	-1,612	1,083	754	-31
	(c) to private sector	36,757	17,427	23,105	12,071	-17,691
	(d) all domestic credit	48,178	23,217	20,777	9,959	-1,129
8.	Other Items (Net)	-21,319	-8,213	-14,675	-25,672	1,317
9.	**Total sources of changes**	**33,764**	**11,007**	**16,756**	**14,610**	**8,485**

5.8. Table 5.5 gives trends observed in real terms (1986 constant prices) for selected financial aggregates. Money supply (M3) in real terms increased by 1.8 per cent in the year to December 2001 while broad money supply (M3XT) increased by 5.0 per cent over the same period. This was due to increases in both Treasury bills and foreign currency denominated deposits. Commercial banks real credit to the private sector dropped by 8.5 per cent in 2001 while total real credit similarly declined by 4.1 per cent over the same period. Deposit liabilities in real terms increased by 3.8 per cent reversing from 6.0 per cent drop in 2000. Total assets and liabilities of the banking system grew marginally by 0.7 per cent in real terms. Contributions of the NBFI's to the economy continued to decline significantly with the share of NBFI's liabilities falling from 9.0 per cent in 2000 to 5.0 per cent in 2001 while that for Commercial Banks increased from 63.0 per cent to 65.0 per cent.

Table 5.5 Trends in the Real Value of Certain Financial Aggregates*, 1997 - 2001 At Constant (1986) Prices (KSh million)

		1997	1998	1999	2000	2001
1	Money Supply(M3)	51,122	49,520	49,169	46,677	47,517
2	Money Supply(M3XT)	62,646	62,023	64,654	62,958	66,113
3	Commercial bank credit to private sector	32,494	36,418	33,912	33,353	30,510
4	**Total commercial bank credit**	**35,338**	**39,074**	**40,922**	**39,946**	**38,290**
5	Commercial Banks' Deposit Liabilities	43,944	42,054	46,554	43,748	45,429
6	**Total liabilities of banking system**	**65,006**	**63,939**	**66,958**	**68,947**	**69,450**
7	NBFIs credit to private sector	4,824	4,700	3,756	3,716	2,411
8	**Total NBFIs Credit**	**5,463**	**5,057**	**4,237**	**3,964**	**2,411**
9	**Total liabilities of non-bank financial institutions (NBFIs)**	6,749	6,918	5,704	5,914	3,534
Memorandum Item:						
10	Line 5 as per cent of line 6	68	66	70	63	65
11	Line 9 as per cent of line 6	10	11	9	9	5

**Deflated by average Consumer Price Indices.*

Interest Rates

5.9. Principal money market interest rates for the period 1997 to 2001 are summarised in Table 5.6. Nominal interest rates for the year 2001 were lower than for the previous two years. This was partly due to low demand for credit as a result of slow economic growth, the restructuring of domestic debt from Treasury bills to bonds and the effects of the Central Bank Amendment (2000) Act. Interest rates of Post Office Savings Bank (POSB), Agricultural Finance Corporation (AFC), and Building societies, remained at the same levels as in 2000. Average interest rate for 91-day Treasury bills stood at 10.85 in December, 2001 down from 12.43 per cent in June 2001 and 13.47 per cent in December 2000.

Table 5.6 Principal Interest Rates, 1998-2001 (Percentage)

		1998	1999	2000	2001 June	2001 December
CENTRAL BANK OF KENYA						
Average Interest Rate for 91 day Treasury Bills		11.07	20.47	13.47	12.43	10.85
Advances against Treasury Bills		16.07	25.70	16.47	15.43	13.85
Bills and Notes under Crop Finance Scheme:						
	Discounts	17.07	26.47	19.47	18.43	16.81
	Advances	17.07	26.47	19.47	18.43	16.81
Other Bills and Notes:					**18.43**	**16.81**
	Discounts	17.07	26.47	19.47	18.43	16.81
	Advances	17.07	26.47	19.47	18.43	16.81
Treasury Bonds (End of Period, Coupon Rates):						
	One Year	15.00	..	..	..	..
	Three Years	15.50	..	..	..	..
	Four Years	16.50	16.50	..	..	..
	Two Years	15.50	..	..	..	..
	Five Years	17.00	17.00	17.00	17.00	..
COMMERCIAL BANKS						
Time Deposits:**						
	0-3 Months	14.83	12.26	7.51	7.51	6.87
	3-6 Months	14.90	10.27	6.29	6.67	6.10
	6-9 Months	13.39	8.63	6.65	5.97	5.63
	9-12 Months	13.95	9.25	5.91	5.95	5.68
	over 12 Months	14.05	10.92	6.89	8.48	5.42
Savings Deposits		**7.96**	**6.15**	**4.51**	**4.39**	**4.40**
	Loans and Advances(Maximum)*	26.16	25.19	19.60	19.26	19.49
	Inter-bank Rate	9.38	13.04	9.79	10.71	10.42
	Overdraft	26.66	25.58	19.73	19.65	20.04
OTHER FINANCIAL INSTITUTIONS						
Kenya Post Office Savings Bank deposits		6.00	5.00	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)		7.76-12.43	6.0-15.25	6.01-10.36	5.04-13.83	4.22 - 11.88
Loans		28.55	25.51	22.42	20.43	20.56
Building Societies:						
	Deposits	5.94-19.84	5.94-12.00	5.63-11.50	5.63-11.16	5.63 - 11.16
	Loans	24.90	21.47	19.90	19.90	19.90

Source: Central Bank of Kenya.
**Loans and advances for less than 3 years.*
***For all commercial banks consolidated*

Table 5.7 Trends in Selected Real Interest Rates, 1998 - 2001(Percentage)

	Year	Nominal Interest	Inflation Rate*	Real Interest**
1.Average Interest Rate for 91-dayTreasury Bills				
	1998	11.1	6.6	4.5
	1999	20.5	3.5	17.0
	2000	13.5	6.2	7.3
	2001	10.9	0.8	10.1
2. Advances against Treasury Bills				
	1998	16.1	6.6	10.5
	1999	25.5	3.5	23.0
	2000	16.5	6.2	13.3
	2001	13.9	0.8	13.1
3. Commercial bank savings deposits (ave)				
	1998	8.0	6.6	1.4
	1999	6.2	3.5	2.7
	2000	4.5	6.2	-1.7
	2001	5.0	0.8	4.2
4. Commercial bank loans and advances (max)				
	1998	27.1	6.6	20.5
	1999	25.2	3.5	21.7
	2000	19.6	6.2	13.4
	2001	19.5	0.8	18.7
5.Inter-Bank Rate				
	1998	9.4	6.6	2.8
	1999	13.0	3.5	9.5
	2000	9.8	6.2	3.6
	2001	10.4	0.8	9.6
6. POSB deposits***				
	1998	6.0	6.6	-0.6
	1999	5.0	3.5	1.5
	2000	5.0	6.2	-1.2
	2001	5.0	0.8	4.2
7. Building society loans (max)				
	1998	24.9	6.6	18.3
	1999	21.5	3.5	18.0
	2000	19.9	6.2	13.7
	2001	19.9	0.8	19.1

**Taken from Table 4.18.*
***Nominal interest rate minus inflation rate, gives the approximate measure.*
****POSB deposits are exempt from income tax on interest earned.*

5.10. Bills and notes under the crop finance scheme as well as other bills dropped by 2.66 percentage points from 19.47 per cent in December 2000 to 16.81 per cent in December 2001. End of period coupon rates on Five-year treasury bonds stood at 17.0 per cent in June. It is important to note that the public domestic debt has been restructured from short- term treasury bills to a mix of medium term fixed and floating interest rate bonds.

5.11. Interest on commercial banks time deposits on average dropped to 5.95 per cent in December 2001 from 6.65 per cent in December 2000. The maximum interest rate on commercial bank loans and advances dropped slightly from 19.60 per cent in December 2000 to 19.49 per cent in December 2001. Hire purchase companies and merchant banks time deposit rates range widened from 6.01 – 10.36 per cent in December 2000 to 4.22 – 11.88 per cent in December 2001.

5.12. Trends in selected real interest rates are presented in Table 5.7. Given the low inflation rate in the year to December 2001 of 0.8 per cent, all real interest rates were positive. The real interest rate on 91–day Treasury bills rose by 2.7 percentage points and a similar rise was registered for advances. Real interest on Commercial Banks savings deposits turned round from negative 1.7 and gained 5.9 percentage points to stand at 4.2 per cent. Commercial bank loans and advances, and inter-bank rate gained 5.3 and 6.0 percentage points respectively in December 2001.

Central Bank Assets and Liabilities

5.13. Central Bank of Kenya's assets and liabilities are presented in Table 5.8. Assets and liabilities grew by 6.8 per cent from KSh. 141,055 million in 2000 to KSh. 150,671 million in December 2001. The growth in assets was mainly due to 18.4 per cent increase in balances with external banks, and direct advances and overdraft to Kenya Government, which increased fivefold from KSh. 8,595 million in December 2000 to KSh. 49,098 million in June 2001, before settling at KSh. 42,853 million by December 2001. The growth in advances was partly offset by drops in the other assets including Treasury bills and bonds. This category of assets has been on a declining trend over the last five years and in the period to December 2001 declined by 58.3 per cent or KSh. 33,619 million. Advances and discounts to banks also declined in 2001 by KSh. 3,522 million or 72.1 per cent. The drop resulted in a stable banking sector, because fewer banks needed Central Bank assistance in 2001 than in 2000.

5.14. The increase in advances and overdraft to Kenya Government was necessitated by the need for funds to finance the budget deficit. This was caused by failure of expected foreign funds including IMF's Poverty Reduction and Growth Facility (PRGF) to materialise. Delays in the privatisation of the Telkom Kenya Ltd. also affected the ability of the government to reduce its net borrowing from the banking system.

5.15. On the liabilities side, the Central Bank stepped up its Open Market Operations (OMO) in an effort to keep the reserve money within the programmed path. This followed the revision of the reserve money targets by banks downwards in November 2000 and May 2001. As a result, the OMO-REPO grew from KSh. 7,310 million in March to KSh. 16,958 million in June before settling at KSh. 15,815 million in December 2001, with REPO tap sales only being made in the first quarter of 2001. Total deposits with Central Bank dropped during the first quarter of 2001 to KSh. 71,851 before increasing during the June and September quarters but finally falling in December to KSh. 73,103 million, representing a 3.2 per cent decline. Other deposit liabilities also declined by 64.7 per cent, decreasing from KSh. 11,773 million in 2000 to KSh. 9,154 million in 2001.

Table 5.8 Central Bank of Kenya Assets and Liabilities 1997 - 2001 (KSh million)

	1997	1998	1999	2000	2001			
ASSETS					**1st Qr**	**2nd Qr**	**3rd Qr**	**4th Qr**
1. Foreign Exchange								
1.1 Balances with								
External Banks	41,650	45,702	55,971	69,162	73,070	74,055	80,055	81,899
1.2 Treasury Bills	35	-	64	-	-	-	-	-
1.3 Other Investments	1,708	251	338	750	976	657	372	259
1.4 Special Drawing Rights	44	36	177	22	30	22	28	80
TOTAL	**43,437**	**45,989**	**56,550**	**69,934**	**74,076**	**74,733**	**80,455**	**82,238**
2. Advances & Disc. to Banks	9,124	1,140	904	4,884	470	1,394	700	1,362
3. Direct Advances & Overdraft								
to Kenya Government	5,367	6,609	6,664	8,595	47,225	49,098	40,205	42,853
4. Other Assets including Kenya								
Treasury Bills & Bonds	72,222	71,240	62,110	57,642	26,492	25,422	24,311	24,023
TOTAL ASSETS	**130,150**	**124,978**	**126,228**	**141,055**	**148,263**	**150,647**	**145,671**	**150,671**
LIABILITIES								
1. Capital and General								
Resources Fund	2,264	3,837	4,877	5,341	5,341	5,341	5,748	5,748
2. Currency in Circulation								
2.1 Notes	42,171	43,358	48,347	49,692	44,820	44,616	44,365	50,892
2.2 Coins	1,001	1,128	1,810	2,222	2,038	2,061	2,091	2,188
TOTAL CURRENCY	**43,172**	**44,486**	**50,157**	**51,914**	**46,858**	**46,677**	**46,456**	**53,080**
3 REPO SECURITIES**								
3.1 OMO-REPO sales	-	-	-	-	7,310	16,958	12,250	15,815
3.2 REPO tap sales	-	-	-	-	13,002	-	0	0
TOTAL	**-**	**-**	**-**	**-**	**20,312**	**16,958**	**12,250**	**15,815**
4.1 Kenya Government	11,698	17,172	18,922	26,526	28,440	38,357	37,263	28,537
4.2 Kenya Banks *	31,220	29,349	27,790	25,075	22,462	21,965	22,916	25,629
4.3 External Banks	15,597	12,882	11,292	12,151	11,804	10,813	10,477	9,783
4.4 Other	10,238	10,440	11,400	11,773	9,145	8,641	9,136	9,154
TOTAL	**68,753**	**69,843**	**69,404**	**75,525**	**71,851**	**79,776**	**79,792**	**73,103**
5. Other Liabilities	15,961	6,812	1,790	8,275	3,901	1,895	1,425	2,925
TOTAL LIABILITIES	**130,150**	**124,978**	**126,228**	**141,055**	**148,263**	**150,647**	**145,671**	**150,671**

Source: Central Bank of Kenya

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

Commercial Banks – Credit and Liquidity

5.16. Table 5.9 summarises the commercial banks' bills, loans and advances. Overall there was a drop of 4.0 per cent in the total bills, loans and advances. This was mainly in loans and advances to private sector enterprises, which declined by 7.8 per cent, with loans to mining and quarrying, and manufacturing sectors declining by 23.6 per cent and 16.5 per cent respectively. These drops can be explained by the slow growth experienced in the economy and the continued high cost of credit.

Table 5.9 Commercial Banks - Bills, Loans and Advances*, 1997 - 2001 (KSh million)

	1997	1998	1999	2000	2001
	Dec.	Dec.	Dec.	Dec.	Dec.
PUBLIC SECTOR:					
Central Government	2,177	2,779	2,900	2,432	2,431
Local Government	572	595	895	1,143	659
Enterprises, Parastatal bodies and other					
Public entities	7,572	6,907	6,455	6,959	6,601
TOTAL PUBLIC SECTOR	**10,322**	**10,281**	**10,249**	**10,534**	**9,691**
PRIVATE ENTERPRISES					
Agriculture	17,919	21,933	23,426	24,399	23,795
Mining and Quarrying	2,419	2,617	2,975	2,838	2,169
Manufacturing	42,935	49,635	54,936	59,426	49,597
Building and Construction	11,508	14,962	18,363	16,850	17,288
Transport, Storage and Communication ..	10,972	10,309	9,723	9,608	9,901
Trade	32,865	36,752	39,413	41,471	45,989
Financial Institutions	5,165	6,472	6,876	5,324	5,391
Other Business	43,769	53,101	59,552	64,930	53,218
TOTAL PRIVATE ENTERPRISES	**167,552**	**195,779**	**215,265**	**224,846**	**207,349**
COMMUNITY AND PERSONAL SERVICES					
(including non-profit making institutions)	6,038	6,178	7,088	8,103	8,732
Other Activities (Nes)	19,413	21,730	27,158	27,568	34,445
TOTAL BILLS, LOANS AND ADVANCES	**203,324**	**233,968**	**259,760**	**271,051**	**260,216**

Source: Central Bank of Kenya.

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

5.17. However, loans and advances to trade sector increased by 10.9 per cent, from KSh. 41,471 million in 2000 to KSh. 45,989 million in 2001. Other growths in credit were recorded in the transport, storage and communication, and building and construction sectors whose credit grew by 3.0 per cent and 2.6 per cent, respectively.

5.18. Commercial bank deposit liabilities and liquid assets for the period 1997 to 2001 are summarised in Table 5.10. The deposit liabilities of commercial banks grew by 2.7 per cent from KSh. 294,924 million in 2000 to KSh. 302,895 million in 2001. On the other hand, the liquid assets increased from KSh. 125,721 million in 2000 to KSh.137, 855 million in 2001, a 9.7 per cent increase. The increase in liquid assets is reflected in the liquidity ratio that rose from 43.0 per cent in December 2000 to 45.0 per cent in April 2001 and finally settled at 46.0 per cent in December 2001. This was as a result of the low demand for credit by the private sector.

Table 5.10 Commercial Banks - Deposit Liabilities And Liquid Assets*,1997 - 2001

		Deposit Liabilities (KSh million)	Liquid Assets (KSh million)	Current Liquidity Ratio (%)
1997	December	252,759	94,161	37
1998	December	257,954	99,113	38
1999	December	279,450	111,245	40
2000	December	294,924	125,721	43
2001				
	January	293,992	124,813	42
	February	278,352	116,067	42
	March	291,951	127,277	44
	April	294,730	132,837	45
	May	294,226	126,051	43
	June	294,685	124,530	42
	July	293,778	126,201	43
	August	293,845	128,744	44
	September	298,562	132,118	44
	October	298,295	134,018	45
	November	298,057	134,577	45
	December	302,895	137,855	46

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 columnsbecause of the inclusion of certain other minor items in the denominator*

Non Bank Financial Institutions (NBFIs)

5.19. Assets and liabilities of NBFIs are outlined in Table 5.11. The assets/ liabilities declined through the year 2001 to settle at KSh. 23,979 million in December representing a 36.0 per cent decline. All categories of liabilities declined throughout the year. Central and local government liabilities declined by 44.2 per cent, while other liabilities recorded 48.4 per cent decline. These were backed by declines in assets with Cash and Banks falling by 45.7 per cent. Assets of other financial institutions fell by 49.9 per cent while investments, bills, loans and advances to public sector declined to zero. Similar drops to Private Sector at 36.9 per cent were recorded. Other Assets also declined from KSh. 2,381 million to KSh. 1,510 million in 2001 or 63.4 per cent decline. These developments are reflected in the ratio of total liabilities of NBFIs to total liabilities of the banking system, which dropped from 9.0 per cent in 2000, to 5.0 per cent, in 2001. The declining trends are expected to continue as more NBFIs convert into or merge with commercial banks.

Table 5.11 Assets and Liabilities of Non-Bank Financial Institutions, 1997 - 2001 (KSh million)

	AS AT THE END OF							
					2001			
	1997	1998	1999	2000	1st Qr	2nd Qr	3rd Qr	4th Qr
LIABILITIES:								
Deposits								
Central & Local Government	767	710	801	785	687	677	420	438
Other Public Sector	4,475	4,635	3,821	3,049	3,335	3,384	2,340	2,468
Other Depositors	16,426	18,025	15,906	15,995	14,827	13,863	12,248	12,041
Other Liabilities	18,257	19,170	15,635	17,648	14,837	11,797	8,777	9,033
TOTAL LIABILITIES	**39,925**	**42,539**	**36,162**	**37,478**	**33,687**	**29,720**	**23,786**	**23,979**
ASSETS:								
Cash and Banks	5,149	6,899	4,920	4,453	3,255	2,817	1,726	2,415
Other Financial Institutions	52	157	286	50	1,635	1,295	1,065	866
Associated Companies	192	1,904	1,426	1,597	3,701	3,643	3,049	2,844
Investments, Bills								
Loans & Advances								
Public Sector	4,568	2,270	2,387	3,032	246	-	-	-
Private Sector	27,753	28,826	24,478	25,965	22,743	20,143	16,425	16,382
Other Assets	2,211	2,483	2,665	2,381	2,107	1,822	1520	1,472
TOTAL ASSETS	**39,925**	**42,539**	**36,162**	**37,478**	**33,687**	**29,721**	**23,786**	**23,979**

Source: Central Bank of Kenya

Developments in the financial sector

Banking

5.20. During the period to December 2001 the number of banks dropped from 50 to 47 while the number of NBFIs declined to 3 from 7. The commercial banks reduced their branch network from 512 to 465 in an effort to reduce their operating costs. The sector continued to be dominated by 8 banks that accounted for 72.0 per cent of total deposits held by commercial banks compared with 70.8 per cent in 2000. There were 2 mortgage finance companies and 4 building societies while the number of foreign exchange bureaus decreased from 48 to 47. During the year, one bank was placed under the management of the Central Bank after it failed to meet its obligations at the Clearing House. Another bank that was under Central Bank management was placed under liquidation after efforts to revive it failed. Nevertheless, the banking sector was fairly stable during the year.

5.21. Profitability in the sector improved substantially over the previous year. Profit before tax increased to KSh. 8.6 billion at the end of 2001 from KSh. 3.5 billion at the end of 2000. Two multinational banks accounted for KSh. 7.4 billion or 86.0 per cent of the sector's profits. The major factors leading to im-

proved profitability included the reduced cost of deposits as interest rates declined in line with declining yields on government securities as well as the exit of a major loss-making banks from the sector. Other factors included reduced charges on bad debts and lower expenses on salaries and wages as major institutions began to enjoy benefits of staff retrenchment and other austerity measures undertaken in the past years.

5.22. The main challenges banking sector faced during 2001 were the huge Non-Performing Loans (NPLs) portfolio and legislation on interest rates. The level of Non-Performing Loans, which stood at KSh. 107.4 billion at the end of 2001, accounted for 38.0 per cent of total loans of KSh. 281.7 billion in the sector. Though provisions of KSh. 66.6 billion had been made for NPLs and collateral valued at KSh. 37.5 million was held against them, these loans still posed a threat to the survival of some local banks. Of the NPLs in the sector KSh. 65.4 billion or 61.0 per cent was concentrated in a few public-sector banks. Realization of the collateral proved to be difficult because of a slump in the property market as well as a cumbersome court system. Formation of an Asset Resolution Trust has been floated as a possible strategy for resolving the current stock of NPLs in state banks. In addition, the creation of credit reference bureaus will enhance credit risk assessment of potential borrowers with a view to stopping further accumulation of NPLs.

5.23. The passing of the Central Bank of Kenya (Amendment) Act 2000 caused major ripples in the banking sector. The Act fixed the maximum interest rates charged by institutions on loans at the one-month moving average Treasury Bill rate plus four per centum while the minimum interest rate payable on deposits was fixed at seventy per centum of the one month moving average Treasury Bill rate. If implemented, the Act would have adverse impact on the sector since lending margins would be drastically reduced to the extent of pushing out of the market institutions that are heavily reliant on lending activities for their survival. In response to this threat, major banks restructured their balance sheets with the view of diversifying their earning asset portfolios away from lending activities. The trend was to lend less and invest more in government securities as well as rely more on non-interest income such as fees and commissions. Nevertheless, high interest rates on loans still remain a major issue of concern for policy makers.

5.24. In view of the major challenges facing the banking sector, the Central Bank of Kenya has continued to review the legal and regulatory framework, and to improve surveillance in order to ensure that the financial sector soundness is not compromised. In this regard, the Building Societies Act was recently amended to harmonize it with the banking Act with the objective of creating a level playing field for banks and building societies.

5.25. Money laundering and the financing of terrorism have become issues of major concern following the September, 11, 2001 terrorist attacks in the United States of America and in this regard, a task force has been set up to prepare regulations and legislation on money laundering.

5.26. The Central Bank has been given the added challenge of regulating the Micro Finance Sector, which has been identified as an integral part of the strategy to fight poverty. In this regard, drafts of a micro finance policy statement and micro finance bill have been completed and await legal drafting. The Central Bank in collaboration with Kenya Union of Savings and Credit Cooperative societies (KUSCCO) and other stakeholders is involved in the formulation of regulatory framework for savings and credit co-operative societies (SACCOs). The strengthening and regulation of the Micro Finance Sector, as well as the Co-operative Sector is expected to provide a reliable alternative source of credit.

Capital Markets

5.27. The Capital Markets Authority (CMA) continued to initiate reforms in the market through reorganization, and legal framework. The reorganization of the market was implemented in full in January 2001. The listed companies were categorized into 40 companies in the Main Investment Market Segment (MIMS) and 10 companies in the Alternative Investments Market Segment (AIMS) while a third segment comprising of Fixed Income Securities Market Segment (FISMS) mainly treasury bonds, preference shares and a few corporate bonds was in operation. The CMA is also involved in the preparation of an integrated East African Capital Market.

5.28. Activity at the Nairobi Stock Exchange (NSE) continued to reflect the depressed state of the economy as the NSE 20 share index declined from 1913.3 in December 2000 to 1355.0 in December 2001 or 29.2 per cent decline. This declining trend was due to reduced production capacity, lower corporate earnings including losses, reduced savings, and loss of investor confidence. Three of the segments in the NSE realized declines in trading but the fixed incomes securities market experienced an increase in bonds turnover, this was mainly due to the restructuring of the domestic debt from short-term Treasury bills to medium and long-term bonds, which are traded at the NSE.

5.29. In the equities market the market capitalization (total market value of all listed companies) dropped from KSh. 101,422 million in December 2000 to KSh. 86,097 million by December 2001, a 15.1 per cent drop. The total number of shares traded dropped by 22.9 per cent from 141,648 thousand in 2000 to 109,191 thousand in 2001, while the value (turnover) stood at KSh. 3.12 billion in 2001 down from 3.63 billion in 2000. During the year, two new primary issues were offered for sale, with Mumias Sugar Company and ICDC investments raising a total of KSh. 1.45 billion. In the, growth was registered on both Government and corporate issues. A total of KSh. 47.1 billion worth of treasury bonds was raised, representing a 64.1 per cent increase. There were also three issues of medium term notes, by Shelter Afrique KSh. 350 million, Safaricom KSh. 4 billion and East Africa Development Bank (EADB) KSh. 2 billion.

5.30. Under the Foreign Investors Board (FIB) equities, the total FIB turnover (TFT) dropped by 35.7 per cent from KSh. 699 million in 2000 to KSh. 449 million in 2001. However the net foreign inflow moved from an outflow of KSh. 485 million in 2000 to an inflow of KSh. 121 million in 2001. The foreign investors participation in the market has declined from a level of 36.0 per cent of the total market turnover in 1997 to a level of 12.5 per cent during 2001. In the fixed income securities market, the number of deals dropped by 16.1 per cent from 545 to 457 in 2001. The total bond turnover increased from KSh. 6,469 million in 2000 to KSh. 9,462 million in 2001, an increase of 46.3 per cent.

Insurance Industry

5.31. During the year, the number of licensed and operational insurance companies increased from 40 in 2000 to 42 in 2001. Other supporting institutions were 2 re-insurance companies, 186 licensed insurance brokers and 23 insurance surveyors. Also in operation were 1096 licensed insurance agents, 18 loss adjusters, 3 claims settling agents, 188 loss assessors and 5 risk managers.

5.32. In 2001 the section of the Insurance Act on paid up capital requirements was amended. Minimum paid up capital for companies offering life and general business was raised from KSh. 100 million to KSh. 150 million. For companies offering general business alone it was raised from KSh. 50 million to KSh. 100 million while for life business, only to have KSh. 50 million.

5.33. Fraudulent claims and unstructured compensations continued to bog down the insurance industry. Another problem experienced by the industry was fake insurance stickers particularly for PSV vehicles. This led to premium pricing disputes between the PSV vehicle owners and the insurers.

Chapter 6

Public Finance

Overview

To maximise returns from public expenditure, changes in budget planning, execution and monitoring were undertaken in 2001/02. These changes emphasized the achievement of measurable results, and were implemented through the Medium Term Expenditure Framework (MTEF). The MTEF which links policy, planning and budgeting is intended to strengthen macroeconomic policy and fiscal management. It aims at creating a macroeconomic environment, which would support efficient production, thereby attracting both foreign and domestic investment, thus enhancing economic growth, while at the same time maintaining fiscal discipline.

6.2. In line with the commitments spelt out in PRSP, the government continued to ring fence the core poverty programmes and substantial amounts of budgetary resources were allocated to these programmes. For instance, to combat the HIV/AIDS pandemic, the Government set aside KSh 146 million to support the training, sensitisation and creation of awareness activities of National Aids Council and National Aids Control programme in 2001/02. To guarantee availability, accessibility and affordability of health care, the non-wage recurrent and development budgetary allocation to rural health centres and dispensaries has been increased to KSh 2,609.74 million in 2001/02 from KSh 1,752.18 million in 2000/01.

6.3. An appropriate road network, to support robust economic activity is still a major challenge to the country. In 2001/02, some KSh 7,856 million collected through the fuel levy was allocated to both the Kenya Roads Board (K.R.B) and the District Roads Committees, to oversee the maintenance and rehabilitation of the major roads and improvement of road infrastructure in the urban and rural.

Overall Results

6.4. Table 6.1 presents an overview of the budget out-turn for the past five fiscal years. During this period, the Government has been striving to bring down the current deficit by restraining the growth of current expenditure to keep pace with the growth of current revenue. Despite these efforts, the rate of growth of the current receipts has been slower than that of current expenditure. This subsequently resulted in a deficit of KSh 2,152.01 million in 2001/02, compared with a surplus of KSh 10,186.7 million registered in the previous fiscal year. The capital revenue however increased significantly. The net lending drastically dropped, to stand at a net repayment of KSh 1.12 million in 2001/02 due to reduced allocation to loan disbursements to public enterprises. The total domestic financing increased by 130.93 per cent from Ksh 11,222.00 million in 1997/98 to Ksh 25,915.00 million in 2001/02, although the increase over the 1999/00 fiscal year was a mere 5.1 per cent, which in real terms would represent a decline. The external loans and external grants decreased in 2001/02 by 18.64 per cent and 74.90 per cent respectively as compared to 2000/01. The total public debt redemption increased by 13.27 per cent in 2001/02. While external public debt redemption went up by 89.7 per cent, the internal debt repayment dropped by 8.31 per cent over the same period.

Table 6.1 Central Government Out-turn of Revenue and Expenditure* 1997/98 – 2001/02 (Ksh million)

	1997/98	1998/99	1999/00**	2000/01**	2001/02+	Percentage Increases 2000/01 to 2001/02
Current Revenue	166,103.97	179,837.55	177,785.56	191,274.29	213,176.59	11.45
Current Expenditure***	166,691.81	165,525.32	153,593.51	181,087.59	215,328.60	18.91
Current Surplus	-587.84	14,312.23	24,192.05	10,186.70	-2,152.01	-121.13
Capital Revenue	1,041.84	489.20	2,755.64	946.72	2,963.00	212.98
Capital Expenditure***	13,558.86	12,344.32	18,100.47	30,816.68	34,841.36	13.06
Net Lending***	1,146.77	3,058.35	1,599.23	2,372.48	-1.12	-100.05
External Grants	5,272.00	4,920.00	4,247.00	24,080.00	6,043.00	-74.90
OVERALL DEFICIT/ SURPLUS	**-8,979.63**	**4,318.76**	**11,494.99**	**2,024.26**	**-27,986.25**	**-1,482.54**
FINANCING OF DEFICIT						
External Loans (Net)	**-7,135.00**	**-16,523.40**	**-8,858.00**	**-18,087.24**	**-14,716.70**	**-18.64**
Total Domestic Borrowing	**11,222.00**	**11,194.00**	**24,657.00**	**8,247.00**	**25,915.00**	**214.24**
Long-term(net)	1,145.00	27,500.00	-9,135.00	-3,595.00	-3,901.00	8.51
Short-term(net)	10,077.00	-16,306.00	33,792.00	11,842.00	29,813.00	151.76
CHANGES IN CASH BALANCES						
Increase = (-)	4,892.63	1,010.64	-27,293.99	7,815.98	16,787.25	114.78
MEMORANDUM ITEMS						
Public Debt Redemption	133,640.15	62,080.74	49,931.86	55,409.35	62,761.87	13.27
(a) External	21,374.61	23,028.24	26,471.52	12,199.42	23,142.29	89.70
(b) Internal	112,265.55	39,052.50	23,460.34	43,209.93	39,619.58	-8.31

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.*
+Revised Estimates

6.5. The analysis of key indicators and their trends for the financial years, 1997/98 to 2001/02 are shown in Table 6.2. The current surplus as a percentage of the current revenue reduced from 5.33 per cent in 2000/01 to a deficit 1.01 per cent in 2001/02. The ratio of capital expenditure to current expenditure, which has been on the increase over the years, went down in 2001/02, indicating that the Government expanded expenditure on consumption by more than the expansion in development expenditure. The overall deficit as a percentage of both current revenue and total expenditure reduced to stand at –13.13 and –8.94 per cent respectively in 2001/02. While the ratio of external financing to capital expenditure reduced, that of domestic financing to capital expenditure increased, showing that the Government borrowed more internally to finance the implementation of its projects because of lack of donor support. The current revenue as a percentage of the GDP at market prices dropped marginally from 24.03 per cent in 2000/01 to 23.81 per cent in 2001/02 while the ratio of Government expenditure to GDP increased marginally in the same period. This was as a result of housing allowance awards to civil servants coupled with increased expenditure on core poverty programmes.

Table 6.2 Analysis of Key Fiscal Trends, 1997/98 - 2001/02

	1997/98	1998/99	1999/00*	2000/01*	2001/02**
1.Current Surplus/Deficit as % of Current Revenue	-0.35	7.96	13.61	5.33	-1.01
2.Current Surplus/Deficit as % of Capital Expenditure plus Net Lending	-4.00	92.92	122.80	30.69	-6.18
3.Ratio of Capital Expenditure to Current Expenditure	8.13	7.46	11.78	17.02	16.18
4.Overall Deficit as % of Current Revenue	-5.41	2.40	6.47	1.06	-13.13
5.Overall Deficit as % of Total Expenditure	-2.85	1.78	5.15	0.75	-8.94
6.External Grants and Loans as % of Capital Expenditure plus Net Lending	-12.67	-75.33	-23.41	18.60	-24.89
7.Net Short-term Borrowing as % of Capital Expenditure plus Net Lending	68.52	-105.86	171.54	35.68	85.57
8.Current Revenue as % of GDP at Current Market Prices	26.65	26.03	24.01	24.03	23.81
9.Total Government Expenditure as % of GDP at Current Market Prices	50.55	35.18	30.15	33.88	34.95
10.Overall Deficit as % of GDP at Current Market Prices	-1.44	0.63	1.55	0.25	-3.13

**Provisional*
***Revised Estimates*

6.6. Table 6.3 gives a comparison between the budget estimates and the actual out-turns. Actual recurrent revenue has been lower than the estimated revenue over the period in reference except in 2001/02 when it was slightly higher by KSh 647.41 million. The main reason for this trend of revenue shortfalls from the budget estimates is the poor economic growth, which has been falling behind the projected levels. In the same year, actual recurrent expenditure was KSh 5,084.25 million above the budgeted expenditure contrasting with the previous

Table 6.3 Comparison of Central Government Budget Estimates with Actual Out-turns, 1998/99 -2001/02 (Ksh million)

	1998/99			1999/00*		
	Budget	**Actual**	**Difference**	**Budget**	**Actual**	**Difference**
Recurrent Revenue	186,160.00	180,326.71	-5,833.29	188,846.40	180,541.20	-8,305.20
Recurrent Expenditure	203,376.00	223,086.80	19,710.80	244,141.80	205,795.91	-38,345.89
Recurrent Balance	-17,216.00	-42,760.09	-25,544.09	-55,295.40	-25,254.71	30,040.69
Development Expenditure + Net Lending	37,033.20	23,307.75	-13,725.45	53,329.20	19,446.73	-33,882.47
External Financing (Net)**	-2,420.00	-11,603.40	-9,183.40	-9,131.00	-4,611.00	4,520.00
Balance for Domestic Financing (Net)	-56,669.20	-77,671.24	-21,002.04	-117,755.60	-49,312.44	68,443.16
	2000/01*			**2001/02****		
	Budget	**Actual**	**Difference**	**Budget**	**Actual**	**Difference**
Recurrent Revenue	198,772.47	192,221.01	-6,551.46	215,470.92	216,118.33	647.41
Recurrent Expenditure	267,639.04	237,012.50	-30,626.54	264,904.62	269,988.87	5,084.25
Recurrent Balance	-68,866.57	-44,791.49	24,075.08	-49,433.70	-53,870.54	-4,436.84
Development Expenditure + Net Lending	38,420.82	35,428.18	-2,992.64	33,054.53	43,560.88	10,506.35
External Financing (Net)**	-29,845.00	5,993.00	35,838.00	-8,673.00	-8,673.00	0.00
Balance for Domestic Financing (Net)	-137,132.39	-74,226.67	62,905.72	-91,161.23	-106,104.42	-14,943.18

**Provisional*
***Includes external grants*
****Revised Estimates*
++Recurrent expenditure consists of current expenditure, capital expenditure and consolidated fund service from the R- Estimates

year, when it was KSh 30,626.54 million below. The actual external financing was KSh 5,993.0 million, deviating from the estimated KSh 29,845.00 million in 2000/01. However, it is expected to remain on target in 2001/02.

6.7. The Central Government gross revenue on the recurrent account is presented on Table 6.4. The total revenue registered a 12.40 per cent increase, from KSh 192,221.01 million in 2000/01 to KSh 216,139.59 million in 2001/02. The direct taxes increased by 18.11 per cent from KSh 53,428.93 million to KSh 63,107.00 million during the year in review. This may be partly attributed to enhanced housing allowances awarded to teachers and civil servants, which

Fig 6.1:Gross Receipts on Recurrent Account 1997/98-2001/02

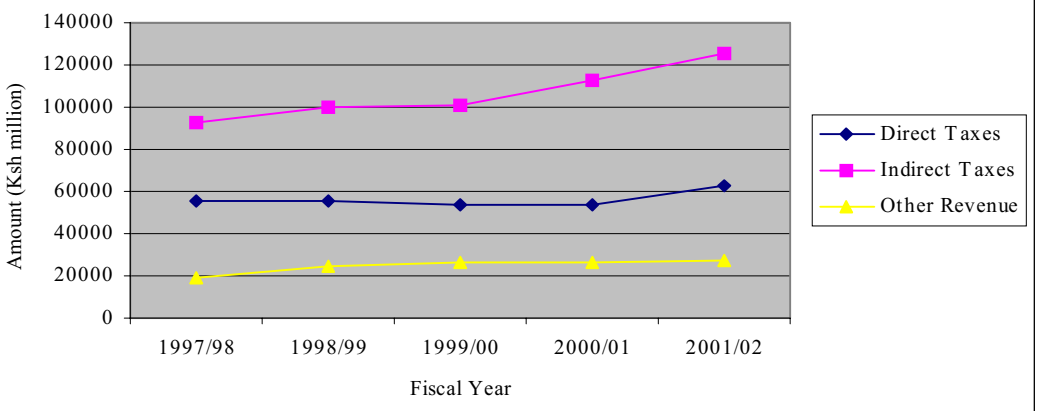


Table 6.4 Central Government Gross Receipts on Recurrent Account* 1997/98 - 2001/02 (Ksh million)

	1997/98	1998/99	1999/00**	2000/01**	2001/02+
DIRECT TAXATION					
Income Tax	55,577.91	55,234.80	53,316.99	53,428.93	63,107.00
TOTAL	**55,577.91**	**55,234.80**	**53,316.99**	**53,428.93**	**63,107.00**
INDIRECT TAXATION					
VAT on Domestic Manufactures	17,748.01	21,114.84	22,416.62	26,226.07	29,665.00
VAT on imports	16,720.13	18,089.92	18,527.57	23,994.85	26,500.00
Import Duties	27,167.07	28,443.92	28,605.16	28,803.74	31,649.00
Excise Duties	28,381.62	28,733.16	28,493.06	28,317.99	31,242.00
Trading Licences	140.52	119.68	82.82	83.68	134.53
Licences and Fees Under Traffic Act	832.81	834.56	1,562.56	1,662.78	1,825.82
Other Taxes, Licences and Duties	1,324.67	2,953.20	1,475.21	3,396.85	4,466.93
TOTAL	**92,314.84**	**100,289.28**	**101,163.01**	**112,485.96**	**125,483.28**
OTHER REVENUE AND INCOME					
Compulsory Fees, Fines and Penalties	1,895.51	1,795.28	2,093.05	3,942.69	4,160.89
Income From Property	4,443.83	6,407.28	5,988.41	4,768.06	4,394.89
Current Transfers	221.75	212.29	270.42	255.17	202.00
Sales of Goods and Services	10,875.46	9,938.86	8,716.56	10,320.49	11,354.53
Other	1,816.51	6,448.92	8,992.76	7,019.71	7,437.01
TOTAL	**19,253.06**	**24,802.63**	**26,061.20**	**26,306.13**	**27,549.31**
TOTAL	**167,145.81**	**180,326.71**	**180,541.20**	**192,221.01**	**216,139.59**
MEMORANDUM ITEM:					
Loan Repayments to Government	101.43	327.76	418.30	382.06	620.12

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

was taxed on an upper tax bracket. The VAT went up over the reference period with VAT on domestic manufactures and that on imports increasing by 13 per cent and 10.4 per cent respectively. In order to expand the VAT base, the VAT regulations were amended to make it compulsory for taxpayers to keep stock records. Further more, some preserved food items already taxed at the manufacturing level, were made to be taxable up to the retail level. The loan repayment receipts to the Government from household and enterprises increased from KSh 382.06 million to KSh 620.12 million over the same period. As shown on Fig 6.1, indirect taxes continued to be the major source of Government revenue, contributing 58.1 per cent of total government revenue in 2001/02.

6.8. Central Government revenue from non-oil domestic commodities, for the period between 1997 to 2001 is given in Table 6.5. The revenue raised from excise duty dropped by 8.52 per cent from KSh million 13,605.43 in 2000 to KSh 12,446.18 in 2001. This drop may be associated with reduced economic activity in the manufacturing sector over the period. Sugar was the only commodity that improved, generating KSh 39.43 million in 2001 compared to KSh 1.0 million in 2000. Despite the Government's move to improve enforcement of the requirement for excise stamps on cigarettes by increasing the penalty for failure to affix the stamps on cigarettes, receipts from the commodity decreased from KSh 4,697.59 million to KSh. 3,830.87 million over the same period. The drop in excise from cigarettes may be partially attributed to increased imports of tobacco products. Revenue receipts from beer and spirits experienced a marginal drop of 0.53 per cent.

Table 6.5 Central Government Excise Revenue by Commodities*, 1997 - 2001 (Ksh million)

	1997	1998	1999	2000	2001**
Beer and spirits	7,568.82	8,034.38	7,161.14	7,580.83	7,540.36
Sugar		3.58		1.00	39.43
Cigarettes	4,693.94	4,806.26	4,804.00	4,697.59	3,830.87
Other commodities***	1,058.90	987.74	1,313.78	1,326.00	1,035.52
TOTAL	**13,321.66**	**13,831.96**	**13,278.92**	**13,605.43**	**12,446.18**

**Data presented in this Table refer to calendar years.*
***Provisional*
****Includes revenue from mineral water, matches, cosmetics and locally assembled vehicles.*
Source: Kenya Revenue Authority, Customs and Excise.

6.9. Table 6.6 details the financing of capital expenditure and net lending. The capital expenditure increased to KSh 34,841.36 million in 2001/02, from KSh 33,189.16 million in 2000/01 and KSh 19,699.70 million in 1999/00. The net lending dropped recording a net repayment of Ksh 1.12 million down from net receipts of KSh 2,373.60 in 2000/01. The drop was due to decreased loan repayment receipts as compared to the money spent on purchase of equity and loans disbursed to households, enterprises and general Government agencies. The net external financing changed from KSh 5,993.0 million in 2000/01 to KSh -8,673.0 million in 2001/02 due to a higher drop in grants than in revenue during the review period.

Table 6.6 Central Government Financing of Capital Expenditure and Net Lending, 1997/98 - 2001/02 (Kshs million)

	1997/98	1998/99	1999/2000*	2000/01*	2001/02**
EXPENDITURE					
Capital Expenditure	13,558.86	12,344.32	18,100.47	30,816.68	34,841.36
Net Lending	1,146.77	3,058.35	1,599.23	2,372.48	(1.12)
TOTAL	**14,705.63**	**15,402.67**	**19,699.70**	**33,189.16**	**34,840.24**
FINANCING					
Surplus on Current Account	(587.84)	14,312.23	24,192.05	10,186.70	(2,152.01)
Capital Revenue	1,041.84	489.20	2,755.64	946.72	2,963.00
External Loans (Net)	(7,135.00)	(16,523.40)	(8,858.00)	(15,733.24)	(8,977.70)
External Grants	5,272.00	4,920.00	4,247.00	9,229.30	1,372.61
Long-Term Domestic Borrowing (Net)	1,145.00	27,500.00	(9,135.00)	(3,595.00)	(3,901.00)
SHORT TERM BORROWING					
Treasury Bills (Net)	2,102.00	(13,166.00)	28,316.00	6,352.00	(15,715.00)
Other Short-Term Borrowing (Net)	7,975.00	(3,140.00)	5,476.00	5,490.00	45,531.00
Change in Cash Balances(decrease =+)	4,892.63	1,010.64	(27,293.99)	20,312.69	15,719.34
TOTAL	**14,705.63**	**15,402.67**	**19,699.70**	**33,189.16**	**34,840.24**

**Provisional*
***Estimates*

6.10. The total Central Government expenditure on main services including debt service repayments is expected to increase by 16.10 per cent from KSh 270,068.20 million in 2000/01 to KSh 313,550.80 million in 2001/02. As shown on Table 6.7, the expenditures on social services, economic services and general administration took 24.45, 15.30 and 21.40 per cent respectively of the total expenditure in 2001/02. The development budget allocation on education increased significantly due to the targeting of the human resources as a priority sector for poverty reduction. The areas that attracted increased funding include school-feeding programme, the early childhood programme and curriculum support services. The government priority is to improve the access to basic education by collaborating with other stakeholders in enhancing provision of textbooks and other learning materials. Some funds were set aside for the secondary schools bursaries, grants to schools for the handicapped and other school activities. The budget allocation on roads, agriculture and fisheries, electricity and water services increased significantly due to increased allocation in agricultural extension services. To alleviate the water problem of the rural communities, more funds were set aside for sinking additional boreholes, construction of dams, promoting afforestation and protecting water catchment areas. Other economic services rose significantly due to expenses on rehabilitation of the Government rented houses after the Government change of policy, in the reference period. The expenditure on public debt and other services went up by 22.76 per cent over the same period.

Table 6.8 Central Government Expenditure on Main Services, 1998/99 – 2001/02 (KSh million)

	1998/99			1999/2000*			2000/01*			
	Recurrent Account	Development Account	Total	Recurrent Account	Development Account	Total	Recurrent Account	Development Account	Total	R A
GENERAL PUBLIC ADMINISTRATION										
General Administration	21,942.3	5,070.7	27,013.0	18,810.6	6,952.3	25,762.9	31,031.2	12,617.2	43,648.4	
External Affairs	2,752.0	58.0	2,810.0	3,075.2	24.2	3,099.3	3,306.9	6.8	3,313.7	
Public Order and Safety	11,261.0	305.6	11,566.5	12,423.1	141.3	12,564.4	15,692.3	288.9	15,981.2	
TOTAL	**35,955.3**	**5,434.3**	**41,389.6**	**34,308.9**	**7,117.7**	**41,426.6**	**50,030.4**	**12,912.8**	**62,943.3**	
Defence	10,630.2	41.2	10,671.4	10,346.9	80.4	10,427.2	14,202.8	0.0	14,202.8	
Education	46,218.7	1,803.5	48,022.2	46,790.0	703.2	47,493.2	48,840.8	770.5	49,611.3	
Health	8,796.7	1,253.2	10,049.9	9,188.9	865.4	10,054.2	14,870.3	759.1	15,629.4	
Housing and Community Welfare	1,910.6	1,251.3	3,161.9	2,024.4	690.5	2,714.8	1,975.9	374.8	2,350.7	
Social Welfare	34.8	0.0	34.8	23.8	0.0	23.8	19.7	0.0	19.7	
TOTAL	**56,960.7**	**4,308.0**	**61,268.7**	**58,027.0**	**2,259.0**	**60,286.1**	**65,706.7**	**1,904.4**	**67,611.0**	
ECONOMIC SERVICES										
General Administration	2,030.3	1,349.0	3,379.2	2,330.1	2,717.8	5,047.9	2,974.1	11,111.5	14,085.6	
Agriculture, Forestry and Fishing	4,895.8	4,598.3	9,494.2	5,591.9	2,103.8	7,695.7	5,906.6	2,363.0	8,269.6	
Mining, Manufacturing & Construction	1,694.2	757.8	2,452.1	1,714.8	598.9	2,313.7	2,166.3	848.9	3,015.2	
Electricity, Gas, Steam and Water	1,242.9	913.1	2,156.0	1,065.6	317.3	1,382.9	1,198.7	1,279.7	2,478.5	
Roads	5,219.0	2,793.1	8,012.1	6,207.3	2,641.2	8,848.5	6,834.1	2,624.3	9,458.4	
Other Transport & Communications	800.0	41.0	841.0	994.6	9.7	1,004.2	783.7	0.0	783.7	
Other Economic Services	1,150.7	14.0	1,164.6	1,413.3	1.7	1,415.0	1,261.0	11.0	1,272.0	
TOTAL ECONOMIC SERVICES	17,032.9	10,466.3	27,499.1	19,317.5	8,390.3	27,707.9	21,124.6	18,238.5	39,363.1	
OTHER SERVICES INCLUDING PUBLIC DEBT	102,507.6	0.0	102,507.6	83,795.6	0.0	83,795.6	85,947.9	0.0	85,947.9	
TOTAL**	**223,086.8**	**20,249.7**	**243,336.5**	**205,795.9**	**17,847.5**	**223,643.4**	**237,012.5**	**33,055.7**	**270,068.2**	

**Provisional*

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

+Revised Estimates

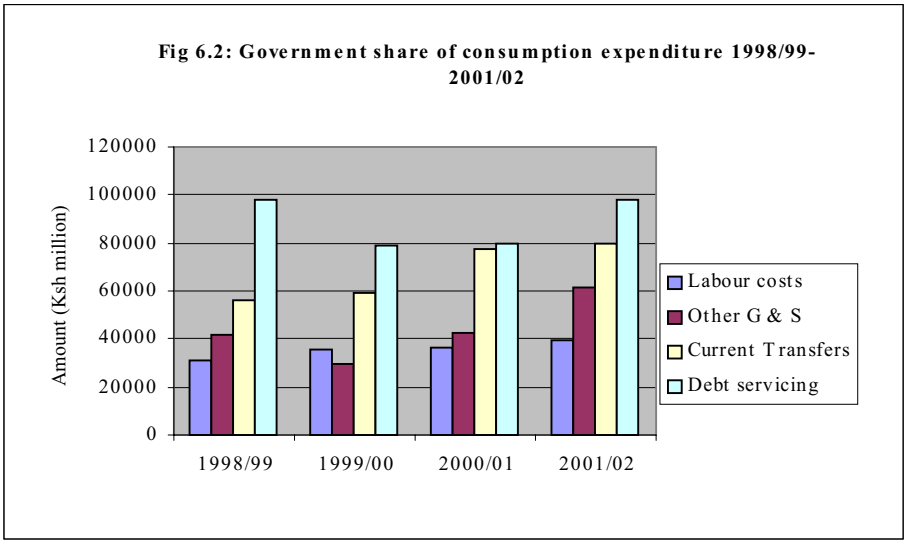


Table 6.8 Central Government Economic Analysis of Expenditure, 1997/98 – 2001/02 (KSh million)

	1997/98	1998/99	1999/00*	2000/01*	2001/02**
CURRENT EXPENDITURE					
CONSUMPTION EXPENDITURE ON GOODS AND SERVICES:					
Labour Costs	33,744.08	30,970.85	35,388.99	36,553.35	39,339.60
Other Goods and Services	37,919.13	41,860.40	29,676.34	42,722.32	61,607.21
TOTAL	**71,663.21**	**72,831.25**	**65,065.33**	**79,275.67**	**100,946.81**
SUBSIDIES	**61.00**	**38.50**	**200.14**	**200.00**	**0.00**
INTEREST:					
Foreign	7,775.74	8,186.41	7,508.43	3,848.58	7,899.24
Domestic	32,037.14	27,903.20	21,409.40	20,576.91	27,032.84
TRANSFERS TO:					
Households and Unincorp. Enterprises					
including Private Non-profit Institutions	5,622.38	5,863.23	6,527.82	13,747.83	
Financial and Non-Financial Enterprises					
General Government	47,328.00	49,050.25	49,692.59	60,420.52	79,449.71
Rest of the World	619.62	342.40	672.71	810.41	
Funds	1,584.72	1,310.08	2,517.09	2,207.67	
TOTAL TRANSFERS	**55,154.72**	**56,565.96**	**59,410.22**	**77,186.43**	**79,449.71**
OTHERS					
1. TOTAL CURRENT EXPENDITURE	**166,691.81**	**165,525.32**	**153,593.51**	**181,087.59**	**215,328.60**
2. CAPITAL EXPENDITURE					
Gross Fixed Capital Formation	13,271.90	12,099.28	15,744.95	28,475.11	33,666.48
Capital Transfers	286.96	245.04	2,355.52	2,341.58	1,174.88
TOTAL	**13,558.86**	**12,344.32**	**18,100.47**	**30,816.68**	**34,841.36**
3. NET LENDING					
Purchase of Equity in Enterprises	97.50	0.00	0.58	0.00	0.00
Loans to Households, Enterprises and General Government Agencies	1,150.70	3,386.11	2,016.95	2,754.54	619.00
Less Loan Repayments to Government ***	-101.43	-327.76	-418.30	-382.06	-620.12
TOTAL	**1,146.77**	**3,058.35**	**1,599.23**	**2,372.48**	**-1.12**
4. PUBLIC DEBT REDEMPTION	**133,640.15**	**62,080.74**	**49,931.86**	**55,409.35**	**62,761.87**
5. Total Expenditure (1+2+3+4)	**315,037.59**	**243,008.73**	**223,225.07**	**269,686.10**	**312,930.71**

**Provisional*
***Revised Estimates*
****Including interest*

6.11. The economic classification of expenditure for the last five financial years is given on Table 6.8. The total budget allocation stood at KSh 312,930.71 million in 2001/02 up from KSh 269,686.10 the previous year. Over this period, expenditure on labour costs went up by 7.62 per cent due to increased housing allowances for civil servants and teachers. The allocation to other goods and services rose from KSh 42,722.2 million in 2000/01 to KSh 61,607.21 million in 2001/02, a 44.20 per cent rise. The rise may be partly associated with increased allocation to the road maintenance levy fund in the Ministry of Local Government and expenses related to the constitutional review. The gross fixed capital formation increased from KSh 28,475.11 million in 2000/01 to KSh 33,666.48 million. The rise may be partly due to road construction works undertaken during the financial year. The net lending stood at a negative value due to severe reduction in loans and a major increase in repayments in 2001/02. The budget saw increased allocation on the debt servicing charges with interest and debt redemption payments increasing by 43.02 and 13.27 per cent respectively. As shown in Fig 6.2, a bigger share of the government budget has consistently been set-aside for debt servicing, while labour costs take the smallest proportion.

6.12. Central Government public debt stock, excluding short term borrowing for the period 1997 to 2001 is presented in Table 6.9. The total value of outstanding debt, which has been on the decline for the last two years dropped further by 3.33 per cent from KSh 306,694.86 million in 2000 to KSh 296,483.30 million in 2001. This decline was experienced in both funded and unfunded debts. Internal and external unfunded debts fell by 31.28 and 0.35 per cent respectively.

Table 6.9 Central Government Public Debt, 1997 - 2001 (Ksh million)

As at 30th June	Funded			Public Debt** Unfunded			Total		
	External	Internal	Total	External	Internal	Total	External	Internal	Total
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
2001*	. .	1,467.83	1,467.83	278,103.01	16,912.46	295,015.47	278,103.01	18,380.29	296,483.30

**Provisional*
***Excludes Short Term Borrowing*

6.13. The details of Central Government sources of outstanding unfunded debt for the years ending June, for the years 1997 to 2001 are presented on Table 6.10. The total unfunded debt declined from KSh 303,689.17 million in 2000 to KSh 295,015.46 million in 2001. Among the bilateral lenders, Japan and France continued to be the main creditors contributing 17.85 per cent and 4.04 per cent of the total external debt respectively. While the debt from both Germany and Japan were reduced, the amount owed to Netherlands grew by 54.02 per cent. The debt owed to the multinational organisations increased from KSh 161,407.21 million to KSh 172,291.99 million over the same period, with over 82 per cent coming from IDA. The debt from IDA increased from KSh 122,940.47 million to KSh 141,910.43 million, while loans from EEC decreased by 13.89 per cent. The internal unfunded debt reduced by 30.71 per cent from KSh 24,609.11 million in 2000 to KSh 16,912.46 million in 2001.

Table 6.10 Central Government Sources of Unfunded Debt, 1997 - 2001 (Ksh million)

Outstanding as at 30th June	1997	1998	1999	2000	2001
EXTERNAL DEBT					
Lending Countries					
Germany	5,873.40	6,768.40	5,276.94	5,155.81	4,540.04
Japan	35,843.80	37,495.40	52,181.20	60,987.54	49,629.89
France	10,886.20	9,582.40	10,897.28	10,269.59	11,222.25
U.S.A.	40.40	597.00	4,009.32	4,099.57	4,070.43
Netherlands	5,630.80	6,468.20	7,955.94	4,930.96	7,594.67
Denmark	3,062.20	2,632.20	2,636.23	3,000.76	2,641.82
Finland	406.60	365.00	429.61	411.62	307.80
Other	23,620.40	22,047.00	32,947.48	28,817.01	25,804.11
Total	**85,363.80**	**85,955.60**	**116,334.00**	**117,672.86**	**105,811.02**
International Organizations					
I.D.A	99,288.60	110,489.20	143,412.22	122,940.47	141,910.43
I.B.R.D	7,100.20	5,840.80	4,622.76	2,948.52	1,842.04
African Development Bank	6,640.00	6,278.40	8,147.82	4,507.08	5,010.47
O.P.E.C	938.20	831.80	247.36	223.40	229.81
E.E.C	4,904.80	5,431.20	4,858.86	5,173.08	4,454.46
I.M.F					
Arab League	13.00	14.20	0.00	0.00	0.00
Badea	470.80	440.60	443.36	184.67	83.04
I.F.A.D	1,762.40	2,369.40	1,561.03	1,388.81	1,557.15
C.D.C	-	-	-	-	-
A.D.F	11,624.60	13,387.60	30,599.94	24,041.17	17,204.60
Total	**132,742.60**	**145,083.20**	**193,893.35**	**161,407.21**	**172,291.99**
Total External	**218,106.40**	**231,038.80**	**310,227.35**	**279,080.06**	**278,103.01**
INTERNAL DEBT					
Central Bank of Kenya	200.00	200.00	200.00	200.00	200.00
Other	23,262.40	23,352.00	15,035.80	24,409.11	16,712.46
TOTAL INTERNAL	**23,462.40**	**23,552.00**	**15,235.80**	**24,609.11**	**16,912.46**
TOTAL UNFUNDED DEBT	**241,568.80**	**254,590.80**	**325,463.15**	**303,689.17**	**295,015.46**

6.14. Table 6.11 gives the stocks of public funded debt at book value by holders on local register as at 30th June of 1997 to 2001. The total stocks, which on average marginally declined over the period dropped has been moderately declining over the years dropped by over 50 per cent in 2001. This huge drop was due to maturity of most stocks. The National Social Security Fund and the Treasury experienced the greatest redemptions of stocks with stocks of KSh 1,177.59 million and KSh 116.48 million maturing respectively.

Table 6.11 Public Funded Debt at Book Value by Holders on Local Register as at 30th June, 1997 - 2001 (Ksh million)

	1997	1998	1999	2000	2001
PUBLIC BODIES					
National Social Security Fund	2,611.00	2,525.20	2,306.18	1,936.39	758.80
Central Government	882.80	832.00	809.87	766.78	650.28
Local Government	1.20	1.20	1.00	1.00	1.00
Kenya Post Office Savings Bank	44.00	44.00	33.00	33.00	15.00
Former E.A.Community Institutions*	65.60	65.60	51.15	51.15	0.00
Central Bank	0.00	0.00	0.00	0.00	0.00
Other Public Sector	41.40	41.40	17.43	16.43	7.32
OTHER INTERNAL					
Commercial Banks	100.60	113.20	105.37	94.97	30.70
Insurance Companies	65.40	61.00	46.20	46.20	3.70
Other Companies	146.40	59.40	59.35	59.35	1.00
Private Individuals	1.00	0.80	0.50	0.43	0.03
TOTAL	**3,959.40**	**3,743.80**	**3,430.05**	**3,005.69**	**1,467.83**

Source: Central Bank of Kenya
**And their successors*

6.15. The Central Government debt servicing charges for the period between 1997 to 2001 is given in Table 6.12. The net servicing charges, which has been on the decline since 1998 registered an upturn in 2001 from KSh 77,927.27 in 2000 to KSh 79,452.78 million an equivalent of 1.96 per cent. This increase was as a result of the higher growth in the internal servicing charges which more than offset the decline in external servicing charges. The total annual debt servicing charges experienced a 1.90 per cent growth, due to a 45.4 per cent increased internal debt servicing charges and a drop of 53.4 per cent servicing charges on external debt.

Table 6.12 Central Government Debt Servicing Charges*, 1997 - 2001 (Ksh 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
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	. .	101.43	101.43	29,150.40	143,709.00	172,859.40
1999	31,214.60	66,955.60	98,170.20	. .	327.76	327.76	31,214.60	66,627.80	97,842.40
2000	34,475.62	43,869.95	78,345.57	..	418.30	418.30	34,475.62	43,451.65	77,927.27
2001**	16,047.99	63,786.85	79,834.84	..	382.06	382.06	16,047.99	63,404.79	79,452.78

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

6.16. Table 6.13 gives the relationship between the external debt servicing charges on external debt and the exports of goods and services between 1997 to 2001. The ratio of debt servicing charges , excluding interest payments to IMF to exports of goods and services has declined from 16.31 per cent in 2000 to 6.88 per cent in 2001. The decline was mainly due to reduced external debt service charges, which dropped by 53.45 per cent and a 10.4 per cent increase in the exports of goods and services. The debt service charges reduced during the last year, due to increased domestic borrowing, which attracts higher interest rates.

Table 6.13 Central Government Debt Service Charges on External Debt-Related Exports of Goods and Services, 1997-2001

	Debt Service Charges on External Debt**	Exports of Goods and Services	External Debt Service Charges as a Percentage of Exports of Goods and Services
	(Financial Year)	(Calendar Year)	
	Ksh million	Ksh million	
1997	26,460.40	174,846.20	15.13
1998	29,150.40	171,894.74	16.96
1999	31,214.60	189,264.97	16.49
2001	34,475.62	211,432.70	16.31
2001*	16,047.99	233,423.60	6.88

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

Local Authorities

6.17. After the elevation of Kisumu and Mombasa municipalities to City Council status during 2001/02, local authorities constitute 3 City Councils, 43 Municipalities, 62 Town Councils and 66 County Councils. The Government has continued disbursing funds in an objective and transparent manner to the local authorities through the LATF mechanism. Over the years, the amount of funds disbursed to the local authorities has continued to increase.

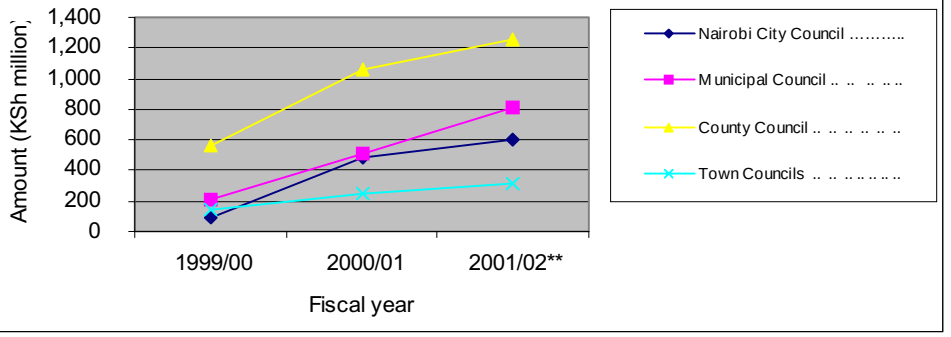
Table 6.14 Central Government Transfer through L.A.T.F to Local Authorities, 1999/00 - 2001/02 (KSh million)

	1999/00	2000/01	2001/02**
Nairobi City Council	89.50	485.32	607.06
Municipal Council	208.54	511.13	816.81
County Council	556.85	1,060.21	1,256.23
Town Councils	145.11	250.23	319.90
TOTAL	**1,000.00**	**2,306.90**	**3,000.00**

Source: Kenya Local Government Reform program

6.18. During the 2001/02 fiscal year, the Central Government increased disbursements to local authorities to KSh 3,000 million from KSh 2,306.90 million in 2000/01, a 30 per cent rise. Table 6.14 shows the amounts of funds transferred to the local authorities through LATF from 1999/00 to 2001/02. Through this mechanism enormous improvement in service delivery, financial management and debt resolution by the local authorities has been achieved. As seen in Fig 6.3, county councils continued to receive the largest share, while town councils got the least apart from 1999/00 when Nairobi City Council received the least amount.

Fig. 6.3. Funds disbursed to Local Authorities through LATF 1999/00-2001/02



6.19. Total Expenditure by Local Authorities, for the period between 1997/98 and 2001/02 is summarised on Table 6.15. The expenditure by all local authorities grew by 10.60 per cent to KSh 12,358.66 million in 2001/02 from KSh 11,173.71 in 2000/01. The expenditure by town councils and municipalities increased by 14.51 per cent and 3.05 per cent respectively, while expenditure by Nairobi City Council registered a 15 per cent growth over the same period.

Table 6.15 Expenditure by Local Authorities, 1997/98 - 2001/02 (Ksh million)

	Local authorities			Town and County Councils	Total
	Nairobi City Council	Other Municipal Councils	Sub-Total		
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	4,201.14	3,066.58	7,267.72	2,516.36	9,784.08
2000/01*	4,277.75	3,991.19	8,268.94	2,904.77	11,173.71
2001/02**	4,919.41	4,112.88	9,032.29	3,326.37	12,358.66

**Provisional*
***Estimates*

6.20. Table 6.16 gives the analysis of current and capital expenditure on main services for municipal councils (includes Nairobi City Council) for the last five financial years. The total expenditure on all services increased by 9.23 per cent. The expenditure on community services and social services registered growths of KSh 71.82 million and KSh 42.84 million respectively. Among the economic services, expenditure on water related activities took the greatest share, followed by that on housing, taking 39.10 and 25.63 per cent respectively. Expenditure on administrative services, which registered a growth of 18.67 per cent in 2001/02, took 30.94 per cent of the total expenditure in 2001/02.

Table 6.16 Municipal Councils: Current and Capital Expenditure on Main Services, 1997/98 - 2001/02 (Ksh million)

		1997/98	1998/99	1999/2000	2000/01*	2001/02**
	ADMINISTRATION	1,995.0	2,236.9	2,145.8	2,354.8	2,794.5
COMMUNITY SERVICES	Roads	271.0	354.3	347.3	585.4	623.5
	Sanitation	1,061.4	546.3	572.7	613.3	649.9
	Other	123.0	136.1	127.2	172.4	169.5
	Total	**1,455.4**	**1,036.6**	**1,047.2**	**1,371.1**	**1,442.9**
SOCIAL SERVICES	Education	357.2	443.9	425.3	475.3	483.6
	Health	879.8	750.6	774.3	843.5	903.5
	Other	52.0	98.7	84.1	224.0	198.5
	Total	**1,289.0**	**1,293.1**	**1,283.7**	**1,542.8**	**1,585.6**
ECONOMIC SERVICES	General Administration	390.0	426.2	475.1	498.7	554.4
	Water Undertaking	1,197.8	1,198.3	1,025.9	1,162.5	1,254.7
	Housing Estates (including staff housing)	355.6	655.8	662.4	785.5	822.7
	Other	283.6	637.4	627.6	553.5	577.5
	Total	**2,227.0**	**2,917.7**	**2,791.0**	**3,000.2**	**3,209.2**
	TOTAL EXPENDITURE	**6,966.4**	**7,484.3**	**7,267.7**	**8,268.9**	**9,032.29**

**Provisional*
***Estimates*

6.21. Details of municipal council expenditure by economic categories are presented on Table 6.17. Both current expenditure and capital expenditure recorded moderate growths. Expenditure on labour costs increased by 7.68 per cent to KSh 4,270.14 million in 2001/02, up from KSh 3,965.44 million in 2000/01. The gross fixed capital formation, which is the major contributor to capital expenditure, increased by 3.17 per cent over the same period. This was due to some road rehabilitation, water and sewerage projects undertaken in some major local authorities. As part of the LATF objectives of gradually eliminating the outstanding debts, the local authorities have increased their budget allocation to loan repayments for the last three years resulting in reduced interest on outstanding loans.

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*	2001/02**
CURRENT EXPENDITURE						
Labour Cost	2,968.60	2,994.2	3,268.4	3,853.4	3,965.4	4,270.1
Other Goods and Services	1,999.80	1,755.4	2,433.6	2,171.4	2,274.2	2,579.1
Transfer to Households & Enterprises	53.80	63.0	52.3	28.4	44.7	52.3
Transfer to Funds (Current)	72.00	89.2	61.3	57.7	68.4	72.7
Interest		9.2	12.4	10.4	9.6	8.9
Total	**5,094.20**	**4,911.0**	**5,828.0**	**6,121.3**	**6,362.3**	**6,983.1**
CAPITAL EXPENDITURE						
Gross Fixed Capital Formation	1,304.20	1,992.2	1,565.8	1,052.4	1,489.6	1,536.9
Loan Repayment***	67.80	54.4	76.3	94.1	417.1	512.4
Transfer to Funds (capital)	33.80	8.8	14.3	..	..	..
Total	**1,405.80**	**2,055.4**	**1,656.3**	**1,146.4**	**1,906.7**	**2,049.2**
TOTAL EXPENDITURE	**6,500.00**	**6,966.4**	**7,484.3**	**7,267.7**	**8,268.9**	**9,032.3**

**Provisional*
***Estimates*
****Includes interest*

Table 6.18 Municipal Councils: Economic Analysis of Revenue, 1997/98-2001/02 (Ksh million)

	1996/97	1997/98	1998/99	1999/00	2000/01*	2001/02+
CURRENT REVENUE						
Direct Taxes (Rates**)	1,742.40	1,742.40	1,598.52	1,723.54	1,837.39	1,922.55
Indirect Taxes (Licences and cesses)	563.00	359.80	324.67	623.44	692.30	722.21
Income from Property	419.60	309.20	328.98	389.99	408.52	451.65
Current Transfers	22.40	10.00	1.39	299.86	998.83	1,426.22
Sale of Goods and Services***	2,254.40	2,147.00	3,267.28	3,103.19	3,272.16	3,438.48
TOTAL	**5,001.80**	**4,568.40**	**5,520.84**	**6,140.02**	**7,209.20**	**7,961.12**
CAPITAL REVENUE						
Loans Raised	62.00	818.20	422.34	403.52	387.53	250.35
Loan Repayment	9.40	8.20	7.39	6.41	5.37	4.86
TOTAL	**71.40**	**826.40**	**429.73**	**409.93**	**392.90**	**255.21**
TOTAL REVENUE	**5,073.20**	**5,394.80**	**5,950.57**	**6,549.95**	**7,602.09**	**8,216.32**

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

6.22. Information on economic analysis of revenue for municipal council from the fiscal year, 1997/98 to 2001/02 is given in Table 6.18. The total revenue generated by the municipalities, which has been on the increase for the reference period accelerated further in 2001/02 by 8.08 per cent from KSh 7,602.09 million in 2000/01 to KSh 8,216.32 million. The current revenue increased by 10.43 per cent. This may be attributed to enhanced efficiency in local authorities in revenue collection and increased allocation from the Central Government through the LATF mechanism. The capital revenue however dropped by 35.04 per cent.

6.23. Table 6.19 shows both economic analyses of expenditure and revenue by town and county council. The total expenditure continued to outweigh total revenue over the reference period. Expenditure by towns and county councils is expected to rise by 14.51 per cent from KSh 2,904.77 million in 2000/01 to KSh 3,326.37 million in 2001/02. The local authorities expenditure on labour costs, the main expense, took 57.3 per cent of the total budget in 2001/02. Receipts are estimated to increase from KSh 2,400.73 million to KSh 2,866.91 million over the same period. The main sources of revenue continued to be taxes, current transfers and sale of goods and services contributing 28.68, 55.2 and 14.21 per cent respectively. The current transfers have increased significantly for the last three years due to the funds transferred through the LATF.

Table 6.19 Town and County Councils: Economic Analysis of Expenditure and Revenue, 1997/98 - 2001/02 (Ksh million)

	1996/97	1997/98	1998/99	1999/00	2000/01*	2001/02+
CURRENT EXPENDITURE						
Labour Cost	890.20	1,133.80	1,423.75	1,496.66	1,642.36	1,906.97
Other Goods and Services	504.80	418.40	544.85	621.20	726.97	840.45
Transfer to households & Enterprises	80.60	154.80	146.43	164.74	163.98	175.65
Transfer to Funds (Current)	118.60	27.60	26.45	34.86	41.24	62.38
Interest	..	..	..	..	..	..
Total	**1,594.20**	**1,734.60**	**2,141.48**	**2,317.45**	**2,574.55**	**2,985.45**
CAPITAL EXPENDITURE						
Gross Fixed Capital Formation	124.20	202.60	215.35	263.42	296.54	304.22
Loan Repayments**		13.00	16.84	28.70	33.69	36.71
Transfer to Funds (capital)	6.00	..	..	..	..	..
Total	**130.20**	**215.60**	**232.19**	**292.12**	**330.23**	**340.93**
TOTAL EXPENDITURE	**1,724.40**	**1,950.20**	**2,373.67**	**2,609.57**	**2,904.77**	**3,326.37**
CURRENT REVENUE						
Direct Taxes (Rates***)	264.40	79.40	124.32	176.46	204.37	259.10
Indirect Taxes (Licences and cesses)	325.40	267.40	254.26	316.24	440.69	563.19
Income from Property	37.60	15.00	22.35	31.55	44.33	51.67
Current Transfers	0.40	1.20	2.36	704.62	1,315.07	1,583.78
Sale of Goods and Services++	591.60	957.40	857.65	356.42	384.19	407.37
Total	**1,219.40**	**1,320.40**	**1,260.94**	**1,585.29**	**2,388.63**	**2,865.11**
CAPITAL REVENUE						
Loans Raised	1.60	0.40	0.60	0.94	12.10	1.80
Loans Repayments	0.00	0.00	0.00	0.00	0.00	0.00
Total	**1.60**	**0.40**	**0.60**	**0.94**	**12.10**	**1.80**
TOTAL REVENUE	**1,221.00**	**1,320.80**	**1,261.54**	**1,586.23**	**2,400.73**	**2,866.91**

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

Chapter 7

International Trade and Balance of Payments

Overview

Indicators of international trade for 2001, show that the trade deficit widened considerably when compared to the previous year. The level of imports rose sharply while exports only managed a marginal growth. These developments are reflected in exports/import ratio, which stood at 50.9 per cent in 2001 compared to 54.3 per cent in 2000. The increase in imports was principally due to increases in non-food industrial supplies and transport equipment.

7.2. The volume of trade expanded by 14.5 per cent compared to 16.2 per cent growth in 2000. Tea, horticulture, petroleum products and coffee accounted for over 61.1 per cent of domestic export earnings.

7.3. The current account deficit widened to KSh 24,969 million in 2001 from KSh 15,512 million, primarily because of higher imports values in merchandise trade and decline in private transfers. The capital and financial account surplus improved to KSh 28,900 million from KSh 24,522 million in 2000. The overall balance of payments position recorded a surplus of KSh 1,3072 million compared to a surplus of KSh 8,243 million in 2000.

Balance of Trade

7.4. The volume of international trade increased substantially as indicated in Table 7.1 in 2001. Domestic exports continued to perform sluggishly increasing only by 1.4 per cent in 2001. Re-exports which more than doubled in 2000, expanded by over three quarters in 2001. These resulted in a 9.7 per cent rise in total exports, equal to the previous years growth. Total imports however rose faster than exports recording a 17.1 per cent increase. These developments exacerbated the balance of trade deficit, which widened from KSh 113,277 million in 2000 to KSh 142,518 million in 2001. The export import cover ratio continued with the downward trend dropping to 50.9 per cent compared to 54.3 per cent in 2000. This is reflected in figure 7.1, which shows the widening trend of the trade deficit.

Figure 7.1: Balance of Trade

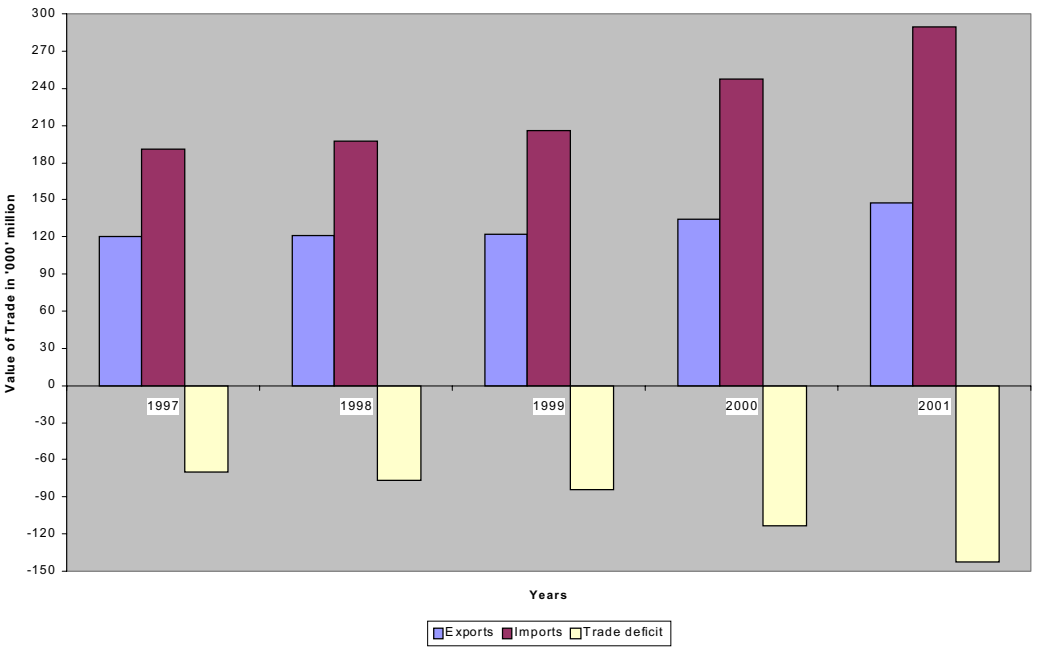


Table 7.1: BALANCE OF TRADE, 1997 - 2001, KShs. million					
DESCRIPTION	**1997**	**1998**	**1999**	**2000**	**2001***
EXPORTS (f.o.b) :					
Domestic Exports	114,459	114,445	115,406	119,764	121,434
Re-exports	5,986	6,735	7,153	14,763	26,156
Total	120,445	121,181	122,559	134,527	147,590
IMPORTS (c.i.f)					
Commercial	185,283	190,538	199,808	240,473	285,107
Government	5,391	7,251	6,592	7,331	5,001
Total	**190,674**	**197,789**	**206,401**	**247,804**	**290,108**
BALANCE OF TRADE	(70,228)	(76,608)	(83,842)	(113,277)	(142,518)
TOTAL TRADE	**311,119**	**318,969**	**328,960**	**382,331**	**437,698**
COVER RATIO	63.2	61.3	59.4	54.3	50.9

**Provisional*

Price Changes

7.5. Unit price indices for export and import according to Standard International Trade Classification (SITC) groups are presented in Table 7.2. Export price indices for all items as well as non-oil and rose by 2.7 per cent and 0.8 per cent respectively. Likewise, import price indices for all imports as well as non-oil imports rose by 9.2 percentage points and 13.8 percentage points, respectively. This shows exports prices were slow in growth, relative to import prices.

7.6. There was remarkable rise in the export price indices of both animals and vegetable oils and fats, and manufactured goods, which recorded growth of 49.5 per cent and 37.6 per cent respectively.

7.7. With exception of mineral fuels and miscellaneous manufactured articles, all other categories recorded growths in import price indices. Chemicals, manufactured goods, and machinery and transport equipment registered notable increases in import price indices (items).

Table 7.2, PRICE INDICES, 1997 - 2001, 1982=100									
DESCRIPTION	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000***	**2001***
EXPORTS:									
Food and live animals	475	534	558	530	752	755	651	613	536
Beverages and tobacco	737	401	390	632	633	619	614	641	793
Crude materials, (inedible)	465	561	510	625	669	670	563	666	854
Mineral fuels	276	297	310	383	351	346	370	575	637
Animal and vegetable oils and fats	344	727	316	229	173	247	274	358	536
Chemicals	516	491	480	529	621	546	611	545	539
Manufactured goods	458	497	600	677	636	644	673	920	1,266
Machinery and transport equipment	436	204	222	496	513	547	526	315	359
Miscellaneous manufactured articles	527	488	644	514	552	656	775	714	854
All Exports	438	450	489	519	608	615	576	620	637
Non-oil Exports	483	486	530	549	679	689	631	632	637
IMPORTS:									
Food and live animals	551	369	487	408	475	475	456	453	503
Beverages and tobacco	821	677	636	828	769	845	804	965	976
Crude materials, (inedible)	480	472	472	488	718	668	393	428	445
Mineral fuels	309	257	273	358	357	267	401	612	584
Animals and vegetable oils and fats	527	571	743	728	759	848	684	598	563
Chemicals	776	743	603	637	789	804	976	976	1,126
Manufactured goods	613	634	669	573	678	663	623	633	793
Machinery and transport equipment	569	589	629	767	792	1,040	945	1,032	1,219
Miscellaneous manufactured articles	565	492	641	676	756	840	958	876	791
All imports	486	445	513	560	598	614	667	739	807
Non-oil Imports	594	536	550	577	629	718	700	710	808

** provisional*

Terms of Trade

7.8. Terms of trade, which is the ratio of export price 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 worsened in 2001. Terms of trade for all items and non-oil items deteriorated by 6.0 per cent and 11.4 per cent respectively. This reflects the relatively better prices enjoyed by imports over exports prices in the international commodity markets.

Table 7.3, TERMS OF TRADE, 1997 - 2001, 1982=100									
DESCRIPTION	1993	1994	1995	1996	1997	1998	1999	2000*	2001*
All Items	90	101	95	93	102	100	86	84	79
Non-oil Items	81	91	96	95	108	96	90	89	79

** provisional*

Volume Changes

7.9. Changes in the volume of trade as measured by export and import quantum indices for the various SITC groups are detailed in Table 7.4. The quantum index for exports in 2001 compared with 2000 presents mixed performances between the various SITC groups. Overall, quantum index for all exports and non-oil exports rose by 6.8 per cent and 1.9 per cent respectively. The slight rise in volume was largely attributable to increase in export volumes of beverages and tobacco, mineral fuels, and machinery and transport equipment. Beverages and tobacco category increased by 10.8 per cent, mainly because of rise in export quantities of tea, and tobacco and tobacco manufactures. Other notable changes in export quantities were increases of 39.3 per cent for mineral fuels, a 54.3 per cent for machinery and transport equipments. Notable declines in export quantities were in manufactured goods, and animals and vegetable oils and fats with 15.6 per cent and 23.3 per cent respectively.

Table 7.4, QUANTUM-INDICES, 1997 - 2001, 1982 =100						
DESCRIPTION	**1996**	**1997**	**1998**	**1999**	**2000**	**2001***
EXPORTS:						
Food and live animals	200	138	148	172	194	199
Beverages and tobacco	1,112	988	971	755	909	1,007
Crude materials, (inedible)	170	158	150	203	202	199
Mineral fuels	74	106	106	105	109	152
Animal and vegetable oils and fats	9,237	13,601	10,241	8,257	3,637	2,791
Chemicals	383	332	366	334	348	351
Manufactured goods	308	340	267	240	179	151
Machinery and transport equipment	204	232	307	246	404	624
Miscellaneous manufactured articles	809	697	568	556	619	567
All Exports	200	174	173	186	191	204
Non-oil Exports	239	193	191	209	219	222
IMPORTS:						
Food and live animals	348	608	493	358	585	670
Beverages and tobacco	122	179	191	205	254	384
Crude materials, (inedible)	224	180	274	430	433	539
Mineral fuels	115	129	190	115	159	151
Animals and vegetable oils and fats	219	194	197	254	256	344
Chemicals	230	187	191	168	259	180
Manufactured goods	219	192	182	215	207	157
Machinery and transport equipment	142	150	125	130	144	298
Miscellaneous manufactured articles	200	202	222	247	237	203
All imports	167	177	179	162	187	222
Non-oil Imports	216	225	204	207	228	253

** Provisional*

7.10. Quantum index for all imports rose by 18.6 per cent largely due to substantial higher import quantities of machinery and transport equipment, which more than doubled, beverages and tobacco which increased by 51.1 per cent, and animals and vegetables oils and fats which increased by 34.1 per cent. On the other hand, import quantities of chemicals and manufactured goods fell by 30.5 per cent and 24.2 per cent respectively. Trends of quantities of principal imports are detailed in Table 7.6.

Value of Principal Exports and Imports

7.11. Values of principal exports and imports are shown in Table 7.5. Kenya's export trade is still dominated by a few products namely tea, horticulture, petroleum products and coffee. These commodities jointly accounted for 61.1 per cent of domestic export earnings in 2001 compared to 64.7 per cent in 2000. Export value of tea and horticulture dropped by 1.9 per cent and 6.5 per cent respectively. The importance of coffee as a major export is fast declining, as its export, value has been consistently on the downward trend in the last five years. In 2001, coffee export earnings declined by 36.3 per cent and was consequently overtaken by petroleum products as the third highest export earner. Value of fish exported increased by 30.7 per cent. Other notable increases in exports earnings were in tobacco products, hides and skins, soda ash, pyrethrum products, animals and vegetable oils, and iron and steel.

7.12. The import bill of crude petroleum decreased by 25.6 per cent from KSh41,907 million in 2000 to KSh 31,179 million in 2001 while that for petroleum products increased by 19.6 per cent from KSh 21,773 million in 2000 to KSh 26,035 million in 2001. These were as a consequent of significant reduction of petroleum products prices in the international commodities market. Import value of agricultural machinery and tractors rose by 31.4 per cent in the review period as opposed to 22.5 per cent reduction in 2000.

Table 7.5, Value of Principal Exports and Imports, 1997 - 2001, Ksh. Million					
Commodity	1997	1998	1999	2000*	2001*
DOMESTIC EXPORTS					
Fish and fish preparations	3,076	2,791	2,267	2,953	3,858
Maize(raw)	56	130	488	33	18
Meals and flours of wheat	838	971	423	201	155
Horticulture	13,752	14,938	17,641	21,216	19,846
Sugar confectionery	846	833	874	1,326	1,576
Coffee, unroasted	16,856	12,817	12,029	11,707	7,460
Tea	24,126	32,971	33,065	35,150	34,485
Margarine and shortening	997	1,413	1,309	246	245
Beer made from malt	684	638	202	69	29
Tobacco and tobacco manufactures	1,725	1,607	1,554	2,167	2,887
Hides and skins (undressed)	165	128	311	494	635
Sisal	723	689	636	606	728
Stone, sand and gravel	182	174	166	123	85
Fluorspar	366	213	501	644	652
Soda ash	1,325	1,236	1,280	1,440	1,993
Metal scrap .	207	114	147	153	123
Pyrethrum extract	1,371	716	656	704	993
Petroleum products	7,156	9,127	9,555	9,429	12,345
Animal and Vegatable oils	2,197	2,396	2,186	1,204	1,298
Medicinal and pharmaceutical products	1,796	1,663	1,657	2,350	1,570
Essential oils	3,267	3,364	3,361	2,116	2,470
Insecticides and fungicides	601	678	501	465	523
Leather	602	495	387	486	576
Wood manufactures n.e.s	297	371	384	388	449
Paper and paperboard	499	499	618	713	784
Textile yarn	493	308	303	488	518
Cement	2,289	1,443	1,248	1,358	1,031
Iron and steel	5,200	3,824	2,757	2,605	3,673
Metal containers	281	289	193	97	121
Wire products: nails screws, nuts, etc.	298	253	181	113	117
Footwear	1,135	914	1,121	1,140	1,204
Articles of plastics	1,737	1,999	1,573	2,104	2,572
All other Commodities	19,318	14,444	15,831	15,476	16,415
GRAND TOTAL	**114,459**	**114,445**	**115,406**	**119,764**	**121,434**
IMPORTS					
Wheat, unmilled	4,204	4,794	5,899	6,989	7,515
Rice	982	918	1,013	1,968	2,619
Maize	12,619	4,758	906	4,664	3,342
Wheat flour	490	278	194	180	636
Sugars, Mollases and Honey	1,421	4,232	1,468	2,730	6,648
Textile fibres and their waste	1,356	1,411	4,747	1,636	1,605
Second - hand clothing	672	2,043	3,695	2,360	2,937
Crude Petroleum	16,825	15,036	22,355	41,907	31,179
Petroleum Products	12,189	16,318	18,433	21,773	26,035
Animal/vegetable fats and oils	7,701	8,750	9,184	8,016	10,125
Organic & inorganic chemicals	4,256	4,490	4,418	4,546	5,865
Medicinal & Pharmaceauticals Products	5,563	6,559	6,373	5,976	7,188
Essential oils & pefumes	1,375	1,392	1,652	1,583	1,984
Chemical Fertilizers	4,379	3,516	5,488	5,448	6,307
Plastics in primary & non-primary forms	7,337	7,128	7,083	8,446	9,131
Paper and Paperboard	2,556	2,536	2,305	2,613	3,978
Iron and Steel	10,759	7,900	9,103	8,604	11,969
Non-ferrous metals	2,635	2,109	2,153	2,404	3,601
Hand & machine tools	735	836	861	792	691
Industrial Machinery	28,014	31,262	30,753	39,438	37,933
Agricultural Machinery and Tractors	1,506	1,537	1,247	966	1,270
Road Motor Vehicles	14,312	14,681	11,906	9,659	14,524
All other Commodities	48,787	55,305	55,165	65,106	93,026
GRAND TOTAL	**190,674**	**197,789**	**206,401**	**247,804**	**290,108**

** Provisional*

7.13. With the exception of maize, textile fibres, industrial machinery, hand and machine tools and crude petroleum, all other principal imports recorded growths in 2001. As observed in 2000 imports of food items in 2001, mainly wheat, rice and sugars recorded huge increases whereas maize imports fell by 28.4 per cent due to good harvest realised. There were substantial increases in import bill for wheat (unmilled) and rice as more quantities were imported to meet the domestic deficit. Importation of sugars, molasses and honey tripled as that of second hand clothing which rose by 24.4 per cent. Other notable increases in imports were in chemicals, animal and vegetable fats and oils, medicinal and pharmaceutical products and iron and steel.

7.14. Breakdown of quantities of principal exports and imports are summarized in Table 7.6. Quantity of tea exported increased by 25.5 per cent from 217,282 tonnes in 2000 to 270,473 tonnes in 2001 principally due to favourable weather conditions. The export quantities of horticulture decreased by less than one per cent, as that of coffee dropped by 26.9 per cent. Quantities of exported tobacco products almost doubled while hides and skins, iron and steel, essential oils and fish and fish products also registered notable increases. Quantities of cement, beer, leather and fluorspar exported fell markedly while that of soda ash rose moderately. With the exception of crude petroleum, paper and paperboard, and maize, all other quantities of principal imports rose. Import quantity of crude petroleum fell by 13.4 per cent while that of petroleum rose by 80.9 per cent.

Table 7.6, Quantities of Principal Exports and Imports, 1997 - 2001

Commodity	Unit of Quantity	1997	1998	1999	2000*	2001*
DOMESTIC EXPORTS						
Fish and fish preparations	Tonne	17,438	14,332	15,951	16,855	18,536
Maize(raw)	Tonne	2,637	9,126	40,520	488	420
Meals and flours of wheat	Tonne	29,992	43,865	21,288	11,049	8,845
Horticulture **	Tonne	192,629	232,217	200,624	193,918	193,230
Sugar confectionery	Tonne	10,408	9,179	8,628	13,343	16,436
Coffee, unroasted	Tonne	70,066	51,578	71,581	86,982	63,608
Tea	Tonne	199,224	263,771	260,177	217,282	270,473
Margarine and shortening	Tonne	13,040	18,746	16,531	3,590	3,911
Beer made from malt	000 Lt.	24,902	23,486	7,978	2,142	880
Tobacco and tobacco manufactures	Tonne	8,520	6,993	6,706	8,452	13,659
Hides and Skins	Tonne	2,564	2,118	7,302	7,555	10,030
Sisal	Tonne	19,154	17,650	16,830	16,753	17,857
Stone, sand and gravel	Tonne	432	56,907	596	52,483	28,989
Fluorspar	Tonne	72,300	45,618	83,707	103,944	70,232
Soda Ash	Tonne	213,190	214,470	210,350	236,051	273,839
Metal scrap	Tonne	1,775	2,151	2,096	2,332	2,268
Pyrethrum Extract	Tonne	441	216	623	165	235
Petroleum Products	Mn. Lt.	587	792	765	1,155	845
Animal and Vegetable oils	Tonne	40,120	40,751	31,651	23,056	29,161
Medicinal and pharmaceutical products	Tonne	4,083	3,758	3,621	3,149	3,549
Essential oils	Tonne	41,043	43,800	36,380	16,212	17,771
Insecticides and fungicides	Tonne	3,122	2,938	2,156	1,859	2,379
Leather	Tonne	5,864	4,602	3,899	5,915	3,847
Wood manufactures n.e.s	Tonne	1,765	2,246	1,814	2,110	2,182
Paper and paperboard	Tonne	8,692	11,340	14,074	13,874	14,671
Textile yarn	Tonne	1,990	1,123	1,361	2,814	2,142
Cement	Tonne	690,392	417,239	283,717	301,157	232,924
Iron and steel	Tonne	131,011	100,406	77,372	64,891	91,900
Metal containers	Tonne	1,819	2,243	1,969	645	822
Wire products: nails screws, nuts, etc.	Tonne	5,921	6,570	3,629	2,301	2,294
Footwear	' 000' Pairs	28,158	28,296	30,113	28,747	33,570
Articles of plastic***	-	-	-	-	-	-
IMPORTS						
Wheat, unmilled	Tonne	388,138	478,865	578,543	636,045	617,542
Rice	Tonne	62,435	62,893	53,358	105,803	172,246
Maize, unmilled	Tonne	1,101,105	368,761	73,520	409,416	308,606
Wheat flour	Tonne	23,560	15,307	13,777	10,512	26,886
Sugars, Mollases and Honey	Tonne	58,347	210,745	62,917	119,417	268,781
Textile fibres and their waste	Tonne	16,054	16,611	18,829	18,913	19,388
Second - hand clothing	Tonne	18,417	50,876	50,274	47,956	56,030
Crude Petroleum	Tonne	1,833,744	2,157,695	2,139,253	2,452,336	1,965,537
Petroleum products	Mn. Lt.	1,145	1,874	1,563	1,548	2,801
Animal/vegetable fats and oils	Tonne	234,998	217,048	263,956	270,450	407,488
Organic & inorganic chemicals	Tonne	84,929	105,107	54,330	81,934	144,721
Medicinal and pharmaceutical products	Tonne	7,286	9,403	6,032	6,341	7,207
Essential oils & pefumes	Tonne	5,633	7,513	9,343	6,758	7,691
Chemical fertilizers	Tonne	286,902	229,105	345,180	337,524	392,531
Plastics in primary & non-primary forms	Tonne	111,045	138,374	122,978	114,337	188,745
Paper and Paperboard	Tonne	59,909	54,210	49,794	89,212	69,726
Iron and steel	Tonne	394,173	137,811	361,835	298,204	410,851
Non-ferrous metals	Tonne	24,707	18,180.30	18,581	16,382	29,225
Hand & machine tools	"000"No	9,148	9,428	9,246	10,057	10,039
Industrial Machinery***	-	-	-	-	-	-
Agricultural Machinery and Tractors***	-	-	-	-	-	-
Road Motor Vehicles	Nos.	34,986	30,565	55,988	16,661	89,104

** 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. The trend of unit prices of principal exports and imports are shown in Table 7.7. More than half of the principle exports recorded drop in export prices. The export price of tea, which has consistently trended upwards, dropped by 21.2 per cent, a reflection of the reduced world prices. The export prices of horticulture and coffee also fell by 6.1 per cent and 12.9 per cent respectively. Among the mineral products, export price of fluorspar and soda ash rose by 49.8 per cent and 19.3 per cent respectively but of cement marginally dropped. Marked price drops were recorded in maize, tobacco products, animal and vegetable oils and pharmaceutical products. Fish and fish preparations, leather and textile yarn recorded significant export price increases.

7.16. Selected exports commodities for the years 2000 and 2001 together with their percentage changes in value, quantity and unit prices are presented in Table 7.8. The quantity of tea rose by 24.5 per cent, which more than neutralised the 21.2 per cent drop in export price, resulting in lower export earnings by 1.9 per cent. Lower export earnings from horticulture, cement and coffee were caused by reduction in both export quantities and prices. While exports value of pharmaceutical products dropped as a consequence of reduction of prices. Export value of tobacco products, pyrethrum extract, iron and steel and essential oils accelerated considerably essentially due to marked increase in quantities exported.

Table 7.7, Prices of Principal Exports and Imports, 1997 - 2001, (KSh./Unit)

Commodity	Unit	1997	1998	1999	2000	2001*
DOMESTIC EXPORTS						
Fish and fish preparations	Kg	176	195	142	175	208
Maize (raw)	Tonne	21,083	14,210	12,044	67,679	42,857
Meals and flours of wheat	Tonne	27,930	22,136	19,870	18,192	17,524
Horticulture	Kg	71	64	88	109	103
Sugar confectionery	Kg	81	91	101	99	96
Coffee, unroasted	Kg	247	249	168	135	117
Tea	Kg	121	125	127	162	127
Margarine and shortening	Kg	76	75	79	69	63
Beer made from malt	Lt.	27	27	25	32	33
Tobacco and tobacco manufactures	Kg	202	230	232	256	211
Hides and Skins(undressed)	Kg	64	60	43	65	63
Sisal	Tonne	37,751	39,023	37,803	36,173	40,768
Stone, sand and gravel	Tonne	421,657	3,058	278,523	2,344	2,932
Fluorspar	Tonne	5,059	4,675	5,984	6,196	9,284
Soda Ash	Tonne	6,216	5,764	6,085	6,100	7,278
Metal scrap	Tonne	116,424	52,983	70,116	65,609	54,233
Pyrethrum Extract	Kg	3,111	3,314	1,053	4,267	4,226
Petroleum Products	Lt.	12	12	12	8	15
Animal and Vegetable oils	Kg	55	59	69	52	45
Medicinal and pharmaceutical products	Kg	440	442	457	746	442
Essential oils	Kg	80	77	92	131	139
Insecticides and fungicides	Kg	192	231	233	250	220
Leather	Kg	103	108	99	82	150
Wood manufactures n.e.s	Tonne	168,039	165,274	211,383	184,062	205,775
Paper and paperboard	Tonne	57,440	44,005	43,908	51,391	53,439
Textile yarn	Kg	248	274	223	173	242
Cement	Tonne	3,316	3,459	4,398	4,509	4,426
Iron and steel	Tonne	39,689	38,082	35,639	40,144	39,967
Metal containers	Tonne	154,487	128,996	97,771	150,614	147,202
Wire products: nails screws, nuts, etc.	Tonne	50,329	38,508	49,879	49,103	51,003
Footwear	Pair	40	32	37	40	36
Articles of plastics	-	-	-	-	-	-
IMPORTS						
Wheat, unmilled	Tonne	10,832	10,012	10,196	10,988	12,169
Rice	Tonne	15,732	14,593	18,993	18,598	15,205
Maize, unmilled	Tonne	11,460	12,902	12,317	11,393	10,829
Wheat flour	Tonne	20,798	18,162	14,081	17,145	23,655
Sugars, Mollases and Honey	Tonne	24,347	20,081	23,332	22,862	24,734
Textile fibres and their waste	Tonne	84,463	84,944	252,112	86,512	82,783
Second - hand clothing	Tonne	36,488	40,156	73,497	49,217	52,418
Crude Petroleum	Tonne	9,175	6,969	10,450	17,089	15,863
Petroleum products	Lt.	11	9	12	14	9
Animal/vegetable fats and oils	Kg	33	40	35	30	25
Organic & inorganic chemicals	Kg	50	43	81	55	41
Medicinal & Pharmaceuticals Products	Kg	764	698	1,057	942	997
Essential oils & perfumes	Kg	244	185	177	234	258
Chemical fertilizers	Tonne	15,262	15,346	15,899	16,141	16,068
Plastics in primary & non-primary forms	Tonne	66,076	51,510	57,598	73,871	48,377
Paper and Paper Products	Tonne	42,671	46,787	46,293	29,289	57,052
Iron and steel	Tonne	27,295	57,322	25,157	28,852	29,132
Non-ferrous metals	Tonne	106,641	115,978	115,854	146,720	123,217
Hand & machine tools	Mn. No.	80	89	93	79	69
Industrial Machinery	-	-	-	-	-	-
Agricultural Machinery and Tractors	-	-	-	-	-	-
Road Motor Vehicles	No.	409,080	480,326	212,649	579,732	163,001

* *Provisional.*

Table 7.8, Domestic Exports change in value, quantity and price*, 2000 - 2001

Commodity	Value (Kshs million)				Quantity				
	2000**	2001**	Changes	%-change	U/Qty.	2000**	2001**	Changes	%-chang
Fish and fish preparations	2,953	3,858	905	30.65	Tonne	16,855	18,536	1,681	9.9
Maize(raw)	33	18	-15	-45.45	Tonne	488	420	-68	-13.8
Meals and flours of wheat	201	155	-46	-22.89	Tonne	11,049	8,845	-2,204	-19.9
Horticulture	21,216	19,846	-1,370	-6.46	Tonne	193,918	193,230	-688	-0.3
Sugar confectionery	1,326	1,576	250	18.85	Tonne	13,343	16,436	3,093	23.1
Coffee, unroasted	11,707	7,460	-4,247	-36.28	Tonnes	86,982	63,608	-23,374	-26.8
Tea	35,150	34,485	-665	-1.89	Tonne	217,282	270,473	53,191	24.4
Margarine and shortening	246	245	-1	-0.41	Tonne	3,590	3,911	321	8.9
Beer made from malt	69	29	-40	-57.97	000 Lt.	2,142	880	-1,262	-58.9
Tobacco and tobacco manufactures	2,167	2,887	720	33.23	Tonnes	8,452	13,659	5,207	61.6
Hides and skins (undressed)	494	635	141	28.54	Tonnes	7,555	10,030	2,475	32.7
Sisal	606	728	122	20.13	Tonnes	16,753	17,857	1,104	6.5
Stone, sand and gravel	123	85	-38	-30.89	Tonne	52,483	28,989	-23,494	-44.7
Fluorspar	644	652	8	1.24	Tonne	103,944	70,232	-33,712	-32.4
Soda ash	1,440	1,993	553	38.40	Tonne	236,051	273,839	37,788	16.0
Metal scrap .	153	123	-30	-19.61	Tonne	2,332	2,268	-64	-2.7
Pyrethrum extract	704	993	289	41.05	Tonne	165	235	70	42.4
Petroleum products	9,429	12,345	2,916	30.93	Mn. Lt.	1,155	845	-310	-26.8
Animal and Vegatable oils	1,204	1,298	94	7.81	Tonne	23,056	29,161	6,105	26.4
Medicinal and pharmaceutical products	2,350	1,570	-780	-33.19	Tonne	3,149	3,549	400	12.7
Essential oils	2,116	2,470	354	16.73	Tonne	16,212	17,771	1,559	9.6
Insecticides and fungicides	465	523	58	12.47	Tonne	1,859	2,379	520	27.9
Leather	486	576	90	18.52	Tonne	5,915	3,847	-2,068	-34.9
Wood manufactures n.e.s	388	449	61	15.62	Tonne	2,110	2,182	72	3.4
Paper and paperboard	713	784	71	9.96	Tonne	13,874	14,671	797	5.7
Textile yarn	488	518	30	6.15	Tonne	2,814	2,142	-672	-23.8
Cement	1,358	1,031	-327	-24.08	Tonne	301,157	232,924	-68,233	-22.6
Iron and steel	2,605	3,673	1,068	41.00	Tonne	64,891	91,900	27,009	41.6
Metal containers	97	121	24	24.62	Tonne	645	822	177	27.5
Wire products: nails screws, nuts, etc.	113	117	4	3.56	Tonne	2,301	2,294	-7	-0.3
Footwear	1,140	1,204	64	5.61	' 000' Pairs	28,747	33,570	4,823	16.7
Articles of plastics	2,104	2,572	468	22.24	-	-	-	-	-
All other Commodities	15,476	16,415	-731	-4.72	-	-	-	-	-
TOTAL	**119,764**	**121,434**			**-**	**-**	**-**	**-**	**-**

** Excluding Re-exports*
*** Provisional*

Table 7.9, IMPORT CHANGE IN VALUE, QUANTITY AND PRICE *, 2000 - 2001

Commodity	Value (Ksh. million)				Quantity					
	2000**	20001*	Change	%-change	U/Qty.	2000**	2001*	Change	%-change	2000
Wheat, unmilled	6,989	7,515	526.27	7.53	Tonne	636,045	617,542	-18,503	-2.9	10,
Rice	1,968	2,619	651.22	33.09	Tonne	105,803	172,246	66,443	62.8	18,
Maize	4,664	3,342	(1,322.38)	(28.35)	Tonne	409,416	308,606	-100,810	-24.6	11,
Wheat flour	180	636	455.77	252.89	Tonne	10,512	26,886	16,374	155.8	17,
Sugars, Mollases and Honey	2,730	6,648	3,917.93	143.51	Tonne	119,417	268,781	149,364	125.1	22,
Textile fibres and their waste	1,636	1,605	(31.20)	(1.91)	Tonne	18,913	19,388	475	2.5	86,
Second - hand clothing	2,360	2,937	576.74	24.44	Tonne	47,956	56,030	8,074	16.8	49,
Crude Petroleum	41,907	31,179	(10,728.19)	(25.60)	Tonne	2,452,336	1,965,537	-486,799	-19.9	17,
Petroleum Products	21,773	26,035	4,261.97	19.57	Mn. Lt.	1,548	2,801	1,253	80.9	14,065,
Animal/vegetable fats and oils	8,016	10,125	2,109.16	26.31	Tonne	270,450	407,488	137,038	50.7	29,
Organic & inorganic chemicals	4,546	5,865	1,319.41	29.03	Tonne	81,934	144,721	62,787	76.6	55,
Medicinal & Pharmaceauticals Products	5,976	7,188	1,212.24	20.29	Tonne	6,341	7,207	866	13.7	942,
Essential oils & pefumes	1,583	1,984	400.80	25.32	Tonne	6,758	7,691	933	13.8	234,
Chemical Fertilizers	5,448	6,307	858.95	15.77	Tonne	337,524	392,531	55,007	16.3	16,
Plastics in primary & non-primary forms	8,446	9,131	684.81	8.11	Tonne	114,337	188,745	74,408	65.1	73,
Paper and Paperboard	2,613	3,978	1,365.06	52.24	Tonne	89,212	69,726	-19,486	-21.8	29,
Iron and Steel	8,604	11,969	3,365.21	39.11	Tonne	298,204	410,851	112,647	37.8	28,
Non-ferrous metals	2,404	3,601	1,197.43	49.82	Tonne	16,382	29,225	12,843	78.4	146,
Hand & machine tools	792	691	(101.44)	(12.80)	"000"No	10,057	10,039	-18	-0.2	78,
Industrial Machinery	39,438	37,933	(1,505.00)	(3.82)	-	-	-	-	-	
Agricultural Machinery and Tractors	966	1,270	303.81	31.44	-	-	-	-	-	
Road Motor Vehicles	9,659	14,524	4,865.09	50.37	Nos.	16,661	89,104	72,443	434.8	579,
All other Commodities	65,106	93,026	27,920.34	42.88	-	-	-	-	-	
GRAND TOTAL	**247,804**	**290,108**	**42,304**	**17.07**	**-**	**-**	**-**	**-**	**-**	**-**

** Excluding Re-exports*
*** Provisional*

7.17. Total domestic exports classified by Broad Economic Category (BEC) are presented in Table 7.10. Although about half of export earnings still accrue from the exportation of food and beverages, the share of earnings from this category has been declining for the last three years, dropping to 49.2 per cent in 2001 from 56.3 per cent in 2000.

7.18. The share of non-food industrial supplies, which has been on the decline, is gaining momentum, albeit at a slow pace as its share rose to 22.7 in 2001, up from 19.1 and 17.8 in 2000 and 1999 respectively. The share of items under fuel and lubricants also improved by 1.7 percentage points.

7.19. Overall, export earnings from food and beverages dropped to KSh 59,717 million in 2001 from KSh 67,390 million in 2000 or 11.4 per cent drop. Under this group, earnings from primary agricultural products went down by 16.1 per cent while that from processed agricultural

7.20. Products went up by 13.7 per cent. Export earnings from machinery and other capital equipment grew by 15.6 per cent, while earnings from transport equipments fell by 9.9 per cent. Export earnings from industrial motor vehicles increased by 44.0 per cent while earnings from parts and accessories declined by 20.8 per cent.

Composition of Imports

7.21. Imports classified by Broad Economic Category are shown in Table 7.11. Non-food industrial supplies continue to dominate imports. Its imports share which has been on the decline, made a turnaround and stood at 29.5 per cent in 2001 down from 27.4 per cent in 2000. The share of food and beverages increased by 2.7 percentage points. In this category, the importation of processed food and beverages for industry more than doubled while for household consumption almost increased by one half. Unprocessed food and beverages import for industry went up by about one half while for household consumption went down by 13.1 per cent.

7.22. Imports of transport equipment increased by 37.7 per cent in 2001 compared to 40.9 per cent in 2000. In this category, only import of non-industrial motor vehicles declined by 13.4 per cent.

Table 7.10, DOMESTIC EXPORTS BY BROAD ECONOMIC CATEGORY, 1997 - 2001,Ksh. Million

	DESCRIPTION	1993	1994	1995	1996	1997	1998	1999	2000	2001*
1	FOOD AND BEVERAGES	1,986.09	2,147.65	47,620.60	60,228	61,457	65,666	64,731	67,390	59,717
	Primary	1,608.12	1,632.07	35,508.20	43,454	46,188	51,132	52,183	56,804	47,680
	For Industry	559.74	656.12	14,440.60	16,622	17,285	12,957	12,119	11,806	7,623
	For Household Consumption	1,048.38	975.95	21,067.60	26,832	28,903	38,175	40,064	44,999	40,057
	Processed	377.97	515.58	12,112.40	16,774	15,270	14,534	12,548	10,586	12,037
	For Industry	21.91	79.46	3,606.80	4,684	3,990	3,496	2,244	965	963
	For Household Consumption	356.06	436.12	8,505.60	12,090	11,280	11,039	10,304	9,621	11,075
2.	INDUSTRIAL SUPPLIES (Non-Food)	877.68	1,099.54	25,051.60	29,692	25,644	20,914	20,511	22,921	27,541
	Primary	224.60	248.96	7,446.60	18,865	6,408	4,911	6,322	6,437	9,379
	Processed	653.08	850.58	17,605.00	10,827	19,236	16,002	14,189	16,485	18,163
3.	FUEL AND LUBRICANTS	353.85	272.54	4,899.60	7,560	10,318	10,449	9,430	10,241	12,421
	Primary	0.01	0.02	0.40	0	6	5	3	5	3
	Processed	353.84	272.52	4,899.20	7,559	10,312	10,444	9,427	10,237	12,418
	Motor Spirit	57.04	41.31	1,441.20	2,242	3,483	4,176	4,429	3,629	3,217
	Other	296.80	231.21	3,458.00	5,318	6,830	6,268	4,998	6,607	9,201
4.	MACHINERY & OTHER CAPITAL EQUIPMENT	23.43	37.30	1,289.40	1,019	653	1,033	1,445	597	691
	Machinery & Other Capital Equipment	18.74	31.40	693.60	578	522	873	1,345	432	497
	Parts and Accessories	4.69	5.90	595.80	442	131	160	100	166	193
5.	TRANSPORT EQUIPMENT	30.59	47.00	497.60	523	482	726	998	557	502
	Passenger Motor Vehicles	12.42	19.45	42.40	52	0	0	392	149	117
	Other	8.34	10.82	174.40	122	39	178	123	117	154
	For Industry	8.31	10.44	162.20	113	36	166	56	99	142
	Non-Industrial	0.03	0.38	12.20	8	3	11	67	18	12
	Parts and Accessories	9.83	16.73	280.80	349	443	548	483	291	230
6.	CONSUMER GOODS NOT ELSEWHERE SPECIFIED	353.56	566.56	13,764.20	14,904	15,904	15,657	18,291	18,045	20,345
	Durable	5.04	8.39	199.60	424	192	262	321	274	402
	Semi-Durable	115.17	199.18	4,313.60	7,483	3,963	3,172	4,056	3,913	4,548
	Non-Durable	233.35	358.99	9,251.00	6,997	11,750	12,223	13,914	13,858	15,395
7.	GOODS NOT ELSEWHERE SPECIFIED	-	0.13	0.60	0	0	0	0	12	217
	TOTAL	**3,625.20**	**4,170.72**	**93,123.60**	**113,926**	**114,459**	**114,445**	**115,406**	**119,764**	**121,434**
PERCENTAGE SHARES:										
1.	Food and Beverages	54.79	51.49	51.14	52.87	53.69	57.38	55.87	56.27	49.18
2.	Industrial Supplies (Non-Food)	24.21	29.36	26.90	26.06	22.40	18.27	17.86	19.14	22.68
3.	Fuel and Lubricants	9.76	6.54	5.26	6.64	9.01	9.13	8.21	8.55	10.23
4.	Machinery and other Capital Equipment	0.65	0.90	1.38	0.89	0.57	0.90	1.26	0.50	0.57
5.	Transport Equipment	0.84	1.13	0.53	0.46	0.42	0.63	0.87	0.47	0.41
6.	Consumer Goods not elsewhere specified	9.75	13.58	14.78	13.08	13.90	13.68	15.93	15.07	16.75
7.	Goods not elsewhere specified	-	-	0.00	-	-	0.00	0.01	0.01	0.18
	TOTAL	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

**Provisional*

Table 7.11, TOTAL IMPORTS BY BROAD ECONOMIC CATEGORY, 1997 - 2001, Ksh. Million

DESCRIPTION		1996	1997	1998	1999	2000	2001*
1.	FOOD AND BEVERAGES	12,957	12,627	17,011	15,145	19,110	30,306
	Primary	6,862	5,330	5,847	6,930	8,678	12,389
	For Industry	6,521	4,538	5,101	6,263	7,148	11,060
	For Household Consumption	341	792	746	667	1,530	1,329
	Processed	6,095	7,297	11,164	8,215	10,431	17,917
	For Industry	2,859	3,645	5,024	3,303	3,160	7,315
	For Household Consumption	3,236	3,652	6,140	4,912	7,271	10,602
2.	INDUSTRIAL SUPPLIES (Non-Food)	61,672	75,786	66,910	67,362	67,955	85,687
	Primary	4,269	15,333	9,073	5,019	4,347	6,874
	Processed	57,403	60,452	57,837	62,343	63,608	78,812
3.	FUEL AND LUBRICANTS	27,110	29,558	31,911	41,644	63,311	58,314
	Primary	14,007	17,359	15,273	22,787	42,198	31,606
	Processed	13,102	12,199	16,639	18,857	21,113	26,708
	Motor Spirit	2,548	2,570	4,503	3,303	2,287	2,958
	Other	10,554	9,629	12,136	15,554	18,826	23,751
4.	MACHINERY AND OTHER CAPITAL EQUIPMENT	30,594	32,246	34,867	33,739	39,227	37,521
	Machinery and Other Capital Equipment	13,139	23,624	26,587	24,083	30,599	27,945
	Parts and Accessories	17,454	8,622	8,280	9,656	8,628	9,576
5.	TRANSPORT EQUIPMENT	24,298	27,505	30,998	29,346	41,356	56,954
	Passenger Motor Vehicles	12,109	6,294	6,459	6,618	4,765	7,974
	Other	11,398	14,993	16,530	15,060	29,160	38,652
	Industrial	10,870	14,454	15,743	14,309	28,161	37,786
	Non-Industrial	528	539	787	751	999	865
	Parts and Accessories	791	6,218	8,009	7,667	7,431	10,329
6.	CONSUMER GOODS NOT ELSEWHERE SPECIFIED	11,508	12,268	15,525	18,010	15,839	18,301
	Durable	3,497	2,370	2,729	4,053	2,907	3,285
	Semi-Durable	5,300	2,509	3,247	3,985	3,820	4,237
	Non-Durable	2,711	7,389	9,548	9,972	9,112	10,779
7.	GOODS NOT ELSEWHERE SPECIFIED	348	684	567	1,155	1,007	3,026
	TOTAL	**168,486**	**190,674**	**197,789**	**206,401**	**247,804**	**290,108**
PERCENTAGE SHARES:							
1.	Food and Beverages	7.69	6.62	8.60	7.34	7.71	10.45
2.	Industrial Supplies (Non-Food)	36.60	39.75	33.83	32.64	27.42	29.54
3.	Fuel and Lubricants	16.09	15.50	16.13	20.18	25.55	20.10
4.	Machinery and other Capital Equipment	18.16	16.91	17.63	16.35	15.83	12.93
5.	Transport Equipment	14.42	14.43	15.67	14.22	16.69	19.63
6.	Consumer Goods not elsewhere specified	6.83	6.43	7.85	8.73	6.39	6.31
7.	Goods not elsewhere specified	0.21	0.36	0.29	0.56	0.41	1.04
	TOTAL	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

**Provisional*

Direction of Trade

7.24. Kenya's direction of trade is summarized in Tables 7.12, 7.13 and figure 7.2. African countries remain the leading market for Kenya's exports followed by the European Union (EU). Exports receipts from the African region constituted 49.1 per cent of the total export earnings, an increase of 3.1 percentage points from 2000. The increase is a reflection of the increasing trade between Kenya and other African countries especially COMESA countries. In 2001, exports to the African region earned the country a total of KSh 72,513 million compared to KSh 61,935 million realised in 2000. Exports to the United Kingdom continued to show a downward trend, falling by 12.2 per cent in 2001 while to Netherlands which has been on the rise and increased by 35.9 per cent in 2001.

Figure 7.2: Direction of Trade by Regions, 2001

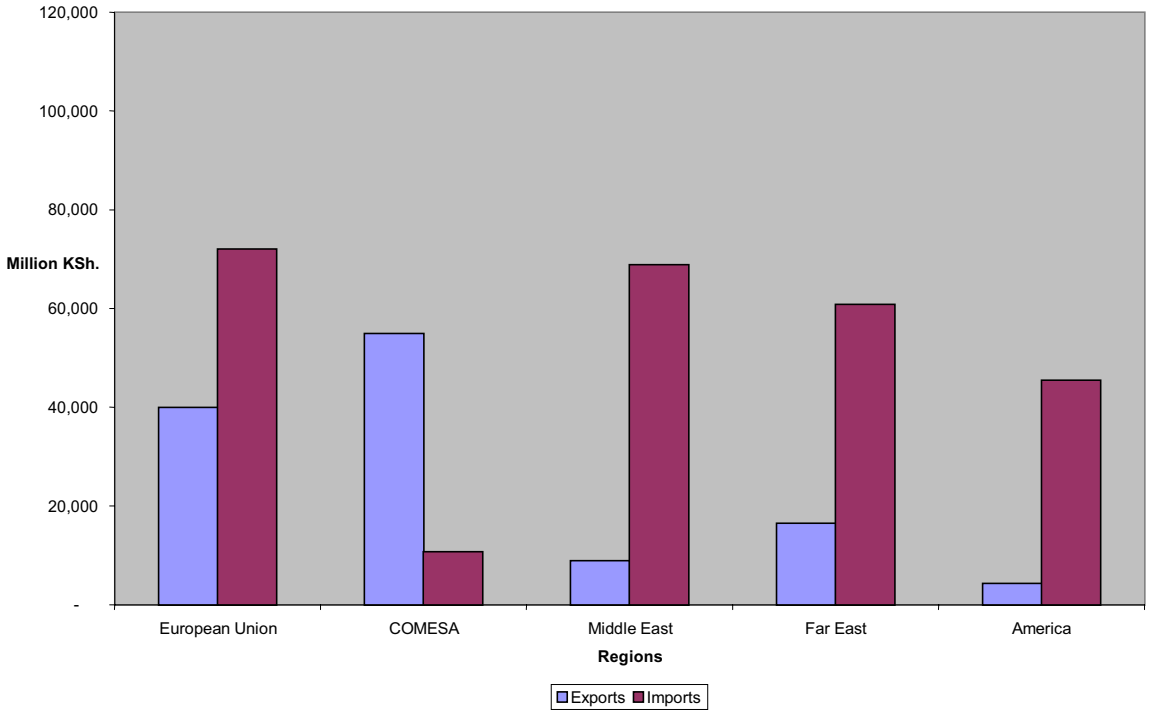


Fig 7.2

7.25. There was considerable increase in imports from the Far East countries except China. In particular, Indonesia and Pakistan recorded steep increases mainly. As a result, imports from the region went up by 23.9 per cent from KSh 49,164 million in 2000 to KSh 60,897 million in 2001. In the region, Japan and India remain major trading partners exporting to Kenya automobiles, electronics and machinery among other items. On the other hand, import payments to United Arab Emirates (UAE), which is mainly for crude oils, decreased by 14.0 per cent due to decline in import quantities and reduction in petroleum products prices. Share of imports from Middle East reduced to 23.7 per cent in 2001 from 29.7 per cent in 2000 due to reduction in import value of crude petroleum from UAE, Iran and Israel.

7.26. Although the share of imports from the EU countries dropped to 24.8 per cent in 2001 from 30.5 per cent in 2000, the region remains the principal source of Kenya's imports (Table 7.13). Imports from the EU fell by 4.8 per cent mainly due to reductions in imports from United Kingdom and Netherlands by 12.5 per

cent and 38.6 per cent respectively. Imports from South Africa dropped by more than a half. Consequently, its share of imports from Africa dropped to 24.1 per cent from 72.9 per cent in 2000.

7.27. Imports from Australia which declined by 3.0 per cent in 2000 improved by 23.1 per cent 2001. Imports from Japan, which recorded declines in 1999 and 2000, grew by 15.4 per cent mainly on account of substantial increase in import of motor vehicle as the value of imported motor vehicles from Japan edged up notably. Trade with USA in 2001 picked up well. Export receipts from US increased by 21.8 per cent while imports from USA increased almost four times

Table 7.12,TOTAL EXPORTS BY DESTINATION, 1997 - 2001, Ksh. Million

DESCRIPTION		1996	1997	1998	1999	2000	2001*
EUROPE							
WESTERN EUROPE:							
European Union.							
	Belgium	2,186	1,874	1,705	1,570	1,844	1,999
	Finland	974	1,159	480	550	342	333
	France	1,981	2,571	1,890	2,290	2,143	2,311
	Germany,	8,820	7,651	5,550	5,773	5,577	5,137
	Italy	2,072	2,254	1,748	1,650	1,519	1,111
	Netherlands	6,393	5,693	5,284	6,152	7,293	9,912
	Spain	1,366	894	756	567	510	669
	Sweden	1,187	1,813	1,428	1,338	915	687
	United Kingdom	12,332	13,884	16,228	17,014	18,655	16,382
	Other	1,764	1,631	1,279	1,241	1,230	1,438
Total		**39,076**	**39,424**	**36,347**	**38,146**	**40,029**	**39,979**
Other Western Europe		1,345	1,395	925	983	1,162	1,609
Total Western Europe		40,420	40,818	37,273	39,128	41,191	41,588
EASTERN EUROPE:							
	Poland	165	244	3	355	555	556
	Romania	38	20	273	11	1	0
	Other	108	84	72	247	58	354
Total		**311**	**348**	**355**	**612**	**613**	**910**
TOTAL, EUROPE		**40,731**	**41,166**	**37,628**	**39,741**	**41,804**	**42,499**
AMERICA							
U.S.A		3,200	3,401	3,053	2,761	2,804	3,414
	Canada	649	593	614	433	473	359
	Other	77	87	109	92	312	484
TOTAL AMERICA		**3,926**	**4,081**	**3,776**	**3,286**	**3,588**	**4,256**
AFRICA							
	South Africa	2,458	1,075	938	477	615	423
	Rwanda	2,130	3,560	3,037	3,110	3,504	3,516
	Egypt	4,296	3,062	5,694	6,739	7,107	7,121
	Tanzania	15,508	15,790	16,116	13,767	11,092	13,511
	Uganda	17,730	16,571	19,466	21,189	24,186	30,040
	Other**.	15,229	16,140	12,376	12,043	15,430	17,902
TOTAL AFRICA		**57,350**	**56,198**	**57,627**	**57,326**	**61,935**	**72,513**
ASIA							
MIDDLE EAST:							
	Iran	1,272	751	1,006	438	370	417
	Israel	675	812	866	891	1,236	1,210
	Jordan	126	64	96	137	172	106
	Saudi Arabia	434	362	488	577	690	578
	United Arab Emirates	537	909	1,346	2,000	2,657	5,035
	Other .	771	954	1,008	1,393	1,458	1,591
Total		**3,815**	**3,852**	**4,809**	**5,436**	**6,583**	**8,938**
FAR EAST							
	China(Mainland)	53	36	78	273	323	248
	India	729	1,187	1,825	1,736	1,361	2,362
	Indonesia	124	62	80	129	108	71
	Japan	947	887	941	1,061	1,450	1,332
	Korea South	83	315	179	69	174	55
	Pakistan	5,258	5,172	8,276	9,020	9,986	8,877
	Singapore	1,561	765	554	416	433	531
	Other	3,040	3,735	3,298	2,607	1,823	2,981
Total		**11,794**	**12,159**	**15,230**	**15,318**	**15,657**	**16,456**
TOTAL, ASIA		**15,609**	**16,011**	**20,040**	**20,754**	**22,241**	**25,395**
AUSTRALIA & OCEANIC							
	Australia	414	380	377	587	553	785
	Other	80	94	85	67	62	50
TOTAL		**495**	**474**	**461**	**654**	**615**	**835**
All Other Countries		263	48	396	232	2,601	97
Aircraft and Ships Stores		1,605	2,467	1,253	566	1,744	1,996
TOTAL		**1,867**	**2,515**	**1,648**	**798**	**4,345**	**2,093**
	TOTAL EXPORTS	**118,200**	**120,445**	**121,181**	**122,559**	**134,527**	**147,590**

**Provisional*
***See Table 7.14 for details*

Table 7.13, IMPORTS BY COUNTRY OF ORIGIN, 1997 - 2001, Ksh. Million

DESCRIPTION		1996	1997	1998	1999	2000	2001*
EUROPE							
WESTERN EUROPE:							
European Union.							
	Belgium	5,185	3,534	3,110	3,008	5,433	7,673
	Finland	917	1,011	1,577	1,480	2,106	1,085
	France	8,258	7,110	8,032	6,735	8,297	10,699
	Germany	10,246	12,728	11,139	11,210	8,714	11,711
	Italy	5,494	4,635	5,103	4,815	7,206	6,998
	Netherlands	4,784	4,759	5,396	5,030	8,674	5,325
	Spain	1,267	1,708	1,030	2,336	1,691	2,208
	Sweden	1,659	1,609	1,569	1,691	1,811	1,622
	United Kingdom	22,265	21,557	24,355	23,123	25,136	21,989
	Other	3,723	3,337	3,075	3,543	6,585	2,719
	Total	63,797	61,989	64,385	62,971	75,653	72,028
Other Western Europe		3,587	2,776	3,504	3,565	3,553	5,433
Total Western Europe		**67,384**	**64,764**	**67,473**	**66,536**	**79,205**	**77,461**
EASTERN EUROPE:							
	Poland	131	103	44	47	53	46
	Romania	348	416	126	167	346	149
	Other	1,611	1,697	2,117	3,083	4,683	1,937
	Total	2,090	2,217	2,287	3,296	5,082	2,131
TOTAL, EUROPE		**69,474**	**66,981**	**69,760**	**69,831**	**84,287**	**79,592**
AMERICA							
	U.S.A	8,802	14,110	16,509	13,190	10,084	38,967
	Canada	1,792	1,593	1,393	1,735	986	1,599
	Other	1,880	2,513	1,086	4,063	3,716	4,943
TOTAL AMERICA		**12,474**	**18,216**	**18,988**	**18,988**	**14,785**	**45,509**
AFRICA							
	South Africa	12,773	21,753	14,198	17,134	16,586	7,636
	Tanzania	928	865	610	480	928	585
	Uganda	30	467	60	307	515	683
	Other**	2,451	5,832	2,472	4,377	4,717	22,844
TOTAL AFRICA		**16,181**	**28,917**	**17,339**	**22,298**	**22,746**	**31,749**
ASIA							
MIDDLE EAST:							
	Iran	122	691	555	1,345	1,452	786
	Israel	1,410	1,623	1,456	1,431	2,198	1,846
	Jordan	1	2	127	34	78	150
	Saudi Arabia	8,470	10,216	12,384	10,873	15,004	15,773
	United Arab Emirates	13,860	19,012	17,810	25,529	48,212	41,465
	Other	3,316	1,142	3,571	3,860	6,561	8,857
	Total	**27,179**	**32,686**	**35,903**	**43,072**	**73,505**	**68,878**
FAR EAST							
	China	2,906	3,717	4,139	4,786	7,755	6,792
	India	9,613	8,209	8,649	8,995	10,139	12,830
	Indonesia	6,652	6,317	3,060	1,651	2,706	7,680
	Japan	12,508	14,360	15,675	15,336	12,514	14,436
	Korea South	2,318	1,795	2,647	3,203	2,861	3,926
	Pakistan	550	1,008	1,006	609	864	2,086
	Singapore	2,225	1,975	1,331	4,278	4,776	5,655
	Other	4,664	4,021	9,690	9,115	7,548	7,492
	Total	41,436	41,402	46,196	47,973	49,164	60,897
TOTAL, ASIA		**68,615**	**74,088**	**82,099**	**91,046**	**122,669**	**129,775**
AUSTRALIA & OCEANIC							
	Australia	1,647	2,059	1,725	2,692	2,611	3,214
	Other	49	126	352	136	68	208
TOTAL		**1,696**	**2,185**	**1,884**	**2,829**	**2,679**	**3,422**
All Other Countries N.E.S.		45	287	7,717	1,408	638	62
TOTAL		**45**	**287**	**7,717**	**1,408**	**638**	**62**
GRAND TOTAL		**168,486**	**190,674**	**197,789**	**206,401**	**247,804**	**290,108**

**Provisional.*
***See table 7.14 for details*

7.28. Table7.14 details breakdown of trade with African countries, with particular emphasis on COMESA member states, Kenya's export earnings from Uganda, and Tanzania, Kenya's major trading partners constituted over a half (60.1 per cent) of total export earnings from African region. Exports to the two countries increased by 23.5 per cent while imports from them decreased by 12.1 per cent. Trade with Ghana and Nigeria appears to be picking considerably. As has been the case in many years, Kenya continues to enjoy trade surpluses with most of these countries. High growth rates were also registered in exports of petroleum products to Uganda, Tanzania and Rwanda. Good performance of Uganda and Tanzania economies stimulated demand for Kenya's exports. Other major exports to Uganda were plastics articles; paper products and cement, while to Tanzania were sugar confectionery, footwear and cosmetics.

Table 7.14, TRADE WITH AFRICAN COUNTRIES, 1997 - 2001, KSh. '000 '

ZONES/COUNTRIES				TOTAL EXPORTS	EXPORTS					IMPORTS	IMPORTS			
	1993	1994	1995	1996	1997	1998	1999	2000	2001*	1996	1997	1998	1999	20
COMESA														
EAST AFRICAN COMMUNITY (EAC)														
Tanzania	270,477	454,776	631,021	15,507,661	15,789,648	16,116,362	13,766,581	11,092,107	13,510,955	927,976	864,566	212,569	480,050	92
Uganda	325,976	544,267	766,703	17,730,421	16,571,110	19,466,334	21,189,072	24,186,092	30,039,898	29,694	467,212	59,738	307,012	51
Sub-Total			**1,397,724**	**33,238,082**	**32,360,758**	**35,582,695**	**34,955,653**	**35,278,198**	**43,550,853**	**957,670**	**1,331,778**	**272,307**	**787,062**	**1,44**
OTHERS:														
Angola	68	67	170	42,523	15,026	13,817	37,001	6,474	30,754	-	146	264	3,234	
Burundi	22,294	32,728	22,692	407,130	314,411	273,599	794,397	898,562	1,846,276	3,155	183	-	7,568	
Comoros	15,158	7,959	5,556	180,231	195,971	194,866	435,551	730,890	354,650	-	-	-	-	
Congo, D.R	28,760	68,799	79,279	1,911,928	2,243,855	2,014,776	2,031,041	3,042,502	4,285,626	39,170	186,447	7,544	88,708	25
Djibouti	9,797	15,722	3,687	93,835	201,858	160,307	120,555	315,960	843,807	13,759	8,018	2,794	17,604	1
Egypt**	156,548	126,525	149,030	4,295,640	3,062,209	5,693,646	6,739,154	7,107,444	7,120,914	360,863	265,740	243,210	1,372,837	1,59
Eritrea	-	-	-	174,416	153,713	228,709	207,522	453,751	474,892	-	408	50,358	6,028	
Ethiopia	84,521	103,682	168,454	2,290,418	2,072,657	1,535,040	1,412,371	2,056,609	2,153,344	2,879	610,309	70,485	7,042	6
Madagascar	1,582	1,720	1,342	216,859	223,467	127,753	62,835	104,019	256,533	17,217	7,353	2,847	2,220	1
Malawi	6,295	7,267	7,756	287,592	337,036	410,672	338,753	177,944	375,512	1,733	5,478	6,272	20,916	20
Mauritius	27,731	24,818	22,190	606,272	847,816	408,848	188,161	152,555	339,671	161,758	264,743	590,280	476,024	40
Namibia	39	37	336	330,602	329,498	2,246	3,606	2,369	2,489	19,047	3,527	10,176	49,631	1
Rwanda	68,217	249,934	161,281	2,130,005	3,560,410	3,037,229	3,110,314	3,504,082	3,515,884	5,514	173,215	8,508	3,542	
Seychelles	6,397	6,212	6,625	227,327	233,806	144,685	124,685	239,623	212,631	3,006	8,170	3,658	645	2

Sudan	82,320	72,624	61,760	1,341,319	1,866,306	2,989,538	2,705,420	2,191,440	2,447,373	1,418	338,926	103,066	13,890	2
Swaziland	138	58	23	2,526,135	2,530,829	15,385	881	3,614	8,805	2,973	19,272	90,772	139,457	20
Zambia	8,516	8,905	9,173	243,328	278,793	228,520	141,756	168,000	405,998	264,154	149,100	126,898	214,929	31
Zimbabwe	11,150	12,561	6,555	419,371	520,057	544,139	321,368	244,500	182,259	275,065	3,295,423	515,727	373,049	63
Sub-Total			**705,909**	**17,724,932**	**18,987,717**	**18,023,774**	**18,775,368**	**21,400,339**	**24,857,417**	**1,171,712**	**5,336,458**	**1,832,859**	**2,797,326**	**3,76**
Total, COMESA* **	**529,531**	**739,618**	**2,103,633**	**50,963,013**	**35,558,827**	**37,490,108**	**39,964,441**	**45,586,431**	**54,897,315**	**2,129,382**	**5,803,670**	**1,892,597**	**3,104,338**	**4,28**
OTHER COUNTRIES														
Algeria & Libya	122	192	315	36,874	65,102	158,137	17,590	27,940	73,156	1,001,124	-	3,741	6,343	
Ghana & Nigeria	7,593	5,071	9,053	312,199	179,702	169,638	179,201	686,717	487,790	80,266	120,006	81,847	167,121	6
Lesotho	6	15	100	4,725	13,591	-	164	-	184	399	577	-	-	
Mozambique	1,610	1,223	4,133	245,560	89,426	55,784	44,203	133,024	201,649	-	139,957	6,970	90,576	17
Reunion	5,676	6,147	15,881	270,636	245,895	302,776	353,823	303,287	175,806	1,302	292	181	6,275	
Somalia	117,543	125,941	94,398	2,413,263	2,000,437	1,842,335	2,051,513	2,940,278	1,653,376	7,278	614	3,041	1,108	
South Africa	-	21,412	135,302	2,457,597	1,075,055	937,916	477,483	614,586	288,510	12,772,628	21,753,245	14,197,593	17,134,097	16,58
All Other African Countries				646,513	1,180,619	554,265	470,594	550,215	1,224,370	189,085	1,098,848	1,153,323	1,097,434	70
Sub-Total	132,550	160,001	259,182	6,387,368	4,849,827	4,020,851	3,594,570	5,256,047	4,104,840	14,052,082	23,113,539	15,446,695	18,502,954	17,53
TOTAL AFRICA	**662,081**	**1,909,062**	**2,376,768**	**57,350,381**	**56,198,302**	**57,627,321**	**57,325,592**	**61,934,585**	**72,513,110**	**16,181,464**	**28,917,209**	**17,339,292**	**22,298,459**	**22,74**
Percentage of all Exports/Imports	34.6	44.6	48.8	48.5	46.7	47.6	46.8	46.0	53.9	9.6	15.2	8.8	10.8	

Table 7.29. Excluding exports to Tanzania, which pulled out from COMESA in September 2000, Kenya's export to COMESA region increased by 20.4 per cent in 2001, compared to an increase of 14.1 per cent in 2000. Similarly, Kenya's imports from COMESA region doubled in 2001 compared to 2000. Exports to Egypt remained at 2000 level while imports from Egypt more than doubled. Imports from Congo D.R, Malawi, Sudan, Swaziland, Zambia and Zimbabwe recorded huge increases, while exports to Ethiopia, Burundi, Djibouti, Malawi, Mauritius and Zambia, recorded substantial increases. These developments reflect increased intra-COMESA trade.

Balance of Payments

7.30. Economic recovery is usually associated with worsening of the current account balances - either as shrinking surpluses or as growing deficits, at least in the short-run. Following the increase in the pace of economic activity the demand for imports accelerated considerably fuelled by their relatively lower prices, where as exports rose marginally.

7.31. These developments contributed to the widening of the current account balance to a deficit of KSh 24,969 million in 2001 from a smaller deficit of KSh 15,512 million in 2000. Another important factor was the shrinking of the current transfers account surplus to KSh 66,781 million in 2001 from KSh 70,262 in 2000 mainly due to decrease in private transfers. International commodity prices remained subdued and generally decreased during the year, but the shilling proceeds per unit of merchandise exports still rose by some 1.3 per cent from the year 2000 (proceeds per unit of merchandise is the total export value divided by export quantum index).

7.32. As in the previous years, the financial inflows into the economy continued to exceed outflows in 2001. The financial and the capital account recorded a surplus of KSh 28,900 in 2001, compared to a surplus of KSh 24,523 in 2000. This was essentially attributed to the increased private capital inflows. The official long-term capital inflows remained at the 2000 level.

7.33. Further analysis of Kenya's Balance of Payments outcome is summarised in Table 7.16. The deficit on the current account worsened by KSh 9,457 million in 2001 due to unimpressive performance of external merchandise trade and current transfers. Adjusted goods account deficit widened by KSh 4,516 million while net current transfers dropped by KSh 3,480 million. Net services and income earnings dropped by KSh 1,361 million from KSh 10,339 million in 2000 to KSh 8,978 million in 2001. Improvements in the net long-term capital inflows resulted in the basic balance surplus of KSh 14,492 million in 2001 compared to a deficit of KSh 2,105 million in 2000.

Table 7.15, KENYA BALANCE OF PAYMENTS, 1999 - 2001, KSh million

	1999+			2000-			2001-		
	Liabilities /Credits	Assets /Debits	Net	Liabilities /Credits	Assets /Debits	Net	Liabilities /Credits	Assets /Debits	Net
A. CURRENT ACCOUNT									
1. Goods	123,545	192,116	-68,571	135,762	231,874	-96,113	148,798	249,526	-100,728
2. Transportation	26,433	16,596	9,837	31,318	26,016	5,303	33,618	29,288	4,331
3. Foreign Travel	21,367	8,059	13,308	21,553	10,018	11,535	24,239	11,241	12,999
4. Other Services - Private	2,868	10,865	-7,997	2,524	14,644	-12,119	4,281	19,468	-15,187
5. Government Services .i.e.	15,052	4,596	10,456	20,275	4,514	15,761	23,277	4,854	18,422
6. Income	2,230	13,426	-11,196	3,426	13,566	-10,140	3,363	14,949	-11,586
7. Current Transfers	48,194	334	47,860	70,582	320	70,262	66,781	0	66,781
Government	2,216	-	2,216.00	8,473	-	8,473	11,880	-	11,880
Private	45,978	334	45,644	62,109	320	61,788	54,901	0	54,901
TOTAL CURRENT ACCOUNT	**239,689**	**245,992**	**-6,303**	**285,441**	**300,953**	**-15,512**	**304,357**	**329,326**	**-24,969**
of which:									
Visible Balance	123,545	192,116	-68,571	135,762	231,874	-96,113	148,798	249,526	-100,728
Invisible Balance	116,144	53,876	62,268	149,679	69,079	80,601	155,559	79,800	75,759
B. CAPITAL & FINANCIAL ACCOUNT									
8.Capital Account	3,894	-	3,894	3,775	-	3,775	5,736	-	5,736
9.Direct Investment	972	-	972	8,448	-	8,448	417	-	417
10.Portfolio Investment	-560	-	-560	-269	828	-1,096	430	572	-142
11.Other Investment	59,487	45,241	14,246	59,704	46,308	13,396	70,203	47,314	22,889
Long Term	13,477	40,014	-26,536	23,864	45,908	-22,043	24,732	46,794	-22,062
Short Term	46,009	5,227	40,782	35,840	401	35,439	45,472	520	44,952
TOTAL CAPITAL& FINANCIAL ACCOUNT	**63,793**	**45,241**	**18,552**	**71,658**	**47,136**	**24,523**	**76,785**	**47,886**	**28,900**
C. -ERRORS AND OMISSIONS			-11,838			-766			9,142
D. RESERVE ASSETS									
12.Special Drawing Rights	-		0	-		-	-		-
13.Reserve Position in the Fund	96		96	62		62	42		42
14.Foreign Exhange	-515		-515	-8,291		-8,291	-13,133		-13,133
15.Other claims	8		8	-14		-14	20		20
TOTAL MONETARY MOVEMENTS	**-411**		**-411**	**-8,244**		**-8,244**	**-13,072**		**-13,072**

** Provisional.*

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

** Revised.*

Table 7.16: CHANGES IN KENYA BALANCE OF PAYMENTS MAGNITUDES*, 1999 -2001, KShs. Million

	1999**	2000**	2001*
1. Exports Goods	+1,783	+12,217	+13,036
2. Imports Goods	-9,282	-39,758	-17,652
3. Services & Income (net)	+16,681	-4,069	-1,361
4. Current Transfers(net)	+13,203	+22,401	-3,480
5. Changes on current account	+22,385	-9,209	-9,457
6. Capital account	-1,197	-119	1,961
7. Direct investment	+283	+7,476	-8,032
8. Portfolio investment	-640	-536	+954
9. Other investment - Long term	-12,507	+4,493	-19
10. Change on basic balance	+8,324	+2,105	-14,592
(net balance on lines 5-9)			
11. Other investment - Short term	-4,672	-5,344	9,513
12. Errors and ommision (net)	-2,952	+11,072	+9,908
13. Net change on all above items (5 - 10)			
(Net changes on Reserves assets)	700	7,833	4,828

* Provisional.
** Revised
1. A positive entry indicates a change that improves the balance of payments outcome; a negative enrty 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

7.34. Foreign reserve assets of the Monetary Authorities are detailed in Table 7.17. Central Bank continued to build up foreign reserves, which stood at 77,233 million in 2001 due to rescheduling of government loan repayments under the Paris Club Framework. The reserve position in the Fund stood at KSh 1,232 million as at December 2001. Total net foreign reserves of Central Monetary Authorities steadily rose in the year to stand at KSh 68,563 million in December 2001 from KSh 49,743 million in December 2000

Table 7.17

Table 7.17, CENTRAL MONETARY AUTHORITIES:FOREIGN EXCHANGE RESERVES, 1998 - 2001, 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	
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	21	60,371	96	12,055	48,433	1,265	45	1,309	49,743
2001									
January	427	62,604	103	12,054	51,080	1,263	41	1,303	52,384
February	29	65,504	367	11,689	54,211	1,252	40	1,292	55,503
March	28	66,432	115	11,689	54,887	1,230	36	1,265	56,152
April	275	64,926	114	11,689	53,625	1,227	35	1,263	54,888
May	16	67,853	9	11,455	56,423	1,227	35	1,262	57,685
June	22	68,812	8	11,455	57,387	1,225	35	1,261	58,647
July	408	70,001	17	10,797	59,629	1,234	36	1,269	60,898
August	28	72,577	28	10,450	62,184	1,260	36	1,296	63,480
September	29	76,539	27	10,450	66,145	1,268	36	1,305	67,450
October	533	73,894	28	10,450	64,005	1,258	36	1,294	65,300
November	26	75,267	27	9,982	65,338	1,298	28	1,326	66,663
December	26	77,233	28	9,982	67,305	1,232	27	1,259	68,563

Source: Central Bank of Kenya.
**Reserves constitute foreign assets which are readily available for meeting external financial needs*

7.35. Table 7.19 shows the nominal value of the Kenya Shilling by the close of 2001 against selected world currencies. In 2001, the Shilling appreciated against almost all the world major currencies except the US Dollar. The Shilling gained against the Japanese Yen, Sterling Pound, Deutsche Mark and French Franc by 12.0 per cent, 2.1 per cent, 4.0 per cent and 4.5 per cent respectively. Against the US dollar, the Shilling exchanged at KSh 78.6 by end of the year, representing a marginal 0.7 per cent depreciation. By the end of 2001, the Shilling exchanged at KSh 69.6 compared with KSh. 72.5 by end of 2000 against the Euro. The Shilling strengthened against most of the selected currencies as the demand for foreign currency continued to be subdued reflecting low economic activities and the prudent monetary policy maintained by central monetary authorities. All these developments are mirrored in the trade weighted exchange rate index, which reflects a stronger Shilling as it strengthened by 4.0 per cent against all the selected currencies in 2001.

Table 7.18, FOREIGN EXCHANGE RATES OF KENYA SHILLING FOR SELECTED CURRENCIES, 1996

	31st Dec. 1991	31st Dec. 1992	31st Dec. 1993	31st Dec. 1994	31st Dec. 1995	31st Dec. 1996	31st Dec. 1997	31st Dec. 1998	31st Dec. 1999	31s 2
1 US Dollar	28.0740	36.2160	68.1630	44.8390	55.9390	55.0211	62.6778	61.9056	72.9306	78.
1 Pound Sterling	52.4280	54.7050	100.9160	69.9490	86.5590	93.0495	103.9223	103.0364	118.1058	116
1 Deutsche Mark	18.4860	22.3810	39.2980	28.8890	38.9300	35.3431	35.0413	36.8852	37.5535	37.
1 French Franc	5.4100	6.5680	11.5670	8.3730	11.4070	10.5058	10.4726	11.0014	11.1969	11.
1 Swiss Franc	20.7110	24.7210	46.0560	34.1350	48.5040	40.8195	43.1151	44.8502	45.7615	47.
1 Dutch Guilder	16.4010	19.9240	35.1270	25.7780	34.7650	31.5221	31.0739	32.7275	33.3259	32.
1 Swedish Kroner	5.0600	5.1240	8.1930	6.0300	8.3910	7.9967	7.9299	7.6254	8.5658	8.
1 Norwegian Kroner	4.6970	5.2350	9.0710	6.6010	8.8160	8.5385	8.5692	8.1745	9.0868	8.
1 Zambian Kwacha**	0.3140	0.1020	0.1030	0.0650	..	..	..	0.0353	0.0274	0.
1 Austrian Schilling	2.6270	3.1910	5.5940	4.1150	5.5430	5.0433	4.9804	5.2449	5.3376	5.
1 Belgian Franc	0.8970	1.0900	1.8990	1.4080	1.8950	1.7239	1.7037	1.7965	1.5257	1.
1 Danish Kronor	4.7520	5.7930	10.0770	7.3660	10.0710	9.1951	9.1942	9.6941	9.8533	9.
1 Canadian Dollar	24.2460	28.5530	51.3080	31.9310	41.0900	40.1700	43.7286	40.1036	50.2010	51.
1 Finish Marka	6.7880	6.9230	11.7800	9.4470	12.8130	11.8523	11.5478	11.7583	12.3474	12.
1 Australian Dollar	21.3310	24.9710	46.1740	34.5420	..	43.8243	40.9106	38.0010	47.6820	43.
100 Japanese Yen	22.3520	29.0660	60.9140	44.9530	54.3800	47.3897	48.2813	53.6138	71.4283	67.
100 Italian Lira	2.4410	2.4550	3.9880	2.7660	3.5480	3.6003	3.5813	3.7387	3.7883	3.
1 Indian Rupee	1.0850	1.3990	2.1730	1.4340	1.6090	1.5391	1.6060	1.4584	1.6764	1.
1 Pakistan Rupee**	..	1.3970	..	1.4420	..	1.3818	1.4085	1.3457	1.4131	1.
100 Burundi Francs**	14.6910	15.3710	25.8500	18.1700	..	..	15.3500	12.2500	11.6024	9.
100 Rwanda Francs**	23.4360	24.7600	46.7400	32.3200	..	..	20.5700	19.2831	20.8653	21.
1 SA Rand				..	..	11.7770	12.9538	10.6569	11.8391	10.
TSh/KSh				..	..	10.7988	9.8727	10.9463	10.9359	10.
USh/KSh				..	..	18.9854	18.1382	21.9868	20.6297	22.
Euro									74.8584	72.
Overall Weighted Index*										
1982=100	**282.10**	**314.60**	**600.00**	**419.83**	**551.56**	**510.72**	**527.18**	**542.89**	**607.18**	**59**

** 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 Services

7.36. The Centre for Business Information in Kenya was officially launched in May 2001. The World business information facility is increasingly becoming popular with the business community and researchers. The facility use by the business community improved significantly during the reporting period.

Product Development and Adaptation

7.37. Kenya's continued dependence on a few export products calls for diversification by expanding the range of non-traditional products such as horticultural produce, fish and fish products, manufactures, value addition to traditional products, commercial crafts and exportable services and looking for new exportable products.

7.38. During the year, the Export Promotion Council (EPC) encouraged exporters to enhance quality of export products through implementation of quality management systems, understanding the market requirements with a view to ensuring Kenya's continued access into the markets, and encouraging self regulation by industry.

7.39. Fish exports: The ban by the EU on imports of fish from Lake Victoria was lifted and exports of fish from Lake Victoria to the EU started in January 2001. Following the lifting of the ban, the Government embarked on measures to ensure continued access to European markets.

7.40. Horticultural Industry: The main challenge facing the horticultural industry during the year remained the meeting of the new EU Maximum Residue Levels (MRLs) on exported fruits and vegetables, sanitary and consumer concerns with respect to environmental conservation and workers welfare. In pursuit of these challenges the council in consultation with stakeholders developed an action plan to ensure that the country met the EU New Maximum Residue Levels (MRLs) requirements in fruits and vegetables so as to guarantee continued access into the market

7.41. National Code of Practice was developed by the horticultural industry, with the support of key stakeholders. The Code constitutes the minimum requirements that must be fulfilled by every horticultural produce exporter. The stakeholders have been in consultation with the Ministry of Agriculture and Rural Development; to have the code and practice made mandatory through an appropriate legislation to provide guidelines to producers and exporters. This would foster responsible and safe production of horticultural produce as well as ensuring worker welfare and safeguarding the environment.

7.42. Market research on cut flower exports to Japan: the Council in co-operation with Japan External Trade Organisation (JETRO) carried out a market research on cut flowers to Japan. Over the years, EU has been the main destination for Kenya's cut flowers. The Japanese market presents good potential for Kenya's cut flowers since large amounts are re-exported to Japan from Holland. Direct exports of Kenya's cut flower to Japan have not performed very well and have not been consistent. The market research aimed at establishing the main constraints faced by Kenyan exporters, studying the current market trends and requirements, and identifying logistical support required to facilitate enhanced exports to Japan. Arising from this study, stakeholders agreed on a way forward to enhance cut flower exports to Japan. New markets being targeted for Kenya's cut flower exports include South Africa, Middle East and the Far East.

Future Outlook

7.43. While it is generally recognized that the Government has moved satisfactorily on general reform agenda, obstacles to export trade particularly poor physical and social infrastructure and bureaucracy continued to be a problem. The immediate outlook will hinge on improved weather conditions, measures to provide long-term solutions to power shortages, rehabilitation and maintenance of infrastructure and an amicable and mutually beneficial working relationship with development partners.

7.44. There is also the issue of resuscitating the manufacturing section to take advantage of the regional markets and improvement of management of key subsectors in agriculture (coffee, tea, sugar, cotton etc.). Enhancement of security could see tourism grow significantly just as revival of the textile industry could enable Kenya to take greater advantage of AGOA. Progress by Kenya on bilateral and multilateral trade arrangements to facilitate access to key markets such as the European Union and COMESA will be significant. Priority to these pertinent issues would positively facilitate export-led economic growth.

Chapter 8

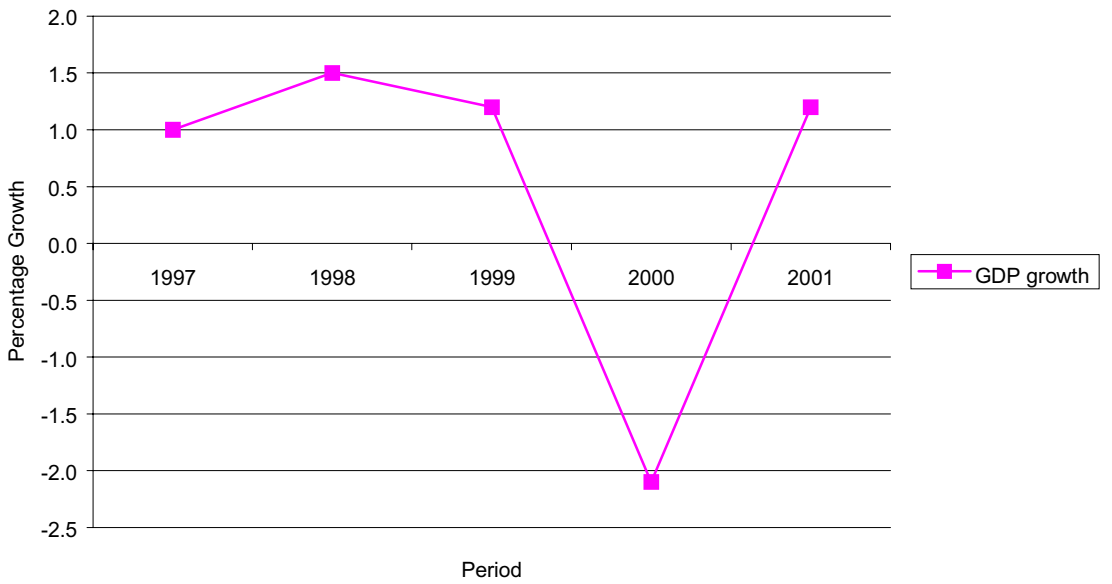
Agriculture

Overview

The agricultural sector recorded a 1.2 per cent Gross Domestic Product (GDP) growth in the year 2001 as compared to the negative 2.1 per cent in 2000. The improved performance of the sector was largely due to good weather experienced during the year. During the period under review, maize production increased by 20.0 per cent from 25.0 million bags in 2000 to 30.0 million bags in 2001. Over the same period, maize imports amounted to 308.6 thousand tonnes valued at KSh. 3.3 billion for relief and commercial purposes. As a result of the maize glut in the domestic market, the National Cereals and Produce Board (NCPB) intervened and purchased 307.4 thousand tonnes of maize. Wheat production increased from 73.8 thousand tonnes in 2000 to 131.8 thousand tonnes in 2001. On the other hand, wheat imports dropped from 636.0 thousand tonnes in 2000 to 617.5 thousand tonnes in 2001.

8.2. The *El Nino* and *La Nina* weather effects resulted in substantial decline in coffee production from 100.7 thousand tonnes in 1999/2000 crop year to 51.7 thousand tonnes in 2000/01 crop year. The co-operative sub-sector registered the sharpest drop in coffee production from 62.2 thousand tonnes in 1999/2000 crop year to 24.8 thousand tonnes in 2000/01 crop year. Production of tea increased by 24.7 per cent from 236.3 thousand tonnes in 2000 to 294.6 thousand tonnes in 2001. The increase in tea production was attributed to good weather during the year.

Figure 8.1: Agricultural GDP growth, 1997-2001



8.3. However, the tea sub-sector was affected by poor international prices experienced in the year. Prices of maize, milk and seed cotton also declined while those of wheat, sisal, beef and pork increased. Conversely, the prices of sugarcane and pyrethrum (extract equivalent) remained static in 2001. The volume of marketed milk increased from 136.7 million litres in 2000 to 148.0 million litres in 2001. This was attributed to availability of pasture and water for livestock. The value of horticultural exports increased by 69.1 per cent from KSh. 13.9 billion in 2000 to KSh. 23.5 billion in 2001 while the quantity declined to 95.2 thousand tonnes in 2001. The large increase in the value of horticultural exports was attributed to commodity value addition through improved packaging coupled with higher volumes of flower exports that attracted more earnings. However, the sub sector continued to face stiff competition from products originating from other African Countries, especially from COMESA.

8.4. Table 8.1 shows that at current prices, overall output growth in agriculture increased by 8.7 per cent from KSh. 140,189.0 million in 2000 to KSh. 152,338.0 million in 2001. Total inputs increased by 12.5 per cent from KSh. 15,935.7 million in 2000 to KSh. 17,934.9 million in 2001. At constant prices, total value of agricultural output increased by 0.4 per cent from KSh. 27,407 million in 2000 to KSh. 27,509 million 2001 while total inputs decreased by 7.9 per cent from KSh. 2,511 million in 2000 to KSh. 2,313.3 million in the year 2001. This depicts a positive growth in the agricultural sector with value added at constant prices of KSh. 25,196 million in 2001 as compared to KSh. 24,896 million in 2000.

Table 8.1 AGRICULTURAL OUTPUT AND INPUT, 1997- 2001 (in Kshs million)

	1997	1998	1999	2000	2001*
AT CURRENT PRICES					
Total Output	151,614	163,086	155,574	140,189	152,338
Less Inputs	13,615	15,068	15,638	15,936	17,935
Value Added	137,999	148,018	139,936	124,253	134,403
AT CONSTANT (1982) PRICES					
Total Output	27,019	27,576	27,999	27,407	27,509
Less inputs	2,268	2,455	2,574	2,511	2,313
Value Added	24,751	25,122	25,425	24,896	25,196

**Provisional*

Marketed Production

8.5. Total value of recorded marketed production increased by 2.2 per cent from KSh. 78,775.0 million in 2000 to KSh. 80,535.7 million in 2001 as shown in Table 8.2. The total value for cereals marketed increased by 55.8 per cent from KSh. 5,617.1 million in 2000 to KSh. 8,752.2 million in 2001. This was attributed to higher marketed production volumes for maize and wheat. Due to the bumper harvest recorded during the review period, quantity of marketed maize production increased by 87.1 per cent. The value of permanent crops marketed nonetheless declined by 4.2 per cent from KSh. 48,434.5 million in 2000 to KSh. 46,415.4 million in 2001. This was mainly due to lower tea prices in the world market. The value of tea increased from KSh. 35,969.8 million in 2000 to KSh. 38,564.5 million in 2001 while the value of coffee declined from KSh. 11,282.0 million in 2000 to KSh. 6,424.2 million in 2001. The recovery from the la nina weather effects of 1999/2000 resulted in fewer livestock for slaughter and higher prices offered for livestock in 2001. Overall, the value of livestock and livestock

products increased by 8.6 per cent from KSh. 13,948.7 million in 2000 to KSh. 15,151.3 million in 2001. The value of recorded marketed dairy produce decreased by 6.4 per cent from KSh. 2,051.2 million in 2000 to KSh. 1,919.6 million in 2001. While the volume of milk delivered increased from 136.7 million litres in 2000 to 147.6 million litres, its price declined by 7.1 per cent to KSh. 1,300.0 per 100 litres in 2001.

Table 8.2 RECORDED MARKETED PRODUCTION AT CURRENT PRICES, 1997 - 2001 (in Kshs million)

	1997	1998	1999	2000	2001*
CEREALS					
Maize	2,809.2	2,800.0	3,098.0	2,915.4	5,187.5
Wheat	2,198.0	2,986.0	1,006.0	1,132.9	2,375.3
Others	1,288.0	994.0	1,310.4	1,568.8	1,189.4
Total Cereals	6,295.2	6,780.0	5,414.4	5,617.1	8,752.2
TEMPORARY INDUSTRIAL CROPS					
Sugar-cane	6,644.0	7,968.0	7,639.4	7,942.2	7,154.8
Pineapples	588.0	935.0	1,079.8	1,122.9	1,207.7
Pyrethrum	322.0	350.0	405.8	729.3	769.1
Others	704.0	727.0	846.6	734.2	817.0
Total Temp Indl Crops	8,258.0	9,980.0	9,971.6	10,528.6	9,948.6
OTHER TEMPORARY CROPS	454.0	478.0	522.8	246.1	268.2
PERMANENT CROPS-					
Coffee	16,546.0	13,198.0	10,050.0	11,282.0	6,424.2
Tea	23,636.0	39,138.0	31,087.6	35,969.8	38,564.5
Sisal	786.0	796.0	874.0	809.9	956.9
Others	378.0	322.0	349.4	372.8	469.8
Total Permanent Crops	41,346.0	53,454.0	42,361.0	48,434.5	46,415.4
TOTAL CROPS	**56,353.2**	**70,692.0**	**58,269.8**	**64,826.3**	**65,384.4**
LIVESTOCK AND PRODUCTS					
Cattle and Calves	8,714.0	8,878.0	8,886.4	8,039.8	9,078.6
Dairy Produce	2,862.0	1,946.0	2,693.6	2,051.2	1,919.6
Chicken and eggs	1,344.0	1,400.0	1,431.4	1,540.0	2,074.6
Others	1,860.0	1,886.0	2,032.0	2,317.7	2,078.5
TOTAL LIVESTOCK	**14,780.0**	**14,110.0**	**15,043.4**	**13,948.7**	**15,151.3**
GRAND TOTAL	**71,133.2**	**84,802.0**	**73,313.2**	**78,775.0**	**80,535.7**

**Provisional*

8.6. Table 8.3 shows the volume and the price indices of sales to marketing boards over the last five years. The overall cereal quantum index of sales to marketing boards increased to 67.5 in 2001 mainly due to increases in marketed maize and wheat. During the same period, the quantum index for temporary crops decreased by 5.3 points to 80.0. This was largely due to decline in sugarcane production. The decline observed in the quantum index for permanent crops from 162.2 in 2000 to 160.7 in 2001 is attributed to decline in coffee production levels in 2001. However, the overall crop quantum index increased from 129.5 in 2000 to 132.7 in 2001. The price index for cereals increased marginally from

1,153.9 in 2000 to 1,161.9 in 2001, mainly due to better prices offered for barley and wheat. The marginal increase in the price index of temporary crops could be attributed to the static nature of the price offered for pyrethrin and sugar cane in 2001. The significant decline in the price index for permanent crops from 583.5 in 2000 to 547.6 in 2001 is partly attributed to lower prices realized for tea. Hence, the overall crop price index declined from 744.4 in 2000 to 721.3 in

Table 8.3 VOLUME AND PRICE INDICES OF SALES TO MARKETING BOARDS, 1997 - 2001 (Base: 1982=100)

	1997	1998	1999	2000	2001*
QUANTUM INDICES					
Cereals	46.3	54.3	35.5	37.7	67.5
Temporary Industrial Crops	91.9	96.7	96.1	85.3	80.0
Permanent Crops	136.1	158.2	147.0	162.2	160.7
TOTAL CROPS	**112.3**	**131.3**	**120.4**	**129.5**	**132.7**
Livestock and Products	**104.8**	**98.0**	**75.1**	**72.9**	**75.5**
TOTAL GROSS MARKETED PRODUCTION	**112.4**	**125.5**	**111.5**	**118.3**	**121.4**
PRICE INDICES					
Cereals	1,151.3	1,088.5	1,161.6	1,153.9	1,161.9
Temporary Industrial Crops	650.7	792.4	794.0	1,002.9	1,007.3
Permanent Crops	753.0	820.0	608.3	583.5	547.6
TOTAL CROPS	**803.4**	**854.1**	**729.9**	**744.4**	**721.3**
Livestock and Products**	**500.0**	**497.7**	**638.9**	**425.4**	**597.6**
TOTAL GROSS MARKETED PRODUCTION	**733.8**	**789.4**	**673.3**	**681.6**	**696.9**

** Provisional*
***Data on livestock is from slaughter houses*

2001. The quantum index for livestock and products increased from 72.9 in 2000 to 75.5 in 2001. The increase was partly due to higher volumes of marketed milk. The price index for livestock and products increased by 172.2 points from 425.4 in 2000 to 597.6 in 2001. The increase is attributed to better prices offered for livestock. This outweighed the decline in price offered for dairy products. Overall quantum and price indices increased by 3.1 and 15.3 points to 121.4 and 696.9 in 2001 respectively.

Table 8.4 AVERAGE GROSS COMMODITY PRICES* TO FARMERS, 1997 - 2001 (in KShs per stated unit)

	UNIT	1997	1998	1999	2000	2001**
Coffee	100kg	25,150.00	25,718.00	15,632.22	11,508.74	11,776.05
Tea	,,	10,680.00	13,300.00	12,500.00	15,222.99	13,089.01
Sisal	,,	3,891.00	3,973.90	3,989.92	3,779.39	4,123.16
Sugar-cane	Tonne	1,553.00	1,730.00	1,730.00	2,015.00	2,015.00
Pyrethrum (extract equivalent)	Kg	3,600.00	5,200.00	5,200.00	9,835.00	9,835.00
Seed Cotton	100Kg	2,000.00	2,096.00	2,000.00	1,910.39	1,800.00
Maize	,,	1,373.20	1,284.40	1,385.90	1,449.36	1,359.78
Wheat	,,	1,770.00	1,690.10	1,815.00	1,651.71	1,800.85
Beef (third grade)	,,	5,987.64	8,824.43	10,676.68	8,153.79	9,375.00
Bacon Pigs	,,	8,173.52	7,651.13	8,164.10	9,021.64	9,516.28
Milk	100 litres	1,450.00	1,549.00	1,494.00	1,400.00	1,300.00

** 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*

8.7. As shown in Table 8.4, average tea prices to farmers declined by 14.0 per cent to KSh. 13,089.1 per 100 kilograms of tea. The over supply of tea in the world market, global economic recession and the aftermath of September 11, 2001 terrorist attacks in the USA, among other factors created uncertainty resulting in reduced demand for tea worldwide. Locally, the effect of bilateral trade disputes with Egypt contributed to a further deterioration of the tea prices. Other notable commodity price declines during the year 2001 were recorded in cotton, maize and milk. On the other hand, coffee prices paid to farmers increased marginally by 2.3 per cent to KSh. 11,776.5 per 100 kilograms of coffee in 2001. The price of sisal, wheat, beef (third grade) and pork increased in the year 2001.

8.8. Total sales to marketing boards recorded a growth of 2.2 per cent in 2001 as shown in Table 8.5. The small farms annual percentage growth increased by 2.8 per cent. The share of small farms stood at 70.4 per cent in 2001, reflecting the continued dominance of the smallholder farms in overall sales.

Table 8.5: SALE TO MARKETING BOARDS FROM LARGE AND SMALL FARMS, 1997 -2001

	LARGE FARMS		SMALL FARMS		TOTAL		
'EAR	Kshs mn.	Annual Percentage change	Kshs mn.	Annual Percentage change	Kshs mn.	Annual Percentage change	PERCENTAGE SHARE OF SMALL FARMS
997	21,468	5.78	49,666	10.98	71,134	9.36	69.82
998	25,576	19.14	59,226	19.25	84,802	19.21	69.84
999	22,104	(13.58)	51,209	(13.54)	73,312	(13.55)	69.85
000	23,633	6.92	55,143	7.68	78,775	7.45	70.00
001*	23,839	0.87	56,697	2.82	80,536	2.24	70.40

**Provisional.*

8.9. Table 8.6 shows the progression of quantum and price indices for agricultural inputs. Total material inputs rose marginally from 158.6 in 2000 to 159.5 in 2001. The price index for total material inputs increased from 686.2 in 2000 to 838.8 in 2001 as a result of increases in the prices of fertilizers, manufactured feeds, purchased seeds, fuel and power, which rose substantially by 142.0 points, 25.9 points, 222.6 points and 290.4 points in 2001 respectively. The overall price index for total inputs rose from 634.6 in 2000 to 775.3 in the year 2001. The purchased seeds price index increased from 1858.5 in 2000 to 2152.1 in 2001. Consequently, the average price for one tonne of maize seeds rose by 11.0 per cent from KSh. 112,353 in 2000 to KSh. 124,720 in 2001. On the other hand, the average price for one tonne of wheat seeds declined marginally by 1.2 per cent from KSh. 45,925 in 2000 to KSh. 45,360 in 2001.

Table 8.6 AGRICULTURAL INPUT INDICES*, 1997 - 2001 (Base: 1982=100)					
	1997	1998	1999	2000	2001**
QUANTUM INDICES					
Fertilizers	124.7	99.6	87.0	121.6	129.2
Fuel and Power	114.9	118.4	159.5	164.6	139.8
Bags	133.3	135.6	140.1	142.9	145.8
Manufactured Feeds	240.4	232.3	245.0	176.4	166.2
Purchased Seeds	125.3	142.7	123.8	112.7	124.1
Other Material Inputs	101.5	104.6	109.8	112.4	115.1
TOTAL MATERIAL INPUT	**139.6**	**138.9**	**143.2**	**158.6**	**159.5**
SERVICE INPUTS	**115.7**	**127.3**	**128.6**	**131.6**	**114.4**
TOTAL INPUTS	**132.8**	**128.2**	**129.1**	**136.7**	**137.9**
PRICE INDICES					
Fertilizers	389.7	446.9	528.4	550.7	692.7
Fuel and Power	804.4	851.5	859.1	904.4	1,194.8
Bags	296.1	337.4	296.1	301.9	279.8
Manufactured Feeds	886.6	946.5	740.6	1,225.6	1,251.5
Purchased Seeds	1,166.8	1,679.7	1,556.0	1,858.5	2,081.1
Other Material Inputs	386.2	408.8	340.3	325.0	403.0
TOTAL MATERIAL INPUT	**585.6**	**656.7**	**647.2**	**686.2**	**838.8**
SERVICE INPUTS	**250.0**	**265.0**	**286.2**	**210.0**	**230.5**
TOTAL INPUTS	**549.4**	**613.8**	**607.5**	**634.6**	**775.3**

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

8.10. Table 8.7 shows the value of purchased inputs sold to the agricultural sector. The value of total inputs rose by 12.2 per cent from KSh. 12,137 million in 2000 to KSh. 13,613 million in 2001. The value of fuel and power increased by 9.9 per cent from KSh. 5,702 million in 2000 to KSh. 6,266 million in 2001. This was attributed to increases in power tariffs coupled with rises in fuel pump prices recorded in the year. The value of fertilizers sold increased by 25.1 per cent from KSh. 1,876 million in 2000 to KSh. 2,347 million in 2001.

Table 8.7 PURCHASED AGRICULTURAL INPUTS*, 1997 - 2001 (in Kshs million)					
	1997	1998	1999	2000	2001**
MATERIAL INPUTS					
Fertilizers	1,934	1,738	2,052	1,876	2,347
Other Agricultural Chemicals	356	320	378	340	422
Livestock Drugs and Medicines	574	607	640	583	450
Fuel and Power	4,832	5,036	5,477	5,702	6,266
Bags	483	512	451	497	486
Manufactured Feeds	720	761	749	748	1,123
Purchased Seeds	1,085	1,758	1,464	1,686	1,687
Other Material Inputs	241	252	210	234	290
Total Material Inputs	**10,227**	**10,985**	**11,422**	**11,666**	**13,071**
SERVICE INPUTS	**453**	**489**	**504**	**471**	**542**
TOTAL INPUTS	**10,680**	**11,475**	**11,926**	**12,137**	**13,613**

**Except labour*
***Provisional*

8.11. Table 8.8 gives details of agricultural terms of trade. The general index of agricultural output prices rose marginally from 694.7 in 2000 to 708.6 in 2001 in response to better prices offered for wheat, sisal, beef and bacon. Total inputs price index increased from 634.6 in 2000 to 775.3 in 2001 due to higher prices of farm inputs. Overall, terms of trade in the agricultural sector deteriorated from 104.2 in 2000 to 89.7 in 2001.

Table 8.8 PRICE AND TERMS OF TRADE INDICES FOR AGRICULTURE, 1997 - 2001 (Base: 1982=100)

	1997	1998	1999	2000	2001*
General Index of Agricultural Output Prices**	568.7	676.0	642.0	694.7	708.6
PRICE PAID					
Purchased Inputs	549.4	613.8	607.5	634.6	775.3
Index of Purchased Consumer					
Goods-Rural Areas	650.4	683.6	727.3	793.5	820.5
INDICES OF PRICES PAID	565.4	630.0	610.0	666.6	790.0
Agricultural Sector terms of Trade	100.6	107.3	105.2	104.2	89.7

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

8.12. In the year 2001 the production of maize, beans and millet increased by 20.0 per cent, 21.6 per cent and 50.0 per cent to 30.0 million bags, 4.5 million bags and 6.0 million bags respectively. The improved production is partly attributed to favourable weather conditions experienced during the year. The production of potatoes and sorghum remained unchanged in 2001.

Table 8.9 ESTIMATED PRODUCTION OF SELECTED AGRICULTURAL COMMODITIES, 1997 - 2001**

CROP	Unit	1997	1998	1999	2000	2001*
Maize	million bags	24.60	27.30	25.00	25.00	30.00
Beans	million bags	1.55	3.00	4.00	3.70	4.50
Potatoes	million tonnes	0.37	0.90	0.90	0.60	0.60
Sorghum	million bags	0.39	0.56	0.90	0.90	0.90
Millet	million bags	0.26	0.37	0.40	0.40	0.60

**Provisional*
Source: Ministry of Agriculture & Rural Development

8.13. **Rural Market Prices:** - Rural market prices per kilogram for selected agricultural commodities were relatively lower nationally in 2001 compared to 2000 as shown in Table 8.10. This could be attributed to abundant supply occasioned by good weather. Commodity prices offered for maize and beans in March 2001 were relatively higher compared to the previous year. This could be explained by poor harvest in the year 2000. The average prices of maize and beans were much lower in September 2001 compared to the previous year, while that of sorghum and millet remained constant throughout the year under review.

Production by Crop

8.14. Favourable weather conditions in some parts of the country in 2001 positively impacted on the production of cereal crops. Maize purchases by the National Cereals and Produce Board from farmers amounted to 307.4 thousand tonnes IN 2001. Wheat purchases increased from 70.5 thousand tonnes in 2000 to 131.8 thousand tonnes in 2001.

Table 8.10 RURAL MARKET PRICES FOR SELECTED FOOD CROPS (in KShs/kg)

CROP	Province	1998		1999		2000		2001	
		March	September	March	September	March	September	March	Septemb
Maize	Coast	17.4	18.3	18.8	19.7	27.0	29.3	27.0	19.4
	Eastern	13.8	12.8	14.6	13.6	17.2	19.2	13.8	10.0
	Central	12.6	12.9	12.8	13.4	15.6	21.6	17.4	12.5
	Rift Valley	12.4	11.6	13.6	12.7	17.0	15.5	19.5	14.5
	Nyanza	14.2	12.2	14.6	13.3	13.2	14.8	13.3	9.9
	Western	13.1	11.7	13.2	12.9	14.5	15.0	14.5	6.5
	National	13.9	13.2	14.6	14.3	17.4	19.2	17.6	12.1
Beans	Coast	34.9	34.8	36.4	37.2	47.2	52.5	47.2	33.2
	Eastern	19.5	22.5	20.7	23.8	31.4	30.3	27.4	26.1
	Central	23.8	22.4	24.6	23.9	27.3	36.3	27.3	29.5
	Rift Valley	22.0	22.3	23.7	23.8	31.7	39.9	33.6	30.9
	Nyanza	23.5	21.4	23.9	22.3	28.8	27.1	29.0	32.0
	Western	24.6	23.4	25.2	24.7	34.1	30.0	28.1	27.1
	National	24.7	24.5	25.7	25.9	33.4	36.0	32.1	29.8
Potatoes	Coast	14.4	14.3	15.2	14.9	14.7	18.3	14.7	16.0
	Eastern	10.9	11.2	11.1	11.6	17.9	15.0	13.7	15.7
	Central	10.6	10.7	11.3	11.6	10.3	10.1	8.6	9.7
	Rift Valley	10.7	10.7	11.4	11.8	12.9	15.2	13.6	15.4
	Nyanza	11.8	12.1	12.1	12.6	11.3	11.0	11.3	12.0
	Western	12.9	12.6	13.9	13.4	12.3	15.0	11.8	12.1
	National	11.9	11.9	12.5	12.7	13.2	14.1	12.3	13.5
Sorghum	Eastern	12.8	13.2	13.5	14.5	18.0	18.0	16.8	14.2
	Nyanza	12.5	13.7	13.1	14.8	15.2	15.0	15.0	14.8
	Western	15.5	14.5	16.0	15.3	14.0	13.3	14.0	13.1
	National	13.6	13.8	14.2	14.9	15.7	15.4	15.3	14.0
Millet	Eastern	20.5	21.5	22.5	22.8	20.0	22.0	21.5	22.0
	Rift Valley	29.1	30.4	31.6	33.0	25.0	20.0	24.5	25.0
	Nyanza	28.7	30.4	29.9	31.3	24.3	26.1	24.1	26.0
	Western	29.4	30.6	30.6	31.9	30.3	21.9	24.3	20.2
	National	26.9	28.2	28.6	29.7	24.9	22.5	23.6	23.3

8.15. **Maize:** In 2001, overall maize production increased to 30.0 million bags from 25 million bags in 2000. As shown in Table 8.11, centrally marketed

Table 8.11 SALE OF SOME MAJOR CROPS TO MARKETING BOARDS, 1997 - 2001

CROP	UNIT	1997	1998	1999	2000	2001*
Maize++	'000 tonnes	204.6	218.0	223.5	201.2	376.5
Wheat+	'000 tonnes	124.2	176.7	52.9	70.5	131.8
Rice Paddy+	'000 tonnes	14.4	11.7	24.3	18.7	19.3
Cotton+	'000 tonnes	0.5	0.5	0.2	0.5	0.5
Coffee	'000 tonnes	68.0	51.3	64.3	98.0	54.6
Tea	'000 tonnes	220.7	294.2	248.8	236.3	294.6
Sisal	'000 tonnes	20.1	19.9	21.9	21.4	23.2
Sugar-cane+	mn. tonnes	4.3	4.6	4.4	3.9	3.6
Pyrethrum (Extract Equivalent)	tonnes	89.4	67.4	78.1	74.2	78.0

** Provisional*

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

++ Includes maize purchases by NCPB and millers

maize rose by 87.1 per cent to stand at 376.5 thousand tonnes in 2001 from 201.2 thousand tonnes recorded in 2000. Maize imports over the same period amounted to 308.6 thousand tonnes of maize valued at KSh. 3.3 billion for relief and commercial purposes. As a result of the maize glut in the market, the National Cereals and Produce Board (NCPB) purchased 307.4 thousand tonnes of maize.

8.16. **Wheat:** Production of wheat improved significantly in 2001 registering 138.4 thousand tonnes. Additionally, a lower amount of wheat imports of 617.5 thousand tonnes of wheat valued at KSh. 7.5 billion was imported in 2001 to meet the production deficit. The low production in 2001, compared to 1997 and 1998 levels, could be partly attributed to low wheat prices offered by millers coupled with poor infrastructure. Table 8.12 summaries the production and imports of wheat for the period 1997-2001.

Table 8.12 PRODUCTION AND IMPORTS OF WHEAT, 1997 - 2001 (in '000 Tonnes)

YEAR	PRODUCTION*	IMPORTS	TOTAL
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
2001**	138.4	458.5	596.9

** Includes retention for seed*
*** Provisional*

8.17. **Coffee:** As shown in Table 8.13, coffee production decreased by 48.7 per cent from 100.7 thousand tonnes in 1999/2000 crop year to 51.7 thousand tonnes in the 2000/01 crop year. Estates recorded 30.1 per cent decline in production while co-operatives registered a decline of 60.1 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 world prices and drought induced by the la nina weather phenomenon experienced in 1999/2000 reversed the trend in increased production observed in the past seasons. Other factors that adversely affected the sector during the period under review included managerial shortcomings within the coffee co-operative sub-sector, high input prices, lack of access to credit, over supply of coffee in the world market and low technological adaptation.

Table 8.13 PRODUCTION, AREA, AND AVERAGE YIELD OF COFFEE BY TYPE OF GROWER, 1996/97-2000/01

	1996/97	1997/98	1998/99	1999/00	2000/01*
AREA (Ha) '000					
Co-operatives	122.7	122.6	128.0	128.0	128.0
Estates	38.4	39.7	42.0	42.0	42.0
Total	**161.1**	**162.3**	**170.0**	**170.0**	**170.0**
PRODUCTION (Tonnes) '000					
Co-operatives	38.3	32.1	39.4	62.2	24.8
Estates	29.7	21.3	28.7	38.5	26.9
Total	**68.0**	**53.4**	**68.1**	**100.7**	**51.7**
AVERAGE YIELD (Kg/Ha)**					
Co-operatives	312.0	261.8	308.0	485.9	193.8
Estates	774.0	536.5	683.0	916.7	640.5

**Provisional*
Source: Coffee Board of Kenya

8.18. **Tea:**- Table 8.14 presents annual tea production for the period 1997 to 2001. Tea production increased by 24.7 per cent from 236.3 thousand tonnes in 2000, to 294.6 thousand tonnes in 2001. Smallholder tea production recorded a 24.9 per cent increase to stand at 181.7 thousand tonnes in 2001 while estates production rose by 24.4 per cent to 112.9 thousand tonnes. The increase in tea production was attributed to good weather and improved crop husbandry in year 2001. Total area planted with tea increased by 5.2 per cent from 122.8 thousand hectares in 2000 to 129.2 thousand hectares in 2001. Consequently, the average yield increased from 1,793 Kg/ha in 2000 to 2,147 Kg/ha in 2001 for smallholders while for the estates, average yield rose from 2,790 Kg/ha to 3,453 Kg/ha.

Table 8.14 PRODUCTION, AREA AND AVERAGE YIELD OF TEA BY TYPE OF GROWER, 1997 - 2001

	1997	1998	1999	2000	2001*
AREA (Ha) '000					
Smallholder	84.66	85.56	90.32	88.36	88.36
Estates	32.69	33.09	33.88	34.39	40.81
Total	**117.35**	**118.65**	**124.20**	**122.75**	**129.17**
PRODUCTION (Tonnes) '000					
Smallholder	129.71	175.63	153.85	145.55	181.72
Estates	91.01	118.54	94.85	90.74	112.90
Total	**220.72**	**294.17**	**248.70**	**236.29**	**294.62**
AVERAGE YIELD (Kg/Ha)**					
Smallholder	1,774	2,246	1,915	1,793	2,147
Estates	2,866	3,699	2,946	2,790	3,453

** Provisional*
*** Figures for smallholder and estates revised from 1997*
Source: Tea Board of Kenya

8.19. **Cotton:**- Intake of seed cotton by ginneries increased from 508 tonnes in 2000 to 535 tonnes in 2001. However, the price of a 100 kg bale of cotton declined slightly from KSh. 1,910.40 in 2000 to KSh. 1,800.00 in the year under review. The continued importation of second hand clothes coupled with low prices for cotton produced locally explains the generally dismal cotton production level. However, with the USA African Growth and Opportunity Act (AGOA), the cotton industry is expected to become a vibrant sub-sector of Agriculture that it once used to be.

8.20. **Sugarcane:**- Sugarcane production declined by 9.9 per cent from 3.9 million tonnes in 2000 to 3.6 million tonnes in 2001. Area of cane harvested declined from 57.2 thousand hectares in 2000 to 47.8 thousand hectares in 2001. As shown in Table 8.15, sugar production fell by 6.1 per cent to stand at 377.4 thousand tonnes in 2001. Sugar imports rose by 54.6 per cent from 118.0 thousand tonnes in 2000 to 182.5 thousand tonnes in 2001 to cover the production deficit. The decline in sugar production was attributed to the long spell of dry weather in 1999-2000, coupled with various managerial problems faced by the industry.

Table 8.15 AREA UNDER SUGAR CANE, AREA HARVESTED, PRODUCTION, AND AVERAGE YIELD, 1997 - 2001

	1997	1998	1999	2000	2001*
Area under cane (Ha)	127,560	117,657	108,793	107,985	110,666
Area harvested (Ha)**	43,814	50,111	51,833	57,243	47,794
Production (Tonnes)	4,278,273	4,661,361	4,415,801	3,941,524	3,550,792
Average yield (Tonnes/Ha)	90.81	85.51	78.42	60.52	63.71

** Provisionsal*
*** Does not include area harvested by non-contracted farmers*
Source: Kenya Sugar Authority

8.21. **Horticulture:**- As shown in Table 8.16 the volume of horticultural exports declined by 4.0 per cent from 99.2 thousand tonnes in 2000 to 95.2 thousand tonnes in 2001. The volume of exports was 41.4 tonnes of cut flowers, 31.1 tonnes of vegetables and 22.7 tonnes of fruits. The value of horticultural exports however increased tremendously by 69.1 per cent from the previous year to stand at KSh. 23.5 billion. The corresponding value of exports was KSh. 12.7 billion for cut flowers, KSh. 8.4 billion for vegetables and KSh. 2.5 billion for fruits. The phenomenal increase in the value of exports was as a result of value addition through improved packaging. In addition, higher returns were realized through direct sales, as opposed to auctions, especially of cut flowers.

Table 8.16 PRODUCTION, IMPORTS AND CONSUMPTION OF SUGAR, 1997 - 2001 (in '000 Tonnes)

YEAR	PRODUCTION	IMPORTS	CONSUMPTION+	EXPORTS
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
2001*	377.44	182.46	600.00	3.60

**Provisional*
+Figures revised
Source: Kenya Sugar Authority

Table 8.17 EXPORTS OF FRESH HORTICULTURAL PRODUCE, 1997 - 2001

YEAR	VOLUME ('000 Tonnes)	VALUE (Kshs billion)
1997	84.2	8.7
1998	78.4	9.7
1999	99.0	14.2
2000	99.2	13.9
2001*	95.2	23.5

**Provisional*
Source: Horticultural Crop Development Authority (HCDA)

8.22. **Pyrethrum:** Production of pyrethrum extract (pyrethrin) increased by 5.1 per cent from 74.2 thousand tonnes in 2000 to 78.0 thousand tonnes in the year 2001. The increase in pyrethrin extract could be attributed to good weather experienced in the pyrethrum growing areas. Prices of pyrethrum (extract equivalent) remained static at KSh. 9,835 per Kg in 2001 (see also Table 8.4).

8.23. **Sisal:**- Sisal production increased by 8.3 per cent from 21,429 tonnes in 2000 to 23,209 tonnes in 2001. The low sisal production is attributed to reduced demand for sisal products due to competition from synthetic products. As indicated in Table 8.4, sisal prices also improved by 9.1 per cent from KSh. 37,793.9 per tonne in 2000 to KSh. 41,231.6 per tonne in 2001.

8.24. **Irrigated crops:** - Table 8.18 presents information regarding the development and production in the irrigation schemes. The area cropped in the irrigation schemes increased by 22.5 per cent for the 2000/01 crop year to 12.4 thousand hectares. The total gross value of output declined by 5.7 per cent from KSh. 1,371 million, in 1999/2000 to KSh. 1,293 million in 2000/01. However, recorded payment to plot holders increased from KSh. 10 million in 1999/2000 to KSh. 27 million in 2000/01. Total paddy production increased by 1.8 per cent from 48.4 thousand tonnes in 1999/2000 to 49.3 thousand tonnes in 2000/01. The irrigation schemes recorded mixed performance in paddy production. Mwea recorded an increase of 2.2 per cent in rice paddy production from 44.8 thousand tonnes in 1999/2000 to 45.8 thousand tonnes in 2000/2001.

Table 8.18 PRODUCTION FROM IRRIGATION SCHEMES, 1996/97 - 2000/01*

	1996/97	1997/98	1998/99	1999/00	2000/01**
MWEA					
Area cropped-Hectares	6,145	6,000	6,052	8,617	10,590
Plot-holders-Number	3,270	3,392	3,381	3,500	3,381
Gross value of output-Kshs million	435	323	715	1,327	1,238
Payments to plot-holders by NIB -Kshs million	286	178	20	-	-
ALL SCHEME AREAS					
Area cropped-Hectares	7,551	7,611	7,531	10,150	12,431
Plot-holders-Number	4,471	4,679	4,475	4,777	5,348
Gross value of output-Kshs million	506	394	770	1,371	1,293
Payments to plot-holders by NIB -Kshs million	324	204	50	10	27
CROPS PRODUCED - Tonnes					
Mwea-Paddy	27,488	21,352	31,876	44,830	45,810
Ahero-Paddy	412	968	1,836	1,497	1,222
W.Kano-Paddy	2,847	1,606	1,976	1,580	1,742
Bunyala-Paddy	812	728	837	500	491
Total Paddy	**31,559**	**24,654**	**36,525**	**48,406**	**49,265**
Pekera-Onions	45	239	443	101	102
-Chillies	50	44	-	101	32
-Cotton	37	116	-	-	-
-Water Melon	13	18	-	-	-
-Paw-paw	9	152	-	-	-

**Source: National Irrigation Board*
***Provisional*

Livestock and Livestock Products

8.25. The total recorded milk production increased slightly by 8.0 per cent from 137 million litres in 2000 to 148 million litres in 2001 as shown in Table 8.19. The slight increase could be attributed to good weather experienced during 2001. Processed whole milk and cream increased significantly by 14.1 per cent from 85 million litres in 2000 to 97 million litres in 2001. The production of butter and ghee also registered a marked increase of 15.0 per cent in 2001. This could be attributed to increased consumption.

Table 8.19 PRODUCTION AND SALE OF LIVESTOCK AND DAIRY PRODUCTS*, 1997 - 2001

	UNIT	1997	1998	1999	2000	2001**
Recorded Milk Production	Mn. Litres	197	126	180	137	148
Milk Processed						
Wholemilk and cream*	Mn. Litres	132	83	120	85	97
Butter and ghee	Tonnes	1,521	360	268	113	130
Cheese	Tonnes	464	342	257	315	329
Livestock slaughtered						
Cattle and Calves	'000 Head	1,320	1,800	2,536	2,870	1,952
Sheep and Goats	'000 Head	1,603	3,983	4,355	4,572	4,671
Pigs	'000 Head	88	153	158	189	214

**Figures are revised for milk processed and livestock, 1999-2001.*
***Provisional*

8.26. The total number of cattle slaughtered declined from 2,609 thousand heads in 2000 to 2,252 thousand heads in 2001. The decline in the number slaughtered, might have been caused by improved cold dress weight due to abundant pasture and water during the year under review. Sheep and goats slaughtered however, went up slightly from 4,572 thousand heads to 4,671 thousand heads. Pigs slaughtered increased significantly by 13.2 per cent from 189 thousand heads in 2000 to 214 thousand heads in the year under review. The increase in pig slaughter could be attributed to the rise in pork exports and domestic consumption.

Agricultural Training

8.27. Table 8.20 shows the enrolment in Agricultural Training Institutions. The total number of students enrolled for agricultural degree courses in public universities decreased by 2.5 per cent from 3,956 students in 2000 to 3,856 students in 2001. Enrolment of students by gender over the same period followed a similar trend. However, the number of males enrolled was almost three times the number of female students. Diploma courses in public universities registered a decrease of 4.0 per cent but the number of females fell by 8.5 per cent. Total female students accounted for less than 30.0 per cent of total students enrolled for both degree and diploma courses. Enrolment rates of certificate courses offered at Kilifi Institute of Agriculture and Naivasha Dairy Training Institute (D.T.I) decreased by 18.2 per cent in 2001, while enrolment in Kabete, Nyahururu and Ndomba Animal Health Training institutes (AHITI) went up by 3.0 per cent. Short term vocational courses offered at Naivasha DTI and Athi River Meat Training Institute (MTI) recorded a notable decline of 5.9 per cent in enrolment over the same period.

Table 8.20 ENROLMENT IN AGRICULTURAL TRAINING INST

	1997			1998			1999		
	Male	Female	Total	Male	Female	Total	Male	Female	T
DEGREE LEVEL -Public Universities									
Nairobi	542	140	682	567	169	736	496	131	
Moi	-	-	-	12	2	14	26	7	
Jomo Kenyatta (JKUAT)	402	78	480	412	121	533	412	121	
Egerton	1,487	706	2,193	1,597	788	2,385	1,999	723	2
Total	**2,431**	**924**	**3,355**	**2,588**	**1,080**	**3,668**	**2,933**	**982**	3
DIPLOMA LEVEL -Public Universities									
Jomo Kenyatta (JKUAT)	232	54	286	263	97	360	263	97	
Egerton	707	295	1,002	649	386	1,035	1,035	420	1
Total	**939**	**349**	**1,288**	**912**	**483**	**1,395**	**1,298**	**517**	1
DIPLOMA LEVEL - MOA & RD*									
Bukura Institute of Agriculture	89	39	128	98	33	131	78	22	
CERTIFICATE LEVEL									
Kilifi Institute of Agiculture	123	65	188	150	70	220	160	55	
Naivasha Dairy Training Institute	30	30	60	50	27	77	42	19	
Total	**153**	**95**	**248**	**200**	**97**	**297**	**202**	**74**	
Animal Health Training Institutes									
Kabete	68	34	102	90	29	119	95	23	
Nyahururu	44	25	69	41	28	69	48	27	
Ndomba	78	36	114	76	41	117	84	45	
Total	**190**	**95**	**285**	**207**	**98**	**305**	**227**	**95**	
SHORT-TERM VOCATIONAL COURSES									
Naivasha Dairy Training Institute	34	16	50	24	27	51	31	18	
Athi River M.T. School	52	11	63	45	8	53	29	6	
Total	**86**	**27**	**113**	**69**	**35**	**104**	**60**	**24**	

**Ministry of Agriculture and Rural Development*

Co-operatives

8.28. Table 8.21 shows the number of societies and unions by type. The number of societies increased by 3.4 percent from 9,443 in 2000 to 9,768 at the end of 2001. The total number of agricultural societies went up marginally from 4,349 in 2000 to 4,372 at the end of the year 2001. During the period under review 3,173 agricultural societies were active while 1,075 were dormant. The total non-agricultural societies increased by 6.0 per cent from 5,005 in 2000 to 5,307 in 2001.

Table 8.21 NUMBER OF SOCIETIES AND UNIONS BY TYPE, 1997 - 2001

TYPE OF SOCIETY	1997	1998	1999	2000	2001*
Coffee	279	308	335	366	462
Sugar-cane	98	99	108	112	112
Pyrethrum	65	66	71	73	152
Cotton	78	78	86	86	71
Dairy	313	323	331	337	332
Multi-produce	1,342	1,446	1,504	1,560	1,593
Farm Purchase	677	698	717	731	624
Fisheries	72	74	79	82	82
Other Agricultural Societies	860	915	968	1,002	944
TOTAL	**3,784**	**4,007**	**4,199**	**4,349**	**4,372**
Savings and Credit	3,169	3,305	3,538	3,627	3,925
Other Non-Agricultural Societies	1,276	1,272	1,325	1,378	1,382
TOTAL	**4,445**	**4,577**	**4,863**	**5,005**	**5,307**
Unions	83	85	89	89	89
TOTAL	**8,312**	**8,669**	**9,151**	**9,443**	**9,768**

** Provisional*

8.29. The decline in the number of agricultural societies can be explained by the fact that after liberalisation of the co-operative societies Act in 1997, a number of agricultural co-operative societies have been dormant; others have split while some have closed down thus affecting membership and the turnover.

8.30. The increase in the number of Savings and Credit Co-operatives organisations (SACCOs) is explained by a shift from the high interest rate lending institutions like banks to comparatively lower rate lending institutions. However, the overall increase in the number of co-operative societies is as a result of continued member education by the Department of Co-operative Development leading to more people realising the importance of forming co-operative societies to coordinate their economic activities.

8.31. Table 8.22 shows the sale of selected agricultural produce by co-operatives and the contribution to Gross Farm Revenue (GFR). In 2001 coffee, sugarcane and pyrethrum sales through co-operatives decreased by 10.5 per cent, 0.3 per cent and 5.4 per cent respectively. Similarly, the sale of cotton and dairy products through co-operatives decrease 11.6 per cent and 17.1 per cent respectively.

Table 8.22 SALE OF SELECTED AGRICULTURAL PRODUCE BY CO-OPERATIVE AND THEIR CONTRIBUTION TO GROSS FARM REVENUE, 1997 - 2001

YEAR	COFFEE	SUGAR-CANE	PYRETHRUM	COTTON	MILK	TOTAL
			SALE (Kshs million)			
1997	6,933	296	119	5	2,782	**10,135**
1998	7,188	308	122	5	2,421	**10,044**
1999	7,661	332	128	5	1,501	**9,627**
2000	7,741	345	129	5	1,529	**9,749**
2001*	6,928	344	122	38	1,268	**8,700**
PERCENTAGE SHARE OF MARKETED PRODUCTION (Table 8.2)						
1997	43.4	5.7	37.0	47.1	84.6	**16.6**
1998	58.1	4.2	34.9	40.9	77.1	**11.4**
1999	76.7	4.5	31.5	33.8	56.8	**15.8**
2000	68.6	4.3	17.7	31.5	74.5	**14.3**
2001*	79.6	4.8	15.9	0.4	66.1	**10.8**

** Provisional*

Developments in the Agriculture Sector

8.32. In 2001, Coffee and Sugar Acts became operational. The coffee Act spells out how marketing of coffee will be conducted and gives farmers the choice in marketing their produce through the private marketing body (Kenya Coffee Marketing Agency Ltd) or through a marketing agent contract. In addition, a sessional paper on coffee reforms was adopted by parliament in August 2001. Similarly, the Sugar Act provides for the development, regulation and promotion of the sugar industry. The Act also provides for the establishment, powers and functions of the Kenya Sugar Board. There have, however, been uncertainties surrounding the implementation of the Sugar Act.

Chapter 9 Environment And Natural Resources

Overview

The year under review witnessed increased human pressure on the environmental natural resources bases in the country. Demand for agricultural land necessitated the Government in excising a total of 67.0 thousand hectares of forestland. The forest plantation area decreased from 147.2 thousand hectares to 120 thousand hectares. There was a notable decline of 9.0 per cent in the sales of timber mainly from exotic trees. Overall fish landed increased by 5.3 per cent from 202,276 tonnes in 2000 to 212,948 tonnes during the period under review. The quantity of mineral production declined by 13.1 per cent while the value increased by 31.4 per cent. The population of some of the large herbivores recorded declines in numbers. The possible causes of these declines may be explained by poaching of some species, and land-use changes that are occurring within the rangeland areas.

Water Supply

9.2. The Ministry of Environment and Natural Resources (MENR) continued to pursue development programmes aimed at ensuing proper and orderly water resource management with a focus on delivery, management and conservation. Integrated water resource management continued to be a major theme in the sector's development activities.

9.3. With increasing population growth and subsequent economic pursuit including urbanisation, industrial production, agricultural and livestock production, demand for water has increased rapidly. Currently the annual renewable freshwater per capita stands at 704 cubic metres, against the global benchmark of 1,000 cubic metres making Kenya a water scarce country. This has necessitated a change in Government's water policy strategy to that of participatory management. The policy direction is that the decision making process in respect to water resources management will gradually be decentralized from the central Government to other water stakeholders.

9.4. In pursuit of the Government's goal to provide clean water to all Kenyan by increasing water availability, the Ministry in conjunction with other stakeholders continued with drilling of boreholes and rehabilitation of the existing water supply schemes in various parts of the country. As shown in Table 9.1 the number of Water Purification Points (WPP) increased from 326 in 2000/2001 to 339 in 2001/2002 due to the ongoing rehabilitation of existing water supply schemes. The total number of boreholes drilled decreased by 7.9 per cent from 241 to 222 in 2001/2002. This is attributed to under collection of Appropriation In Aid (AIA) associated with the general donor conditionality that let to the withholding of support to Kenya. The reduction in the number of boreholes drilled was mainly due to lack of donor funded projects and the fact that most boreholes in these areas which had been identified had earlier been drilled under the Lake Basin Development Authority. There was a notable decline of boreholes drilled in Coast, Western and Nyanza Province while Central, Eastern, North Eastern and Rift Valley had a significant increase Only 5 boreholes were drilled in Nyanza Province in 2001/2002 compared to 46 boreholes drilled in 2000/2001 Similarly, only 2 boreholes were drilled in Western Province.

Table 9.1 Water purification point and Boreholes Drilled, 1999/2000 - 2001/2002

Province	1999/2000		2000/2001		2001/2002*	
	W.P.P	B.H	W.P.P	B.H	W.P.P	B.H
Central	41	28	56	28	58	39
Coast	16	28	19	31	21	14
Eastern	38	42	40	42	40	50
N/Eastern	4	13	8	13	8	22
Nyanza	46	43	55	46	59	5
R/Valley	107	72	117	75	120	90
Western	30	6	31	6	33	2
Total	**282**	**232**	**326**	**241**	**339**	**222**

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

9.5. Table 9.2 shows the development expenditure on water supplies and related services over the period 1997/98 to 2001/2002. Total expenditure was expected to increase from KSh. 1.7 billion in 2000/2001 to KSh. 1.8 billion in 2001/02. Expenditure on water development declined from KSh. 821.8 million in 2000/01 to KSh. 644.0 million in 2001/02. Similarly, expenditure on training of water development staff and special water programmes declined from KSh. 24.7 million to KSh. 18.6 million and KSh. 51.0 million to KSh. 9.0 million over the same period, respectively.

9.6. Expenditure on rural and urban water supplies, National Water Conservation and Pipeline Corporation grew by 23.9 per cent, 26.6 per cent and 56.9 per cent, respectively. This is attributed to additional expenditure on rehabilitation of existing water facilities being given a higher priority within the Medium Term Expenditure Framework (MTEF) as a Government's commitment to poverty reduction.

Table 9.2 Development expenditure on water supplies and related services, 1997/98 - 2001/2002 (Ksh '000)

	1997/98	1998/99	1999/2000	2000/2001**	2001/2002*
Water Development	131,416	342,570	716,278	821,762	644,004
Training of Water Development Staff	10,498	11,890	21,000	24,725	18,633
Rural Water Supplies	300,917	196,934	209,404	251,668	311,754
Self-Help Water Supplies***	747	490	445	-	-
County Council and Urban Water Supplies	28,349	20,380	153,000	118,500	150,000
Miscellaneous and Special Water Programmes	38,355	231,956	56,650	51,000	9,000
Water Conservation and Pipeline Corporation	1,245,646	538,984	347,209	402,584	631,662
TOTAL	**1,755,928**	**1,343,204**	**1,503,986**	**1,670,239**	**1,765,053**

Sources: Ministry of Environment and Natural Resources, National Water Conservation and Pipeline Corpora
** Provisional.*
***Approved estimates*
****Includes contributions by the Ministry of Environment and Natural Resources*

Fisheries

9.7. In the year under review the Government through the department of fisheries continued to ensure optimal exploitation of fishery resources on a sustainable basis through enforcing tight control over fishing methods and enhancing the management skills of fishermen and fishing marketing co-operatives. These control measures and the increased innovations in the fishing techniques combined to boast both the quantity and value of fish landed.

9.8. As shown in Table 9.3. the overall fish landed increased by 5.3 per cent from 202,276 tonnes in 2000 to 212,948 tonnes during the period under review. Freshwater fish landed increased by 4.9 per cent from 197,742 tonnes in 2000 to 207,347 tonnes in 2001. Lake Victoria contributed 97.0 per cent of the freshwater fish catch followed by Lake Turkana and 'Other areas'. Due to fishing ban imposed on Lake Naivasha the fish catch from this lake dropped to 6 tonnes compared to 384 tonnes in 2000. The quantity of marine fish increased by 2.8 per cent while the quantity of crustaceans increased from 554 tonnes in 2000 to 1,511 tonnes in 2001.

9.9. The revenue generated from the sale of fish increased by 4.1 per cent in the year under review from KSh. 8.0 billion recorded in 200. Fresh water fish accounted for 94.6 per cent of the total revenue. The revenue from crustaceans more than tripled to make it the second largest earner in the fisheries sector bypassing marine fisheries.

Table 9.3 Quantity and Value of Fish Landed, 1997 - 2001

	1997	1998	1999	2000	2001*
Quantities - Tonnes					
Freshwater fish					
Lake Victoria	151,293	158,876	200,153	192,738	201,152
Lake Turkana	3,737	1,610	5,239	2,108	3,544
Lake Naivasha	46	120	449	384	6
Lake Baringo	210	374	406	329	219
Lake Jipe	95	156	101	54	61
Fish Farming	1,002	992	984	967	999
Other areas	1,455	1,953	2,109	1,162	1,366
TOTAL	**157,838**	**164,081**	**209,441**	**197,742**	**207,347**
Marine fish	4,388	5,088	4,125	3,772	3,878
Crustaceans	4,954	6,602	4,828	554	1,511
Other marine products	882	232	265	208	212
GRAND TOTAL	**168,062**	**176,003**	**218,659**	**202,276**	**212,948**
Value – Ksh '000					
Freshwater fish	4,336,060	6,495,080	7,435,860	7,679,580	7,833,580
Marine fish	194,000	172,340	204,220	185,660	188,420
Crustaceans	20,240	17,620	115,540	67,400	237,380
Other marine products	85,040	14,240	14,700	17,880	18,200
TOTAL	**4,635,340**	**6,699,280**	**7,770,320**	**7,950,520**	**8,277,580**

Source: Fisheries Department
**Provisional*

Forestry

9.10. Forests rank high as one of the most important national assets for their economic, environmental, social and cultural importance. They play a pivotal economic support role for the Government, local communities and the private sector, as well as providing social and-cultural amenities for the community. Due to limited land resources the Government through forest department has placed special emphasis on forest development particularly on private and communal land in order to satisfy the country's growing demand for timber and fuel wood.

9.11. The total area under forest plantation shown in Table 9.4 decreased from 147.2 thousand hectares to 120.0 thousand hectares as a result of excision. The excised area was mainly from the areas under the exotic timber trees. The area under the indigenous trees remained largely unchanged.

Table 9.4 Forest Plantation Area, 1997 - 2001 ('000 Hectares)

Type of Forest	1997	1998	1999	2000	2001*
Indigenous Trees	13.9	12.3	12.3	12.3	12.3
Exotic Trees	126.9	116.6	111.3	116.6	89.4
Sub-total	**140.8**	**128.9**	**123.6**	**128.9**	**101.7**
Fuel wood and Poles					
Exotic Trees	18.5	18.3	18.3	18.3	18.3
Total	**159.3**	**147.2**	**141.9**	**147.2**	**120.0**

Source: Department of Forestry
**Provisional*

9.12. Forest plantation stocking shown in Table 9.5 shows that the area planted in the year under review remained at 4,000 hectares as in 2000. The total area clear felled also remained constant at 1,000 hectares. The large value of clear felling recorded in 1999 was due to removal of forest products in the forest areas that were earmarked for excision.

Table 9.5 Changes in Forest in Plantation Stocking, 1998 - 2001 ('000 Hectares)

	1998	1999	2000	2001*
Previous Plantation Area	107.2	107.2	91.2	94.2
Area Planted	2.0	3.0	4.0	4.0
Total	**109.2**	**110.2**	**95.2**	**98.2**
Area Clear felled	2.0	19.0	1.0	1.0
Total Area	**107.2**	**91.2**	**94.2**	**97.2**

Source: Department of Forestry
**Provisional*

9.13. Table 9.6 shows the recorded sale of forest products from 1997 to 2001 Softwood timber sales decreased by 9.0 per cent from 216.8 thousand true cubic metres in 2000 to 197.2 thousand cubic metres in 2001. There was no exploitation of the hardwood timber for the last three years. The ban on sales of fuel wood was relaxed hence an increase in its sales from 0.8 thousand stacked cubic metres in 2000 to 45.5 thousand stacked cubic metres in 2001.

Table 9.6 Recorded Sale of Forest Products, 1997 - 2001					
Forest Product	**1997**	**1998**	**1999**	**2000**	**2001***
Timber - '000 true cu. metres					
Soft wood	314.5	287.7	345.7	216.8	197.2
Hardwood	1.9	0.4	0.0	0.0	0.0
TOTAL	**316.4**	**288.1**	**345.7**	**216.8**	**197.2**
'000 stacked cu. metres					
Fuelwood	63.2	36.3	61.9	0.8	45.5
Power &Telegraph Poles	19.9	4.9	24.6	0.5	3.3

Source: Department of Forestry
**Provisional.*

Mining

9.14. The MENR through the Department of Mines and Geology has the responsibility of understanding geological surveys, geoscientific research, coordination and regulation of the activities of the mining sector. The private sector on the other hand is involved in mining and mineral exploration throughout the country. In recognition of the Private sector's crucial role in mineral resource development, the Government in 2001 continued encouraging its initiative to attract modern technology and necessary capital for investment in this sector.

Table 9.7 Quantity and Value of Mineral Production, 1997 - 2001					
	1997	**1998**	**1999**	**2000**	**2001***
Quantities - Tonnes:					
Minerals					
Soda Ash	257,640	242,910	245,680	238,190	297,780
Fluorspar	68,700	60,854	93,602	100,102	118,850
Salt	6,280	21,742	44,886	16,359	5,664
Limestone Products**	32,668	32,000	32,000	32,000	32,000
Crushed Refined Soda	392,000	370,000	335,230	382,556	207,647
Other	10,934	9,823	10,682	8,323	13,552
TOTAL	**768,222**	**737,329**	**762,080**	**777,530**	**675,493**
Value - Kshs'000:					
Soda Ash***	1,894,020	1,473,360	1,848,520	1,955,500	2,716,000
Fluorspar***	331,100	341,720	651,260	627,860	727,000
Salt	23,540	66,260	136,240	51,740	99,000
Limestone Products	31,120	31,600	31,600	31,600	31,600
Crushed Refined Soda	37,900	29,480	36,980	42,200	22,906
Other	322,440	318,540	738,240	933,380	1,189,440
TOTAL	**2,640,120**	**2,260,960**	**3,442,840**	**3,642,280**	**4,785,946**

Source: Department of Mines and Geology
** Provisional*
*** Excluding limestone used as input into cement product*
**** Including Export Value*

9.15. Table 9.7 shows the quantity and value of mineral production for the periods 1997 to 2001. Total mineral production declined by 13.1 per cent in 2001. This was mainly due to reduced production of crushed refined soda ash and salt. Production of crushed refined soda declined from 382,556 tonnes in 2000 to 207,647 tonnes in 2001 while salt production declined from 16,359 tonnes to 5,664 tonnes over the same period.

9.16. The value of mineral production however increased from KSh. 3.6 billion in 2000 to KSh. 4.8 billion in 2001. Soda ash comprised 56.3 per cent of the total earnings. This impressive growth in value arose due to favourable export market conditions during the year 2001.

9.17. Table 9.8 shows the average export prices of soda ash and fluorspar. Due to changes in demand in the domestic markets and competition in the export markets, the average prices fluctuated over the entire period. The average price per tonne for soda ash increased from KSh. 8,520 in 2000 to KSh. 9,403 in 2001. However, the average price of fluorspar declined from KSh. 6,280 to KSh. 6,116 over the same period

Table 9.8 Average Export Prices of Soda Fluorspar, 1997 - 2001 (Ksh per tonne)

Mineral	1997	1998	1999	2000	2001*
Soda Ash	7,340	6,876	7,820	8,520	9,403
Fluorspar	4,820	5,616	6,960	6,280	6,116

**Provisional*

Wildlife

9.18. Wildlife remains the most dominant land-use activity within the Kenyan rangelands. The severe drought experienced in the year 2000 and early 2001 within the rangelands areas led to insufficient forage and water resources. This affected the status of the wildlife negatively. The affected species included both the large and small herbivores, which either died or migrated to more suitable habitats. Wildlife population estimates are shown in Table 9.9.

9.19. Wildlife species showing decline in the 2000/2001 period include, Burchell's Zebra (mostly due to out-migration), Grevy's Zebra, Topi, Kongoni, Oryx, Eland, Thompson's Gazelle, and Hunter's Hartebeest, among others. Possible causes of these declines may have been as a result of the drought during the period, poaching of some species, and land-use changes that are occurring within the rangeland areas.

Table 9.9 Wildlife Population in the Kenya Rangelands, 1997 - 2001 ('000 Numbers)

SPECIES	1997	1998	1999	2000	2001*
Elephant	15.9	17.1	16.4	16.5	16.5
Buffalo	29.0	28.8	27.5	29.0	29.0
Giraffe	40.4	38.6	36.6	35.6	35.6
Burchell's Zebra	181.4	170.8	170.0	138.8	124.0
Grevy's Zebra	6.8	7.3	7.2	5.8	5.4
Topi	57.6	57.6	57.4	46.6	28.1
Kongoni	15.5	12.9	12.2	9.5	9.2
Wildebeest	322.4	311.0	301.0	324.9	312.0
Oryx	27.4	26.4	26.2	23.5	23.5
Eland	18.6	15.6	15.4	10.6	10.6
H. Hartebeest	1.7	1.6	1.8	1.2	1.2
Waterbuck	6.8	6.2	6.0	5.2	5.2
Kudus	10.3	10.4	10.3	10.3	13.3
Gerenuk	26.5	26.7	26.5	29.8	29.5
Impala	78.5	77.6	77.2	58.9	61.0
Grant's Gazelle	123.3	122.8	127.1	120.1	120.0
Thompson's Gazelle	49.4	56.2	56.2	52.6	46.4
Warthog	14.6	14.4	14.1	14.3	14.6
Ostrich	29.7	26.9	27.0	27.6	27.1

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

Waste Management

9.20. Nairobi City Council (NCC) expenditure on public health decreased from KSh. 322.2 million in 2000/2001 to KSh. 258.0 million in 2001/2002. This was as a result of reduced spending all broad categories of expenditure, which include cleaning and administration; cleaning general; refuse removal and conservancy.

Table 9.10 Expenditure on Public Health by Nairobi City Council, 1997/98 - 2001/02 (Ksh '000)

	1997/98	1998/99	1999/2000	2000/2001	2001/2002
Cleaning and Administration	36,700.0	39,430.0	75,734.0	83,166.0	57,810.1
Cleaning - General	139,514.0	139,714.0	163,344.0	164,196.0	139,137.0
Refuse Removal	25,124.0	28,744.0	70,112.0	74,304.0	60,955.0
Conservancy	322.0	322.0	494.0	496.0	147.6
Total	**201,660.0**	**208,210.0**	**309,684.0**	**322,162.0**	**258,049.7**

Source: Nairobi City Council
** Provisional*

Resources Management and Monitoring

9.21. In 2001, the Government through the MENR continued with the implementation of the National policy on Water Resources Management and Development, and the Revised Water Act (Cap 372) to strengthen water resource management. For smooth implementation, the Government drafted Water Bill 2002 which proposes the establishment of a Water Resources Management Authority (WRMA) to develop principles, guidelines and procedures on the use of water resources. To minimize water conflicts, the bill vests all water resources in the country under the control of the Government. It shall be the duty of the Ministry to promote the investigation, conservation and proper use of water resources throughout the country.

9.22. The Government's priority at the moment is to attract, guide and encourage private investments into the mining sector. In this regard, the MENR in 2001 prepared a Minerals and Mining Policy and is reviewing the Mining Act, with the current global mining and environment trends. The proposed draft if enacted is expected to give investors incentives like the waivers of taxes on imported equipment used in the mining sector and provide better security of tenure

9.23. In 2001, the Government continued with the implementation of the Environment and Natural Resources Programme which was prepared under the 1999-2003 Country Cooperation Framework between Government and UNDP. The programme recognizes environment as an integral component of all development programmes in the National Poverty Eradication Plan that provides the institutional framework for the eradication the poverty in Kenya.

9.24. Measures being undertaken in the year under review to conserve the environment from harmful effect of the sun's UV-B is to sensitise the industry and the public in general the necessity to continue the momentum of phasing those man-made Ozone Depleting Substances (ODS) and instead encourage use of ozone friendly technologies to replace ODS. The Kenya Ozone Office has continued to formulate projects, for funding by the multilateral fund, with the objective of identifying, evaluating, adapting the use of viable alternative technologies that would replace ODS in industrial and agricultural sector.

Chapter
10 Energy

Overview

In 2001, the Organization of Petroleum Exporting Countries (OPEC) and non-OPEC members held international conferences aimed at harmonising relationships between producers and consumers of petroleum products. OPEC, which commands three-quarters of the world's petroleum oil reserves, increased production level by three million barrels per day, consequently, maintaining low world price levels compared to 2000. The oil prices of Murban Benchmark crude that constitutes over 70 per cent of crude oil import in Kenya declined from US $ 23.0 per barrel in December 2000, to US $ 19.10 per barrel in December, 2001.

10.2. In the domestic market, prices of petroleum products continued to be erratic since the liberalisation of petroleum sub-sector in 1994. The rapid price changes of petroleum products were attributed to changes in government taxes on petrol and changes in global prices of crude oil and refined petroleum products. Imports of crude oil declined by 19.8 per cent, while those of refined products increased substantially by 35.3 per cent during the period under review.

10.3. Sales of petroleum products in the domestic market contracted marginally by 2.6 per cent from 2,448.1 thousand tonnes in 2000 to 2,385.2 thousand tonnes in 2001. Transport sector (road, rail, marine and aviation) continued to be the main consumer of petroleum products during the period under review.

10.4. Total electricity installed capacity decreased by 16.3 MW from 1,159.4 MW in 2000 to reach 1,143.1 MW in 2001. In terms of gross fixed capital formation, thermal based plants grew by 74 MW after commissioning of Kipevu II. Hydro based capacity increased by 2.7 MW due to a revision of Kamburu hydro plants capacity from 91.5 MW to 94.2 MW. During the year under review, geothermal Installed capacity remained at the same level. In order to encourage investment in the power sector and make cost of power more affordable, the government introduced during last year budget investment allowance for power generation for purpose of supply of power to the national grid.

10.5. Total electricity generation expanded from 4,178.9 GWH in 2000 to 4,338.4 GWH in 2001, due to improved water levels in hydroelectric dams. Similarly, geothermal based generation increased by 24.1 per cent, while thermal based decreased marginally by 2.6 per cent from 2,017.8 GWH in 2000 to 1965.4 GWH in 2001. Consequently the power rationing that had been imposed by Kenya Power and Lighting Company since September 1999, was lifted in January 2001 following good rains in December 2000. Construction work of Olkaria II (64 MW) and Sondu Miriu (60 MW) progressed well during the period under review.

Petroleum

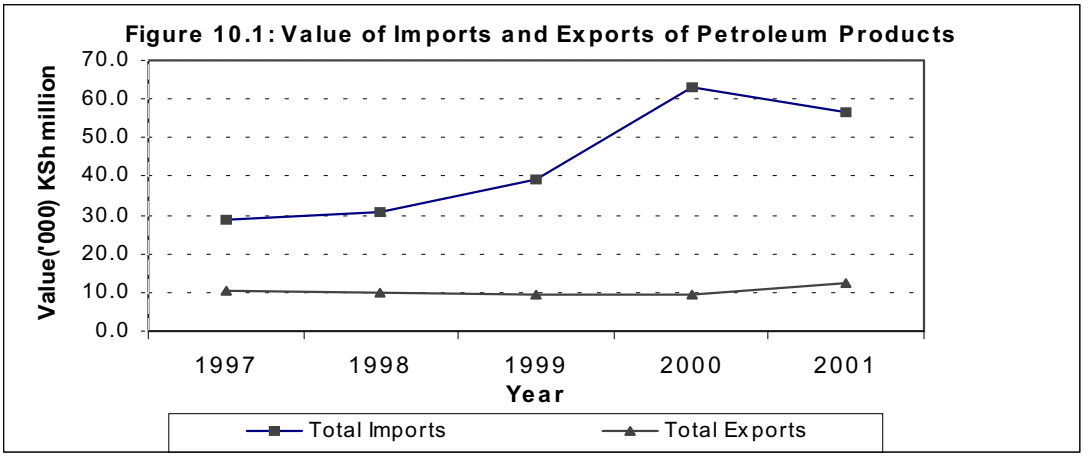
10.6. Oil is the leading source of world's energy needs. In Kenya it is mainly used in domestic, institution and commercial establishments. Since no discoveries of oil have been made in Kenya to date, the country continues to rely heavily on imported petroleum for its local consumption. As a result, crude oil and imported refined petroleum products remain among the major Kenya imports. During the period under review, this accounted for 19.6 per cent of the total country import bill compared to 25.7 per cent in 2000.

10.7. Table 10.1 and Figure 10.1 set out the trends in imports and exports of crude and petroleum products for the period 1997 to 2001. Importation of crude and petroleum products maintained a declining trend during the last four years, registering 3,204.3 thousand tonnes down from 3,368.1 thousand tonnes in 2000. The import bill also fell by 10.1 per cent from KSh 63,112.3 million in 2000 to KSh 56,766.7 million in 2001. The decrease in quantity imported in 2001 was mainly due to improvement of weather resulting in more hydropower

Table 10.1 Quantity and Value of Imports and Exports of Crude and Petroleum Products*, 1997 - 2001

	Quantity ('000 Tonnes)					Value (KSh million)				
	1997	1998	1999	2000	2001**	1997	1998	1999	2000	2001**
IMPORTS										
Crude Petroleum	1,833.7	2,157.7	2,139.3	2,452.3	2,045.0	16,825.0	15,036.6	22,355.4	41,907.2	31,179.0
Petroleum Fuels	895.7	1,387.8	1,250.9	874.9	1,142.5	11,366.2	14,451.0	15,746.2	19,622.2	24,370.5
Lubricating Oils	29.5	38.2	41.5	40.0	51.8	773.6	1,087.0	1,144.8	1,473.4	1,138.4
Lubricating Greases	0.3	2.2	0.8	0.9	0.7	33.4	124.4	99.4	109.6	78.8
TOTAL	**2,759.2**	**3,585.8**	**3,432.5**	**3,368.1**	**3,240.0**	**28,998.2**	**30,699.0**	**39,345.8**	**63,112.3**	**56,766.7**
EXPORTS										
Petroleum Fuels	653.0	640.6	627.3	441.9	366.8	9,869.4	9,169.2	9,147.2	9,077.7	12,099.3
Lubricating Oils	9.7	8.1	3.9	4.8	3.2	414.0	491.8	230.8	355.0	280.4
Lubricating Greases	0.2	0.2	0.2	0.1	0.1	11.2	29.4	13.0	12.5	11.7
TOTAL	**662.8**	**648.9**	**631.4**	**446.8**	**370.1**	**10,294.6**	**9,690.4**	**9,391.0**	**9,445.3**	**12,391.4**
NET BALANCE						**18,703.6**	**21,008.6**	**29,954.8**	**53,667.0**	**44,375.3**

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



generation compared to thermal-based generation. The Crude petroleum imports accounted for 61.3 per cent of the total import in 2001 compared with 72.8 per cent during the previous year. The volume of imported lubricating oil and Lubricating greases decreased by 22.2 per cent and 23.9 per cent respectively, while petroleum fuels increased by 38.1 per cent.

10.8. Exports of petroleum products, to the neighbouring countries reversed the declining trend observed in the previous four years. During the period under review, exports quantities increased to 472.7 thousand tonnes in 2001, from 446.8 thousand tonnes in 2000. Petroleum fuels, which are the major petroleum products exported, recorded a rise of 6.2 per cent from 441.9 thousand tonnes in 2000 to 469.1 thousand tonnes in 2001. Exports of lubricating greases remained at the same level, whereas those of lubricating oils dropped by 27.1 per cent. Although there was an increase in exports of petroleum products, the level was low compared with 1997 attributable to direct importation of these products by Kenya's traditional markets; notably Uganda, Burundi, Rwanda Democratic Republic of Congo and mainland of Tanzania. Export earnings from petroleum products rose from KSh 9,445.3 million in 2000 to KSh 12,391.4 million in 2001, an increase of 31.2 per cent. Export earnings from petroleum fuels, rose by 33.3 per cent. However, earnings of lubricating oils and greases declined by 21.0 per cent and 6.4 per cent respectively.

10.9. A breakdown of crude oil intake by type detailed in Table 10.2 shows that Murban remained the most important crude oil import since 1997. In 2001 alone, 1,461.9 thousand tonnes of Murban was processed at the Kenya Petroleum Refineries Limited (KPRL), representing 86.2 per cent of the total crude intake. This was however, a 16.9 per cent drop compared with the intake for 2000. Iranian Heavy, whose refinery intake in 2000 more than doubled compared to 1999, decreased marginally to 64.3 thousand tonnes in 2001. No imports of Zakum, Arabian medium, Kuwait and Arabian Heavy were recorded in 2001. Although no Khafji had been imported in the course of the previous five years, 160.5 thousand tonnes were imported during the year under review. United Arab Emirates continued to be Kenya's main crude oil supplier accounting for 90 per cent of the total crude intake in 2001. The decrease in crude intake was attributed to low demand of petroleum products as well as increase in importation of refined products.

Table 10.2 Crude Oil Intake at the Refinery by Type, 1997 - 2001 ('000 Tonnes)

Crude intake	A.P.I. Gravity	1997	1998	1999	2000	2001*
Arabian Heavy	27.9	27.6	25	54.2	-	-
Arabian Medium	31	-	-	-	73.1	-
Iranian Heavy	30.4	76.8	84.2	30.7	64.6	64.3
Kuwait	32	-	-	49.9	-	-
Zakum	40.1	582.8	562	309.5	115.2	-
Murban	39.6	960.2	1,050.4	1,252.7	1,759.9	1,461.9
Khafji	-	-	-	-	-	160.5
Slops	-	-	-	1.1	-	8.9
TOTAL		**1,647.4**	**1,721.6**	**1,698.1**	**2,012.8**	**1,695.6**

Source: Kenya Petroleum Refineries Limited
**Provisional*
A.P.I. means American Petroleum Institute

10.10. Table 10.3 details the output of petroleum products by the Kenya Petroleum Refineries Limited (KPRL). As a result of decrease in crude oil intake, production of various petroleum products fell by 15.8 per cent from 2,012.8 thousand tonnes in the year 2000 to 1,695.5 thousand tonnes during the year under review. Production of liquefied petroleum gas, motor gasoline, Illuminating kerosene and jet fuel, light diesel and fuel oil all declined substantially. Output of heavy diesel and marine diesel oil; and bitumen, however rose by 3.5 and 3.7 per cent, respectively.

Table 10.3 Finished Petroleum Products, 1997 - 2001 ('000 Tonnes)**

	1997	1998	1999	2000	2001*
OUTPUT					
Liquefied petroleum gas	23.5	29.0	27.1	34.0	28.1
Motor gasoline premium	131.5	158.9	157.9	201.6	154.4
Motor gasoline regular	144.2	137.4	127.4	133.2	119.0
Illuminating kerosene and Jet/turbo fuel	334.6	355.1	337.4	400.4	320.0
Light diesel oil	385.6	401.2	406.0	482.2	406.8
Heavy diesel oil and Marine diesel oil	26.1	27.6	25.1	28.6	29.6
Fuel oil	496.8	499.1	507.2	615.8	534.6
Bitumen	12.0	19.8	20.3	21.5	22.3
Additives	(0.5)	(0.6)	(0.6)	(0.8)	(0.6)
Refinery usage	93.6	94.1	90.2	96.3	81.3
THROUGHPUT=TOTAL OUTPUT	**1,647.4**	**1,721.6**	**1,698.0**	**2,012.8**	**1,695.5**

Source: Kenya Petroleum Refineries Limited
** Provisional*
***Excludes lubricants*

10.11. The Supply and demand balances for petroleum products for the period 1997 to 2001 are shown in Table 10.4. The domestic demand for petroleum products in 2001 declined to 2,385.2 thousand tonnes from 2,448.1 thousand tonnes recorded in 2000. Despite this overall decrease in demand, products, like fuel oil, Liquefied Petroleum Gas (LPG) and motor spirit (premium and regular) registered higher demand. Fuel oil recorded the highest increase of 13.9 per cent, which may be related to additional demand by Kipevu II that started operating from June 2001. Illuminating kerosene and light diesel oil, which were the major contributors to the fall in demand decreased by 20.2 per cent and 6.9 per cent, respectively. The decrease in demand of illuminating kerosene was due to reduced households consumption after the lifting of power rationing whereas reduction in light diesel demand may be attributed to reduced usage of generators after improved hydro power generation in 2001. Jet fuel, which had increased by 3.2 per cent in 2000, decreased to 417.3 thousand tonnes during the review period down from 432.2 thousand tonnes recorded in 2000. This may be attributed to international flights fuelling in other countries due to high taxation of the product. Refinery usage decreased from 96.3 thousand tonnes in 2000 to 81.3 thousand tonnes in 2001, a 15.6 per cent decrease; which compares well with 15.8 per cent decrease in crude intake at the refinery.

Table 10.4 Petroleum Supply and Demand Balance, 1997 - 2001 ('000 Tonnes)

	1997	1998	1999	2000	2001*
DEMAND					
Liquefied petroleum gas	30.7	31.3	32.2	33.4	35.6
Motor spirit (premium and regular)	390.6	395.8	384.6	365.7	374.3
Aviation spirit	4.1	3.2	2.5	2.2	2.4
Jet/turbo fuel	431.9	419.4	418.7	432.2	417.3
Illuminating kerosene	267.6	318.2	406.8	383.7	306.1
Light diesel oil	615.9	607.5	601.7	712.8	663.7
Heavy diesel oil	47.6	26.4	25.7	28.1	27.7
Fuel oil	386.9	397.3	439.4	490.0	558.1
TOTAL	**2,175.2**	**2,199.1**	**2,311.6**	**2,448.1**	**2,385.2**
Refinery usage	93.6	94.1	90.2	96.3	81.3
TOTAL DOMESTIC DEMAND	**2,268.9**	**2,293.2**	**2,401.8**	**2,544.4**	**2,466.5**
Exports of petroleum fuels	653.0	640.6	627.3	441.9	469.1
TOTAL DEMAND**	**2,921.9**	**2,933.8**	**3,029.1**	**2,986.3**	**2,935.6**
SUPPLY					
Imports:					
Crude oil	1,833.7	2,157.7	2,139.3	2,452.3	1,965.6
Petroleum fuels	895.7	1,387.8	1,250.9	874.9	1,208.3
TOTAL	**2,727.4**	**3,545.5**	**3,390.2**	**3,327.2**	**3,173.9**
Adjustment***	194.5	(611.7)	(361.1)	(340.9)	(238.3)
TOTAL SUPPLY**	**2,921.9**	**2,933.8**	**3,029.1**	**2,986.3**	**2,935.6**

Source: Ministry of Energy, Customs & KPRL
**Provisional*
*** Difference is due to rounding.*
****Adjustment for inventory changes and losses in production.*

10.12. Table 10.5 shows that there was a marginal decline of 2.6 per cent in total domestic sales of petroleum fuels by consumer category from 2,448.1 thousand tonnes in 2000 to 2,385.2 thousand tonnes in 2001. In spite of the overall decline in domestic sales, some sectors reflected increased usage. Fuel usage in power generation decreased compared with the previous year. This could be related to reduction in the generation by thermal based electricity due to favourable hydro-power production condition.

10.13. Transport sector (Road, Rail, Marine and Aviation) continued to be the main consumer of petroleum products. During the period under review, the sector consumed 1,697.1 thousand tonnes, which represented over 70 per cent of the total net domestic sales. Retail pump outlets and road transport decreased to 1,153.4 thousand tonnes in 2001 down from 1,184.8 thousand tonnes in 2000. Commercial and industrial sector, which had registered an increase in consumption during the previous year, declined by 7.6 per cent to record 382.5 thousand tonnes. Notable increases were recorded in marine and tourism sectors, recording 68.9 per cent and 3.2 per cent increases respectively.

Table 10.5 Net Domestic Sale of Petroleum Fuels by Consumer Category, 1997 - 2001 ('000 Tonnes)

User	1997	1998	1999	2000	2001*
Agriculture	86.6	109.5	89.6	90.7	91.6
Retail pump outlets & road transport	1,061.9	1,115.8	1,109.7	1,184.8	1,153.4
Rail transport	21.6	20.3	15.7	12.8	10.4
Tourism**	12.1	10.9	10.6	10.7	11.0
Marine (excl. Naval Forces)	56.7	73.5	111.4	68.7	116.0
Aviation (excl. Government)	409.5	392.3	421.0	424.4	417.3
Power Generation	149.5	152.0	279.3	289.3	270.3
Industrial, Commercial and Other	403.1	374.4	367.2	413.8	382.5
Government	31.4	23.5	18.6	21.9	19.4
Balancing Item	**(57.2)**	**(73.1)**	**(111.6)**	**(69.0)**	**(86.8)**
TOTAL	**2,175.2**	**2,199.1**	**2,311.5**	**2,448.1**	**2,385.2**

** Provisional*
***Comprises sales to tour operator*

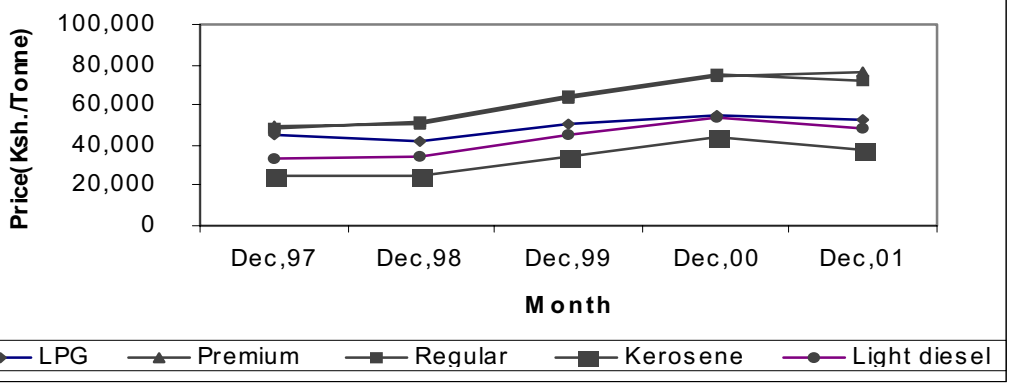
10.14. Detailed information on wholesale price of petroleum products in Mombasa is shown in Table 10.6 and Figure 10.2. Except premium motor gasoline, which registered a by 3.0 per cent increase, all other wholesale prices dropped. The decrease may be attributed to low crude oil prices prevailing during the year under review and stabilizing of Kenya shilling against the US dollar.

Table 10.6 Wholesale Prices* of Petroleum Products at Mombasa 1997 - 2001 (Ksh per tonne)

	Dec 97	Dec 98	Dec 99	Dec 00	Dec 01
Liquefied petroleum gas**	45,000	42,000	51,000	55,813	54,490
Premium motor gasoline	49,002	51,049	63,200	70,557	69,230
Regular motor gasoline	48,672	51,196	64,600	67,929	66,489
Illuminating kerosene	25,031	24,504	34,069	41,745	42,503
Light diesel oil	33,456	34,267	44,700	48,372	45,170
Industrial diesel oil	23,798	23,912	35,090	39,351	36,746
Fuel oil	18,372	17,675	25,900	27,094	25,300

** Including duties and VAT*
*** Series revised*

Figure 10.2: Wholesale Prices of Petroleum Products, Mombasa Dec'97- Dec'01



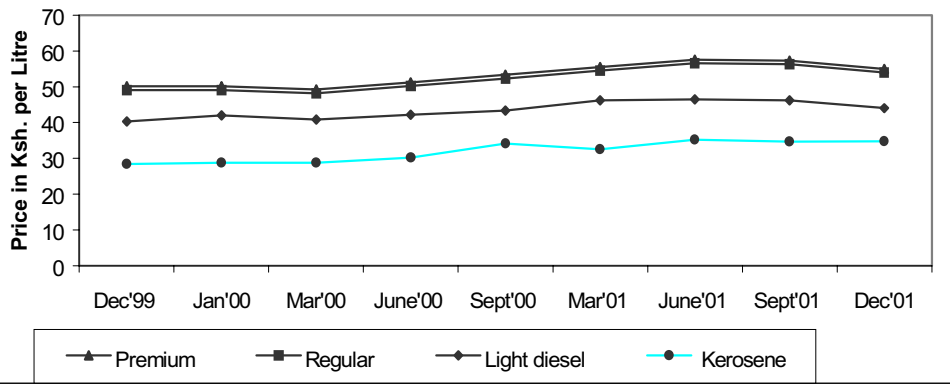
10.15. Nairobi average retail prices of selected petroleum products are presented in Table 10.7 and Figure 10.3. Average retail prices of motor spirit, gas oil and illuminating kerosene were at higher levels during the year under review compared with respective months in the previous year. This was mainly

Table 10.7 Nairobi Average Retail Prices of Selected Petroleum Products, Dec1999 - Dec 2001 (KSh per litre)

Date	MOTOR SPIRIT		Gas Oil	Illuminating Kerosene
	Premium	Regular		
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	36.37
Jan'01	54.19	53.20	45.03	33.55
Mar'01	55.57	54.57	46.24	32.46
June'01	57.58	56.58	46.52	35.16
Sept'01	57.36	56.36	46.26	34.63
Dec'01	55.02	54.02	44.02	34.75

Source: Ministry of Energy

Figure 10.3 : Nairobi Retail prices of selected Petroleum Products,Dec'99-Dec'01



attributable to increase of pump prices that went up by a shilling a litre during the first quarter of the year, which companies implemented to cater for unstable world crude oil prices. The cutting down of crude oil supply by OPEC in April, 2001 also contributed to this increase. In addition, the Government increased petrol prices by two shilling during the budget in June 2001. Although the companies were expected to absorb the increase, they passed it over to the consumers. As result of all this, the month of June registered the highest increase in prices by recording Ksh.57.58, Ksh.56.58, Ksh.46.52 and Ksh. 35.16 per litre for premium, regular, gas oil and illuminating kerosene respectively. However,

by December 2001, the retail prices of premium, regular, gas oil and illuminating kerosene declined by 5.4 per cent, 5.5 per cent, 10.2 per cent and 4.5 per cent respectively compared with the same period during the previous year. This was mainly attributed to decrease in world crude oil prices.

Electricity

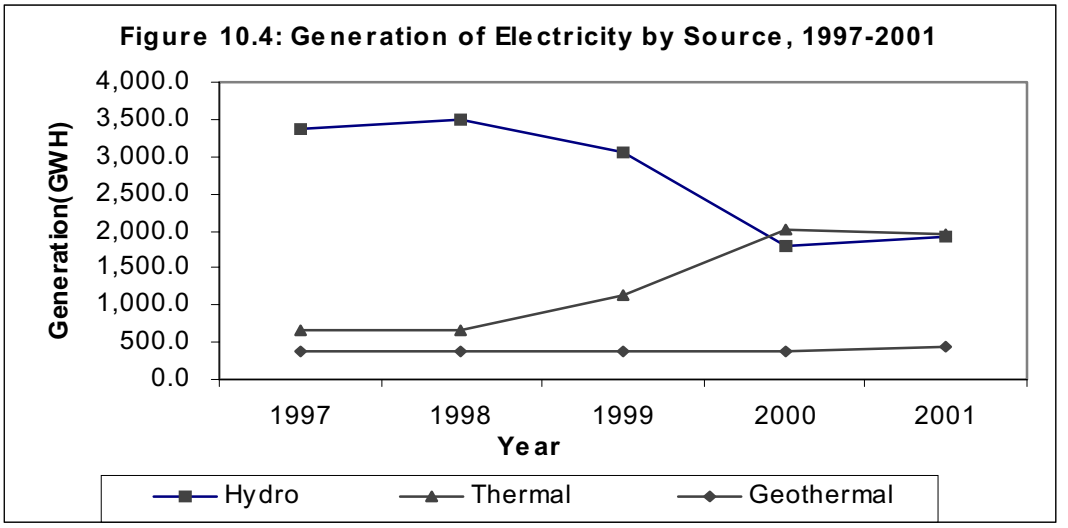
10.16. Electric power is an important source of energy. Kenya derives its electricity from hydro, thermal and geothermal sources. In the country, commercial and industrial establishments; institutions and households use electricity. The massive power rationing instituted in September 1999 due to acute hydro generation shortfall was lifted during the year under review, which was a great relief to the country's economy. The emergency generators that served as a stopgap emergency measure during the rationing period were decommissioned in June 2001 after being in operation since July 2000. This was necessitated by increased rainfall resulting in improved hydro generation. This not withstanding, the demand for electricity in the country exceeds the supply hence posing a big challenge.

10.17. Table 10.8 and Figure 10.4 show installed capacity and generation of electricity from 1997 to 2001. The total installed capacity decreased by 16.3 MW from 1,159.4 MW in 2000 to reach 1,143.1 MW in 2001. However, although the total installed capacity registered a decline, the sector's gross fixed capital formation increased. This was because figures for 2000 included some 99 MW

Table 10.8 Installed Capacity and Generation of Electricity 1997 - 2001

	INSTALLED CAPACITY in MW **				GENERATION in GWH ***					
	Hydro	Thermal Oil	Geo-Thermal	Total	Hydro****	Thermal oil		Geo-Thermal	Wind	Total
						Thermal	IPP			
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	427.9	57.0	1,159.4	1,793.8	1,201.1	816.7	367.1	0.2	4,178.9
2001	677.2	408.9	57.0	1,143.1	1,917.3	652.6	1,312.8	455.6	0.1	4,338.4

Source: Kenya Power and Lighting Company
**Includes generation for industrial establishment with generation capacity of over 100KVA plus Emergency supply of 99 MW by Contracted generators*
***1 megawatt = million watts = 1,000 kilowatts.*
****Gigawatt hour = 1,000,000 kilowatt hours*
***** Includes import from Uganda*



supplied by emergency generators and 20 MW supplied by private generators with capacity of 100 KVA, all meant to act as a stop gap emergency measure. Installed capacity of hydro-based plants rose by 0.4 per cent to register 677.2 MW in 2001 compared to 674.5 MW during the previous year.

10.18. This was as a result of revision of Kamburu plant capacity from 91.5 MW to 94.2 MW. The gross fixed capital formation of thermal plants increased from 308.9 MW in 2000 to 408.9 MW in 2001. This was mainly attributed to the commissioning of 74 MW Kipevu II and injection of 2 MW by Mumias Sugar Company. On the other hand, geothermal based installed capacity remained at the previous year level.

10.19. Total electricity generation rose by 3.8 per cent from 4,178.9 GWH to 4,338.4 GWH in 2001. Hydro-based generation, which is the most important electricity source in Kenya, rose by 6.9 per cent from 1,793.8 GWH to 1,917.3 GWH in 2001. The increase was attributed to improved rainfall, which resulted in higher water levels in hydroelectric dams. Although the hydro based generation increased in 2001, it did not attain level of 1998 as shown in Figure 10.4.

10.20. Overall, thermal based generation (KenGen and Independent Power Producers) dropped to 1,965.4 GWH in 2001 from 2,017.8 GWH in 2000, a marginal decrease of 2.6 per cent. Although the overall generation decreased, generation by Independent Power Producers (IPPs) went up mainly due to commissioning of Kipevu II and injection of 2 MW by Mumias Sugar Company. KenGen thermal plants however registered a 45.7 per cent decrease in generation due to decommissioning of emergency power generators and private generators. Geothermal based generation registered a growth of 24.1 per cent as a result of increased generation by Olkaria III geothermal plant in 2001.

10.21. Electricity energy supply and demand balance is shown on Table 10.9. Total electricity consumption rose by 10.1 per cent from 3,320.7 million KWH in 2000 to 3,654.8 million KWH in 2001. This growth was attributed to the lifting of power rationing occasioned by good weather. Consumption by domestic and small commercial consumers had the highest growth of 20.3 per cent from 1,065.6 million KWH in 2000 to 1,282.2 million KWH during the year under

Table 10.9 Electricity Energy Supply and Demand Balance+, 1997 - 2001 (Million KWH)

	1997	1998	1999	2000	2001*
DEMAND					
Domestic and Small Commercial	1,165.8	1,212.6	1,256.8	1,065.6	1,282.2
Large& Medium(Commercial and Industrial)	2,261.4	2,137.3	2,180.8	2,061.8	2,181.3
Off-peak	89.2	86.7	84.9	59.8	57.5
Street Lighting	11.2	10.1	10.7	8.8	5.4
Rural Electrification	144.1	155.1	152.0	124.7	128.4
TOTAL	**3,671.7**	**3,601.8**	**3,685.2**	**3,320.7**	**3,654.8**
Transmission losses and unallocated demand	717.4	956.8	896.6	858.2	683.6
TOTAL DEMAND = TOTAL SUPPLY	**4,389.1**	**4,558.6**	**4,581.8**	**4,178.9**	**4,338.4**
of which imports from Uganda	149.5	138.9	149.6	220.5	113.7
Net generation	**4,239.6**	**4,419.7**	**4,432.2**	**3,958.4**	**4,224.7**

Source: Kenya Power and Lighting Company
**Includes generation of industrial establishment with generation capacity of over 100KVA*
+Figures are in calendar year.

review, the highest sale in the last five years. The increase in demand by domestic and small commercial establishment was due to an increase of small-scale industries (Jua Kali) as well as mushrooming of building extensions in the already existing town estates. Similarly, consumption by the large commercial and industrial consumers increased by 5.8 per cent, accounting for 59.7 per cent of the total consumption during the year under review. Off peak and street lighting categories, recorded a decline of 2.3 million KWH and 3.4 million KWH respectively, which were the lowest since 1997, attributable to power rationing and lack of expansion in the last five years. Imports from Uganda, which had registered a growth of 47.4 per cent in 2000, declined by 48.4 per cent to 113.7 million KWH in 2001 from 220.5 million KWH in 2000. These imports constituted 3.1 per cent of total domestic consumption.

10.22. Power losses dropped by 20.3 per cent to register 683.6 million KWH down from 858.2 million KWH in 2000. This is as a result of efforts made by Kenya Power and Lighting Company to gradually reduce technical and commercial losses, which have been accounting for about 21 per cent of total generation.

10.23. Table 10.10 shows total domestic energy demand and supply balance. Total energy consumption in 2001 was 2,655.4 thousand tonnes of oil equivalent of which imports accounted for 52.1 per cent, compared to 2000 when imports were 81.5 per cent of the total energy consumption. This is mainly attributed to increase in local production and reduced demand of petroleum products due to improved hydro generation. Consumption of liquid fuels, which had been rising in the previous four years, declined in 2001 to record 2,385.2 thousand tonnes of oil equivalent. Consumption of hydro and geothermal based electricity expanded from 185.9 thousand tonnes of oil equivalent in 2000 to 204.1 thousand tonnes in 2001, while coal which is mainly used in cement industry, remained at the earlier level. Since consumption outstripped local production, the deficit had to be imported. This deficit accounted for 92.7 per cent of the total consumption during the year 2001. The demand for energy by the modern sector recorded a marginal decrease of 2.9 per cent in per capita consumption during the period under review.

Table 10.10 Production, Trade and Consumption of Energy Expressed in Terms of Primary Sources, 1997 - 2001 ('000 Tonnes Oil Equivalent)**

	1997	1998	1999	2000	2001**
COAL AND COKE CONSUMPTION	**91.5**	**73.2**	**71.5**	**66.1**	**66.1**
Imports of crude oil	1,833.7	2,157.7	2,139.3	2,452.3	1,965.6
Net exports of petroleum	147	653.1	533.4	336.7	657.9
Stock changes and balancing item	194.5	(611.7)	(361.1)	(340.9)	(238.3)
TOTAL CONSUMPTION OF LIQUID FUELS	**2,175.2**	**2,199.1**	**2,311.6**	**2,448.1**	**2,385.2**
HYDRO AND GEOTHERMAL ENERGY:					
Local production of hydro power	277.3	288.8	250.5	135.3	155.1
Local production of geothermal power	31.7	33.4	32.9	31.6	39.2
Imports of hydro power	12.9	11.9	12.9	19.0	9.8
TOTAL CONSUMPTION OF HYDRO AND GEOTHERMAL ENERGY	**321.9**	**334.1**	**296.3**	**185.9**	**204.1**
TOTAL LOCAL ENERGY PRODUCTION	**309.0**	**322.2**	**283.4**	**166.9**	**194.3**
TOTAL NET IMPORTS	**1,791.1**	**1,589.7**	**1,690.3**	**2,200.7**	**1,383.6**
TOTAL ENERGY CONSUMPTION	**2,588.6**	**2,606.4**	**2,679.4**	**2,700.1**	**2,655.4**
LOCAL PRODUCTION AS PERCENTAGE OF TOTAL	**11.9**	**12.4**	**10.6**	**6.2**	**7.3**
PER CAPITA CONSUMPTION IN TERMS OF KILOGRAMS OF OIL EQUIVALENT	**95.5**	**93.4**	**93.4**	**94.1**	**91.4**

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

Rural Electrification

10.24. The Rural Electrification Programme (REP) was established in 1973 to support electricity schemes in rural areas, with the Kenya Power and Lighting Company (KPLC) acting as the managing agent on behalf of the Government. The programme has been funded through financial support from the Government, development partners and contribution from KPLC. A total of KSh 952 million was spent during the financial year 2000/2001 including KSh 772 million spent on Phase I of the Spanish funded projects. This brought the cumulative capital expenditure of the programme to about KSh 6,000 million, since its inception in 1973. The number of customers under the programme increased by 9,518 from 67,542 in June 2000 to 77,060 June 2001. Although the number of customers increased, rural electricity consumption decreased to 121 million KWH in 2000/2001 compared with 138 million KWH in 1999/2000. The decrease in sales was as a result power rationing Programme during the period.

10.25. During the financial year 2000/2001, 52 factories at a cost of 215 million were approved for electrification under stage 2 and 3 following evaluations of Phase 1 stage 1 of the Coffee Factories Rural Electrification Programme (COFREP), which is financed from European Union's Stabilisation of Exports (STABEX) Fund. Design work for the 52 factories has been completed and construction work will commence in 2001/2002 financial year.

Woodfuel Resources

10.26. Wood energy is the most important source of energy accounting for 70 per cent of the total energy demand in Kenya. According to Ministry of Energy, about 80 per cent of the population depend on woodfuel for its domestic energy need, providing 93 per cent of rural household energy requirements and 80 per cent in urban areas. In rural areas woodfuel is mainly used in form of firewood whereas charcoal dominates in urban areas. The principal use of woodfuel in Kenya is for household cooking and space heating. Government policy on wood fuel is to ensure adequate supplies of wood are available to satisfy demand through sustained yields, while at the same time conserving the environment. This is being done by encouraging use of improved cooking stoves and agroforestry practices.

10.27. The sharp increase in energy prices and the need to develop substitutes for fuelwood have aroused considerable interests in alternative energy sources in Kenya.

10.28. **Solar power:** Kenya has abundant solar energy resources. There are two primary ways solar energy can be utilised, namely Solar Photovoltaics (PV) and solar thermal devices. Solar PV converts solar energy into electricity and is used for variety of applications including lighting, running appliances, pumping and powering refrigerators. The system is proving very popular and appears to be an attractive option especially for rural households who are unlikely to be connected to the national grid in the foreseeable future. Solar thermal devices convert solar energy into heat. It is commonly known as solar water heater and has been gaining widespread use especially in urban areas, hospitals and public institutions. However, high capital costs, coupled with lack of appropriate technology and effective promotion strategies have hampered the exploration and use of solar energy.

10.29. **Biogas:** Biogas is a combustible mixture of methane gas and carbon dioxide produced by a biogas digester. This is commonly used for cooking, lighting and running generators. The use of biogas device can help to lower household demand for woodfuel and commercial fuels, especially in rural areas. Biogas technology is cost effective if properly maintained. The operation of the plant is most suitable in high potential agricultural zones, especially where farmers practice zero grazing. Lack of skills and effective promotion strategies hamper the use of this alternative energy source.

10.30. **Wind power:** wind is one of the greatest sources of natural energy. It's commonly used for economical power to pump water or to generate electricity. During the year 2001, wind power contributed 0.1 Gigawatt hour to the national grid. The major constraints hampering exploration of this type of energy has been lack of appropriate technology, lack of data on wind regimes, poor promotion strategies and lack of initial capital.

Energy Conservation

10.31. The negative impact of petroleum imports in the country's balance of payments, the high cost of generating electrical power and negative environment effect of use of woodfuel, call for effective use of the meagre resources available. The policy on energy conservation is expected to rely on the reduction of the cost of using imported and domestic energy, by eliminating wasteful consumption and maximizing the efficiency with which energy is used throughout all sectors of the economy. Similarly, promotion of usage of domestic low cost instead of high cost energy resources where appropriate and economically justifiable is encouraged.

Chapter 11

Manufacturing

Overview

Real output growth in the manufacturing sector recorded a modest expansion of 0.8 per cent in 2001 compared with a revised decline of 1.4 per cent recorded in 2000. Favourable weather conditions in the year led to an improved supply of raw materials to the agro-based industries while the lifting of power rationing ensured a stable supply of power to manufacturers leading to increased plant capacity utilization. The food sub-sector gained, though marginally, after a drop in 2000. Other sub-sectors that recorded growth were in clothing, leather and footwear, paper and paper products, basic industrial chemicals, petroleum and other chemicals, electrical and non-electrical machinery. The biggest drop in output was recorded in the transport equipment and clay and glass product sub-sectors.

11.2. The level of poverty that continued to rise, coupled with the general slowdown of the economy, inhibited growth in the demand of locally manufactured goods as effective demand continued to shift more in favour of relatively cheaper imported manufactured items. In addition, the high cost of inputs as a result of a combination of dilapidated and inefficient general infrastructure led to high prices of locally manufactured products thereby limiting their capacity to effectively compete in the regional and international market. To spur growth, the Government has seized available opportunities especially in the export front, to come up with appropriate policies that would benefit the local manufacturing sector. To achieve this, the Government has, in the last five years signed several trade agreements geared towards gaining export opportunities. Among them are; African Growth and Opportunity Act (AGOA)- a United States Government initiative, African Caribbean and Pacific-European Union (ACP/EU) Partnership Agreement geared towards preferential access of ACP exports to European Union market, Common Market for Eastern and Southern Africa (COMESA) and East African Community (EAC). Export Processing Zones (EPZ), with an investment portfolio at KSh. 9.0 billion by 2001, recorded impressive performance mainly as a result of the AGOA initiative. During this period, investment in the sector remained weak though better compared to previous year.

Employment

11.3. Employment in the manufacturing sector remained depressed in 2001 as a result of retrenchment and closure of factories mainly in the public owned manufacturing industries. Overall, employment is estimated to have reduced further from 218,000 persons in 2000 to 216,000 persons in 2001. However, employment at the EPZ more than doubled from 6,620 persons in 2000 to 13,758 persons in 2001 mainly due to opening up of new factories.

Manufacturing sales and stocks

11.4. Data obtained from the Business Expectation Enquiry (BEE) indicate an improvement in total sales in the manufacturing sector in 2001 compared to 2000. During this period, the total value of sales was KSh. 226,160 million compared with 202,900 million in 2000. The value of stocks and work in progress in this sector as at 31st December is estimated to have grown slightly from KSh. 235,000 million in 2000 to 238,000 million in 2001.

Industrial Output

11.5. Details of estimated value of output, intermediate consumption, value added and wages paid at current prices, in the manufacturing sector are given in Table 11.1. Value of output rose by 1.3 per cent in 2001 compared with a 10.9 per cent decline in 2000. The value of intermediate consumption remained relatively unchanged while value added rose by 8.3 per cent. The overall wage bill paid in the sector increased by 9.8 per cent in the period under review while intermediate consumption remained fairly stable.

Table 11.1: Manufacturing Sector - Output , Wage and Product, At Current Prices, 1997 - 2001 (Ksh billion)

YEAR	Value of Output	Intermediate Consumption	Value Added	Total Wages Paid
1997	675.2	616.9	58.3	23.2
1998	703.0	631.4	71.6	28.0
1999	742.5	656.8	85.7	32.9
2000	661.2	565.1	96.1	36.9
2001*	669.6	565.5	104.1	40.5

** Provisional.*

Quantum Indices

11.6. Overall, output in the manufacturing sector recorded mixed performance as depicted in Table 11.2 in the year 2001. Output in the food processing sub-sector recorded growth, albeit small, in 2001 after declining in 2000. Basic Industrial Chemical Industries sub-sector recorded a growth of 4.7 per cent in the year under review after declining by 13.5 per cent during the previous year. Clothing, leather and footwear, petroleum and other chemicals plastic products, electrical machinery and miscellaneous industries recorded significant gains in output in 2001 when compared with 2000. Output in the clay and glass products and transport equipments sub-sectors recorded the highest declines while the printing and publishing sub-sector remained relatively unchanged.

11.7. The food processing industry that accounted for 36.8 per cent of the total manufacturing sector output in 2001 expanded marginally by 0.7 per cent after a 2.7 per cent decline in 2000, mainly as a result of improved supply of raw materials. The highest growths in the sub-sector were recorded in the canned vegetables, fruits, fish, oils and fats; and miscellaneous foods industries that gained by 8.0 per cent and 6.5 per cent respectively in 2001. Closing of two sugar processing factories during the year contributed to the downward trend of the sugar industry while continued low demand for the sifted maize meal and wheat flour contributed to the fall in the grain milling industry in 2001. The bakery products industry realised modest expansion during the same period while the output in the meat and dairy industry remained relatively unchanged.

Table 11.2: QUANTUM INDEX OF MANUFACTURING PRODUCTION, 1997 - 2001						
INDUSTRY	1997	1998	1999	2000	2001	1976 = 100 Percentage Change 2001/2000
Meat and Dairy Products	91.8	76.4	84.3	85.9	86.1	0.2
Canned Vegetables, Fruits, Fish, Oils and Fats	310.1	325.2	372.9	391.8	423.3	8.0
Grain Mills Products	213.4	202.7	200.9	157.6	143.1	-9.2
Bakery Products	383.2	352.2	345.2	295.5	299.9	1.5
Sugar and Confectionery	204.5	226.6	236.6	206.1	195.2	-5.3
Miscellaneous Foods	235.1	240.0	227.8	246.4	262.3	6.5
Food Manufacturing	195.3	200.1	204.9	199.4	200.8	0.7
Beverages	199.4	204.7	155.2	166.4	157.9	-5.1
Tobacco	237.0	202.5	192.7	160.2	155.9	-2.7
Beverages and Tobacco	203.0	203.7	159.7	166.1	158.2	-4.8
Textiles	119.6	118.6	118.7	115.5	114.7	-0.7
Clothing	142.4	148.4	154.8	167.2	172.8	3.3
Leather and Footwear	61.6	57.9	48.6	54.6	59.5	9.1
Wood and Cork Products	74.9	73.4	82.3	75.1	71.7	-4.5
Furniture and Fixtures	54.7	55.9	55.9	56.1	57.0	1.6
Paper and Paper Products	196.5	222.3	238.1	258.5	263.3	1.8
Printing and Publishing	465.9	465.9	466.4	424.5	424.7	0.0
Basic Industrial Chemicals	157.5	168.8	162.6	140.6	147.1	4.7
Petroleum and Other Chemicals	591.7	594.8	616.8	659.4	741.8	12.5
Rubber Products	678.0	668.3	590.8	588.1	581.1	-1.2
Plastic Products	510.9	608.7	697.6	781.8	837.0	7.1
Clay and Glass Products	2,254.6	2,437.0	1,623.0	1,191.7	1052.4	-11.7
Non-Metallic Mineral Products	230.6	216.7	216.9	153.8	131.6	-14.4
Metallic Products	298.6	252.9	270.1	238.1	237.7	-0.2
Non-Electrical Machinery	88.7	86.7	85.1	86.1	89.1	3.5
Electrical Equipment	213.3	221.9	188.4	188.7	199.4	5.7
Transport Equipment	594.9	433.3	360.1	241.5	212.6	-11.9
Miscellaneous Manufactures	661.6	765.2	917.5	1,149.6	1190.9	3.6
TOTAL MANUFACTURING	278.2	282.2	285.6	281.4	283.6	0.8

* Provisional

11.8. Slowdown in the output of processed milk contributed to the overall paltry gain in the beef and dairy industries. Even though milk production was better in 2001 compared to 2000, output of processed milk rose by only 2.4 per cent to 61.5 million litres up from 60.0 million litres in 2000. Availability of animal for slaughter, buoyant local market and stable prices was attributed to increase in beef production by 29.4 per cent from 63.0 thousand tonnes in 2000 to 81.5 thousand tonnes in 2001. Also on the increase was the production of pork and milk based baby foods that rose by 3.7 per cent and 6.7 per cent respectively in 2001. Production of processed chicken sausage, butter and ice creams declined by various margins.

11.9. Production of edible fats and magarine was 143.4 thousand tonnes in 2001 compared with 142.0 thousand tonnes in 2000 though less than 147.0 thousand tonnes produced in 1998. The rise was attributed to increased local and regional market occasioned by relatively stable and low prices of the products. Output of canned fruits rose from 272.9 thousand tonnes in 2000 to 293.7 thousand tonnes in 2001 mainly due to the stable supply of inputs from farmers and the good export market. Similarly, production of jams and marmalades, and canned vegetables rose by 1.0 per cent and 2.2 per cent, respectively, in 2001. Production of fruit and vegetable juices was 180.8 tonnes in 2001 compared with 161.9 tonnes in 2000 representing a 2.8 per cent rise. However, production of squashes dropped by 7.5 per cent during the period under review.

11.10 Even through the supply of cereals was more stable in 2001 compared to 2000, the output in grain milling industry declined by 9.2 per cent. This decline was attributed to preference by consumer from the posho milled maize meal as opposed to sifted maize meal. Another factor for the drop was sluggish local demand for wheat flour. Production of wheat flour was 181.1 thousand tonnes in 2001 compared with 224.7 thousand tonnes and 188.9 thousand tonnes produced in 1999 and 2000 respectively as shown in Table 11.3. In the last five years, production of sifted maize meal has declined by 50.6 per cent from the high of 272.5 thousand tonnes in 1997 to 134.7 thousand tonnes in 2001. Production of wheat offal, maize germ and maize offal fell by various margins over the same period. Production of bread rose by 2.5 per cent in 2001 after declining for three years in a row. During this period bread production was 74.2 thousand tonnes compared with 72.4 thousand tonnes in 2000. Production of cake and scones also rose while production of biscuits maintained the downward trend. Over the same period, production of rice through National Irrigation Board has declined from 10.6 thousand tonnes in 1997 to 4.6 thousand tonnes in 2001 a drop of 56.6 per cent.

11.11. In 2001, Muhoroni and Miwani sugar factories were placed under receivership. The closure coupled with inadequate supply of cane to the operating factories led to a 5.3 per cent decline in the sugar and confectionery industry.

Table 11.3 PRODUCTION OF GRAIN MILLING PRODUCTS, 1997 - 2001 ('000 tonnes)

	COMMODITY		
YEAR	Sifted Maize meal	Wheat Flour	Rice
1997	272.5	245.3	10.6
1998	265.9	230.1	9.4
1999	204.6	224.7	5.7
2000	154.1	188.9	4.9
2001*	134.7	181.1	4.6

**Provisional*

Sugar production was 377.2 thousand tonnes in 2001 down from 402.0 thousand tonnes in 2000 against an estimated demand of 600.0 thousand tonnes for the year. To meet the short fall, 182.5 thousand tonnes was imported while export to European Union Market under the ACP-EU protocol was 3.6 thousand tonnes. Import of sugar from COMESA-FTA totaled 104.6 thousand tonnes in 2001 up from 3.1 tonnes in 2000. Overall, South Africa and Sudan accounted for 33.1 and 16.8 per cent of total sugar imports in 2001. Production of toffees and chewing gum rose markedly by 35.9 and 24.3 per cent, respectively, while the production of sweets fell by 8.1 per cent.

11.12.In the miscellaneous foods industries, all production indicators except milled coffee recorded marked increases in output in 2001. During this period, production of black tea surpassed the 1998 record output level of 294.3 thousand tonnes to reach 294.6 thousand tonnes. Cocoa production rose by 28.2 per cent in 2001 after declining by 28.4 per cent in 2000. Production of curry powder, drinking chocolate, ground spices and roasted coffee all rose by various margins. Production of salt in 2001 was 430.8 thousand tonnes up from 379.4 thousand tonnes in 2000. Unlike in 1999 and 2000 when farmers delivered coffee beans in large quantities to the millers, low delivery of coffee beans in 2001 led to a 44.6 per cent drop in milled coffee production. During this period, output of milled coffee was 54.5 thousand tonnes compared with 98.0 thousand tonnes the previous year.

11.13.Decline in beer and stout production in 2001, led to the overall drop in real output of the beverages industries by 5.1 per cent. This was attributed to poor domestic demand amidst the economic recession. In the year under review, beer production was 184.3 million litres down from 202.9 million litres in 2000. Soft drinks production on the other hand maintained the upward trend to reach 170.5 million litres in 2001 from 160.8 million litres in 2000 representing a 6.0 per cent rise. Production of spirits also grew in 2001 though more slowly when compared with 2001 to reach 20.4 million litres. Anti- smoking campaign may attribute to the continued reduction in consumption of tobacco products.

11.14.The closure of two major textile factories, KICOMI and RIVATEX, led to a further decline in real output of textile. Production of cotton woven fabrics continued with the downward trend as a result of the virtual collapse of the cotton ginning industries in the mid 1990's. Also on the decline was the production of cotton wooven fabrics from 16.3 million square metres in 2000 to 15.5 million square metres in 2001. However, the industry is set to pick up as local manufacturers gear towards exploiting the now available American garments market under the AGOA arrangement. Investment in the garment industry at the Export Processing Zones (EPZ) alone stood at KSh. 3.8 billion in 2001 ready to exploit this market. Output in the clothing industry on the other hand edged up further by 3.3 per cent in 2001 after recording 8.0 per cent rise in 2000. Production output of polyester viscose, nylon fabrics, blankets, canvas materials, cardigans and rope and twine expanded by 5.2 per cent, 19.4 per cent, 2.0 per cent, 5.3 per cent, 2.6 per cent and 36.7 per cent, respectively, in 2001. Production of trousers, uniforms and overalls vests; and singlets was 46.6 thousand dozens, 19.8 thousand dozens and 377.4 thousand dozens in respectively in 2001 compared with 45.7 thousand dozens 16.0 thousand dozens and 325.0 thousand dozens respectively in 2000. Production of bed sheets gunny bags, pullovers and jumpers knitted fabrics, sport shirts and dresses fell by various margins.

11.15.Kenya has over 16 registered medium and large-scale commercial tanneries with a total investment estimated at KSh. 3.8 billion and employment potential of 18,000 jobs. After the liberalisation of the economy, only 8 tanneries have remained in operation and are operating at an average capacity utilisation of 20 per cent. The leather and leather products sub-sector is however expected to be revived after the accreditation of Kenya as a beneficiary under AGOA. In 2001, the Leather and footwear industry recorded growth for the second year running after recording massive declines between 1993 and 1999. This can be attributed to a stabilising market after prolonged fierce competition from the used (second hand) leather and footwear articles. In 2001, production of leather shoes was 1.5 million pairs, 7.6 per cent above the 1.3 million pairs produced in 2000. Production of sole leather rose by a similar margin from 75.8 tonnes in

2000 to 81.2 tonnes in 2001. Production of sheep and goat-skins rose by 37.6 per cent in 2001 after stabilising in 2000 while production of unfinished leather and P.V.C leather cloth continued to stabilise at the 1999 output level.

11.16. In 2001, output of the wood and cork sub-sector declined further by 4.5 per cent after 8.8 per cent decline in 2000 as the effect of the ban on logging by the Government's stronger effort to conserve forests. Production of sawn timber stood at 81.6 thousand square metres in 2001 down from 85.5 square metres in 2000. The furniture and fixtures industry, which relies heavily on supply of timber, was adversely affected as shown by a reduction in the size of formal employment from 4,386 persons in 2000 to 4,291 persons in 2001.

11.17. Real output of the paper and paper products industry sustained its growth in 2001 though slower than the previous year by recording a 1.8 per cent rise compared with 8.6 rise in 2000. Available local and regional market for paper products sustained the growth. Production of exercise books that has been recording high growth rates, stabilised at 26.0 million dozens in 2001. Production of the Kraft paper boards and toilets paper rose markedly by 15.1 per cent and 54.0 per cent. Production of paper bags and sacks declined though with a smaller margin while the printing and publishing industry stagnated.

11.18. The scaling down in production of wattle bark extracts and a fall in production of pyrethrum extract contributed to the overall contraction in output in the basic industrial chemical industry between 1998 and 2000. However, high output of pyrethrum as a result of good weather and high demand increased from 128.1 tonnes in 2000 to 138.3 tonnes in 2001. Production of oxygen, nitrogen and hydrogen also rose though marginally by 1.6 per cent from 2,676.7 thousand tonnes in 2000 to 2,720.2 thousand tonnes in 2001. Also on the rise was the production of electrodes, insecticides, herbicides and vaccines that rose by 6.6 per cent, 4.3 per cent, 2.3 per cent and 12.5 per cent, respectively.

11.19. Though there was a slump in the production of refined petroleum products in 2001 when compared with 2000, output in the petroleum and other chemicals industry recorded marked growth. The slump in the production of refined petroleum products was attributed to low demand in the year under review as well as increase in importation of refined products. The main source of growth for the industry was in the production of distempers vanishes and lacquers, primers and undercoats, detergents and drugs that recorded marked growth of 17.9 per cent, 31.6 per cent, 18.5 per cent, 22.2 per cent and 30.2 per cent, respectively. Laundry soap recorded modest expansion of 2.3 per cent from 66.8 thousand tonnes in 2000 to 68.4 thousand tonnes in 2001. Production of pharmaceuticals washing soap and hair oils and tonics in this group of industries recorded declines during the period under review.

11.20. Real output in the rubber products industry contracted further in 2001 for the fourth year in a row due to importation of tyres that continued to rise. Production of new motor vehicle tyres was 369.3 thousand units in 2001 from 388.7 thousand units in 2000 representing a 5.0 per cent drop. Production of motor vehicle tubes, however, rose by 5.1 per cent to 461.0 thousand units in 2001 from 438.6 thousand units in 2000. Production of new bicycle tyres rose by 11.3 per cent, while that of new bicycle tubes rose by 3.4 per cent.

11.21. High growth rate observed in the plastic products industry slowed to 7.1 per cent in 2001 compared with 28.5 per cent, 19.2 per cent 14.6 per cent and 12.1 per cent in 1997, 1998, 1999 and 2000, respectively. Production of plastic shoes fell in 2001 after a gain in 2000 from 859.3 thousand pairs to 837.0 thou-

sand pairs. Production of plastic crates, plastic bottles, P.V.C floor tiles and plastic plates rose by various margins.

11.22. Real output in the clay and glass products industry dropped yet again by 11.7 per cent in 2001 after a more severe drop by 26.6 per cent in 2000. Shift in demand from glass packaging in preference to plastic packaging led to consistent drop in the production of glass bottles. Consequently, production of glass bottles was 13.4 thousand tonnes in the year under review from 15.8 thousand tonnes in 2000. Similarly, production of windscreens fell while production of floor and wall tiles rose marginally in 2001 after a drop in 2000

11.23. Cement production and utilization is shown in Table. 11.4. Cement production was 1,319.3 thousand tonnes in 2001, 3.5 per cent below 1,366.5 thousand tonnes in 2000. The drop was partly attributed to a fall in export volume to Uganda after opening of a cement factory there. Cement export to Uganda fell by 59.1 per cent from 181.6 thousand tonnes to 74.2 thousand tonnes in 2001, leading to overall decline in cement export by 22.9 per cent.

Table 11.4: CEMENT PRODUCTION AND UTILIZATION, 1997 - 2001 ('000 tonnes)

				EXPORT TO	
YEAR	PRODUCTION	IMPORTS	CONSUMPTION AND STOCKS	Uganda and Tanzania	All Other Countries
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	1,388.6	6.5	1,110.9	117.2	167.0
2000	1,366.5	2.6	1,067.0	183.8	118.3
2001*	1,319.3	2.6	1,089.0	76.6	156.3

**Provisional.*

11.24. Output of the metals product industry stabilised in 2001 after a sharp drop in 2000 and a gain in 1999. Production of galvanized iron sheet edged up moderately from 136.9 thousand tonnes in 2000 to 144.4 thousand tonnes in 2001. Production of metal cans and tins dropped by more than 78 per cent between 1997 and 2001. Nails production was 11.1 thousand tonnes slightly below 11.7 thousand tonnes produced in 2000. Production of iron bars and rods, jembes and tubular furniture stagnated at the 2000 output level while production of steel drums and parts, gas cylinders, barbed wire and cork and wheel barrows rose by 2.7 per cent, 15.8 per cent, 16.4 per cent and 3.5 per cent, respectively. Production output of welded mesh, exhaust pipe, silencers, water tanks and metal beds all recorded declines.

11.25. In 2001, production of dry cells and motor vehicle batteries recorded a 7.5 per cent and 4.8 per cent rise, respectively. In the year under review production of dry cells was 98.9 million units up from 92.0 million units in 2000. Production of electrical lamps and battery plates slackened as a result of import of similar appliances mainly from the Newly Industrialised Economies in the Far East.

11.26. The motor vehicle industry recorded the biggest drop in production output in the manufacturing sector in 2001. The drop is a continuation of the declining trend since the liberalisation of the economy in the early 1990s.

Assembled vehicles decreased from 2,551 in 2000 to 2,175 vehicles in 2001, representing 14.7 per cent drop.

11.27. The miscellaneous manufacturing industry recorded slower growth in 2001 compared with 2000. Impressive growth was recorded in production of ballpoint pens, household brushes, industrial and paint brushes and carbon paper. Production of ball points pens and household brushes was 237.4 million units and 2.3 million dozens in 2001, respectively.

11.28. Table 11.5 gives trends in average manufacturing productivity, wage cost and employment since 1997. There were more loses in employment in the modern manufacturing sector as depicted by a 0.8 per cent decline in 2001 compared with a 0.6
per cent decline in 2000. The rise in labour productivity is reflected by the modest increase in real output despite the job loses. Poor sales of manufactured products and rise in wage bills over the last five years is reflected by increase in wage cost as a percentage of gross output from 3.4 per cent in 1997 to 6.1 per cent in 2001.

Table 11.5 : INDICATORS OF LABOUR PRODUCTIVITY IN MANUFACTURING, 1997 - 2001

	INDICATOR	1997	1998	1999	2000	2001
1.	Change in the quantum index of manufacturing	+1.9	+1.3	+1.0	-1.4	0.8
2.	Change in numbers employed in manufacturing	+1.9	+1.1	+0.9	-0.6	-0.8
3.	Implicit change in labour productivity	+0.0	+0.2	+0.1	-0.8	+1.6
4.	Wage cost as percentage of gross output	3.4	4.0	4.4	5.6	6.1
5.	Wage cost as percentage of value added	39.9	39.1	38.4	38.2	38.9

**Provisional*

Industrial Credit

11.29. Credit to the manufacturing sector accounted for 59.1 per cent of the total credit advanced by banks in 2001 with the rest going to flower marketing, retail and wholesale trading. The new approved projects are expected to generate 187 new jobs. Credit to manufacturing sector by quasi Government institutions remained weak though better in 2001 than in 2000 as shown in Table 11.6. In 2001, Kenya Industrial Estates financed 18 manufacturing related projects worth KSh. 4.0 million compared with 65 projects worth KSh. 8 million financed in 2000. Activities at the institution have remained subdued since 1994, when donors especially the African Development Bank withdrew its support to the corporation.

11.30. Industrial and Commercial Development Corporation (ICDC) suspended new lending cum investment programs to concentrate on monitoring and evaluation of earlier approved projects in 2001, citing the current economic recession.

11.31. Industrial Development Bank (IDB) advanced KSh.165.4 million to 8 manu-

Table 11.6: INDUSTRIAL PROJECTS APPROVED BY SELECTED GOVERNMENT OR QUASI-GOVERNMENT

INSTITUTION	Number of Projects					Approvrd Expenditure (Ksh Million)				
	1997	1998	1999	2000	2001*	1997	1998	1999	2000	2001*
Industrial Development										
Bank Limited (I.D.B.)	2	5	2	2	8	130	150	88	74	165
Development Bank of Kenya (DBK)	8	6	3	5	1	356	188	126	52	19
Kenya Industrial										
Estates Limited (K.I.E.)	12	11	70	65	18	8	4	6	8	4
Industrial and Commercial										
Development Corporation (I.C.D.C.)	4	3	3	3	0	62	66	62	8	0
TOTAL	26	25	78	75	27	556	408	282	142	188

**Provisional*

facturing projects in 2001 compared with KSh. 74.0 million advanced in 2000. This is the highest credit by the bank since 1997 and accounted for 87.8 per cent of the total credit advanced in 2001. New manufacturing ventures that benefited were in maize milling, cotton ginning and mineral water. The credit also benefited three expansions cum diversification programs in production of salt and machinery and equipment.

11.32. In 2001, Development Bank of Kenya (DBK) experienced weak demand for bank loans owing largely to the overall poor performance of the country's economy and the anxiety and uncertainty surrounding the Central Bank of Kenya (Amendment) Act 2000. As expected, the bank adopted a cautious lending attitude, especially with respect to start-up projects and concentrated more on short-term investments such as purchase of Treasury Bills and Bonds, Interbank lending, and trade financing. During the year, the bank approved KSh. 19 million in only one project falling under the maize-milling sub-sector compared to KSh. 52 million for 5 manufacturing projects in 2000. The maize milling project located in Nairobi will employ some 35 people at its peak operation.

Export Processing Zones (Epz)

11.33. Table 11.7 highlights key performance indicators of the Export Processing Zones (EPZ) over the last five years. The number of operating companies during the review period rose to 39 from 24 recorded in 2000. Eighteen new enterprises became operational during the year, while three closed down due to stiff competition in their export markets. Private capital investments in the EPZ increased by 47.5 per cent to stand at KSh. 9.0 billion in the year 2001 from KSh. 6.1 billion in 2000. An increasing number of firms in the EPZ are in agro-processing, especially in cotton weaving, horticulture and tea processing thereby creating demand for farm produce.

11.34. Direct employment in the EPZ rose to 13,444 in 2001, which was double what was recorded in 2000. Together with an estimated 4,480 indirect jobs in sub-contracting and supplies, the total employment attributable to EPZ rose to over 17,924 in 2001. Consequently, total value of domestic expenditure in terms of salaries spent on employed Kenyans, utilities consumed, purchases of local raw materials and other expenditures rose markedly to KSh. 2.2 billion in 2001 from KSh. 1.2 billion in 2000. Value added of EPZ output has been increasing over the last few years and currently estimated at 33.8 per cent of the total turnover.

Table 11.7: Selected EPZ performance Indicators 1997-2001

	1997	1998	1999	2000	2001*
Gazzeted Zones (Numbers)	15	16	16	19	23
Enterprises Operating (Numbers)	17	18	22	24	39
Employment - Locals	2,824	3,645	4,684	6,487	13,444
(Numbers) - Expatriates	61	74	83	133	314
Total Workers	2,885	3,719	4,767	6,620	13,758
Export Sales (Ksh Million)	1,263	1,805	3,020	3,635	5,962
Domestic Sales (Ksh Million)	503	649	706	755	538
Total Sales (Ksh) Million	1,766	2,454	3,726	4,390	6,500
Foreign Imports (Ksh Million)	1,258	2,056	2,126	2,349	399
Local Purchases of Goods and Services (Ksh Million)	402	511	955	1,229	2,235
Investment Ksh Million)	4,657	5,747	5,941	6,107	8,950

** Provisional*

11.35. Total turnover for the EPZ companies expanded by 47.7 per cent from KSh. 4.4 billion in 2000 to a record KSh. 6.5 billion in 2001. Exports increased by 66.7 per cent from KSh. 3.6 billion in 2000 to KSh. 6.0 billion in 2001. Exports to turnover ratio stood at 92 per cent. On the other hand, imports into EPZ stood at KSh. 3.9 billion in 2001 compared to KSh. 2.3 billion in 2000. Local purchase increased from KSh. 280 million in 2000 to KSh. 718 million in 2001. Domestic sales declined by 28.7 per cent from KSh. 755 million in 2000 to KSh. 538 million in 2001.

11.36. Availability of on-the-job and other training opportunities for the employees provides an important means for improving the quality of the workforce and adopting innovative and more sophisticated technologies. Over 25 EPZ companies were involved in various kinds of training including, computer assembly, garment making, weaving technology, and quality control.

11.37. The programme has progressively generated interest from local investors over the years. Currently 13 per cent of total EPZ companies are wholly Kenyan and joint ventures accounting 23 per cent. The program has attracted investors from UK, USA, Sri Lanka, China, Denmark and Belgium among other countries. This success was to a large extent achieved as a result of the opening up of the US market to textiles/apparels under the African Growth and Opportunity Act (AGOA). As the prospects for EPZ look bright, it intends to decentralize to all parts of the country especially to the areas that are close to raw materials and regional markets. In this respect sites have been located in Kisumu, Kitale, and Eldoret in addition to Nairobi and Mombasa.

Chapter 12 Building and Construction

Overview

Building and Construction sector recorded mixed performance in 2001. Cement consumption and index of government expenditure on roads recorded modest increases, while employment, value of reported private and public buildings completed in selected main towns recorded decreases. The value of reported private buildings works from all the five selected major towns declined from Ksh 1.3 billion to Ksh 1.0 billion in the years 2000 and 2001 respectively, representing a 23.1 per cent decrease. National Housing Corporation completed no housing units in the year under review. Despite an increase in loans and advances by commercial banks to the sector in 2001, the performance was still depressed.

Key Economic Indicatiors

12.2. A summary of selected key economic indicators in the building and construction sectors between 1997 and 2001 is presented in Table 12.1. Cement consumption increased marginally by 2.1 per cent from 1,067 thousand tonnes in 2000 to 1,089 thousand tonnes in 2001. This is evident from the value of building plans approved for other towns (Nakuru, Eldoret, Malindi and Kisumu) which recorded an increase of 52.9 per cent from Ksh 3.4 billion to Ksh 5.2 billion in 2000 and 2001 respectively.

Table 12.1 Trends of the Selected Key Economic Indicators in Building and Construction*, 1997-2001 (Base 1982=100)

	1997	1998	1999	2000	2001**
"Index" of reported private building work completed in main towns***	36.9	33.8	29.8	25.6	
"Index" of reported public building work completed in main towns***	1.9	1.4	1.1	0.5	
"Index" of government expenditure on roads	75.0	79.7	60.4	106.9	107.1
Cement consumption ('000 tonnes)	1,136.9	1,071.9	1,014.0	846.2	765.3
"Index" of Cement consumption	196.2	185.0	175.0	146.2	132.1
Employment ('000)	79.8	79.3	78.7	78.6	76.7
"Index" of Employment	132.1	131.3	130.3	130.1	127.0

**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 by 2.4 per cent, from 78.6 thousand to 76.7 thousand persons in the years 2000 and 2001 respectively. This was attributed to low investment in the sector.

12.4. Table 12.2 presents the annual percentage increase in building and construction cost indices for the years 1999 to 2001. The total overall construction cost index recorded an increase of 2.7 per cent in 2001 compared to 8.2 per cent and 7.6 per cent recorded in 1999 and 2000 respectively. The overall cost index for materials decreased by 0.2 per cent. This was as a result of the prices of timber, conduit, fittings and accessories declining by 12.7, 17.6, 20.9 and 36 per cent respectively in the year 2001. The costs for materials of the major components of civil engineering (other construction) namely sand, concrete, cement and others changed minimally during the year under review.

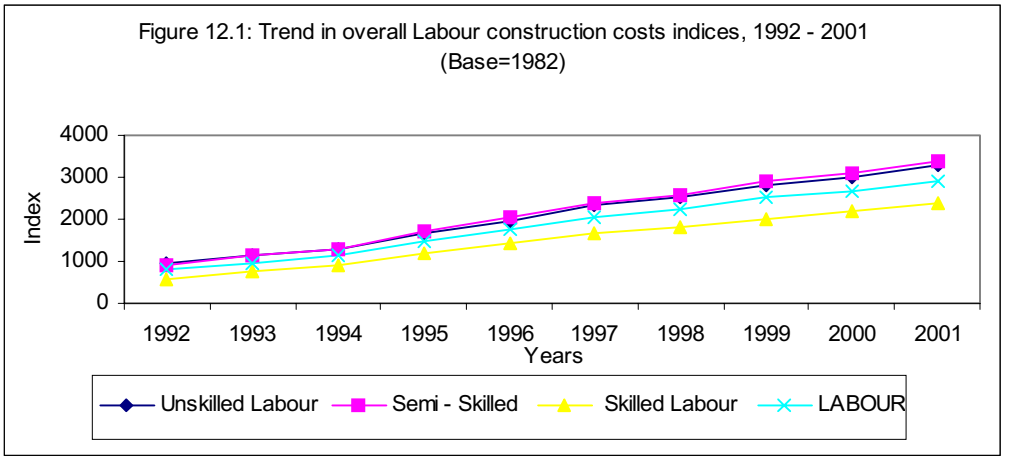
Table 12.2 Annual Percentage Increase in Building and Construction Cost Indices*, 1999 - 2001

	MATERIALS			LABOUR			TOTAL COST		
	1999	2000	2001**	1999	2000	2001**	1999	2000	2001**
Residential Buildings	3.6	7.1	3.4	12.0	6.9	9.2	5.2	7.1	4.6
Non-Residential Buildings	7.1	7.5	2.0	12.0	7.0	9.2	8.4	7.4	3.9
All Buildings	7.9	7.3	2.8	12.0	7.0	9.2	8.8	7.2	4.3
"Other" Construction	3.4	9.2	1.7	12.0	6.9	9.2	7.1	8.2	5.0
OVERALL COST INDEX	**6.6**	**7.8**	**(0.2)**	**12.0**	**7.0**	**9.2**	**8.2**	**7.6**	**2.7**

**From December to December*
** * Provisional*

12.5. Labour costs in the building and construction sector recorded a higher growth of 9.2 per cent in 2001 as compared to a growth of 7.0 per cent in the year 2000. The wages for skilled, semi-skilled and unskilled labour went up by 8.8, 9.3, and 9.7 per cent respectively in the year 2001. The increase in wage indices was as a result of implementation of collective wage agreement in the year 2001. It should be noted that labour costs index has been steadily increasing between 1992 and 2001 due to the continuous implementations of wage agreements as reflected in Figure 12.1.

Figure 12.1: Trend in overall Labour construction costs indices, 1992 - 2001 (Base=1982)



12.6. Table 12.3 presents a five-year period analysis of the value of building plans approved by Nairobi City Council (NCC) and other major towns for the years 1997 to 2001. The total value of building plans approved declined by 4 per cent from Ksh.10.0 billion in 2000 to Ksh.9.6 billion in 2001. The value of building plans approved by NCC maintained a downward trend from Ksh.6.6 billion to Ksh.4.3 billion in the years 2000 and 2001 respectively, representing a drop of 34.8 per cent. The value of building plans approved for other towns reflected a significant increase of 52.9 per cent, rising from Ksh.3.4 billion to Ksh.5.2 billion in the years 2000 and 2001 respectively. The towns contributing to this significant increase were Nakuru, Eldoret, Malindi and Kisumu.

Table 12.3 Value of Building Plans Approved by Nairobi and Other Towns, 1997 - 2001 (Ksh million)

YEAR	NAIROBI	OTHER TOWNS	TOTAL
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
2001*	4,343.6	5,210.0	9,553.6

**Provisional*

12.7. The value of reported private building works completed in selected main towns is shown in Table 12.4. The total value of reported private buildings works completed dropped from Ksh.1.3 billion in the year 2000 to Ksh.1.0 billion in the year 2001 representing a decrease of 23.1 per cent. During the period under review, Nairobi recorded the highest completions accounting for 61.2 per cent, while Kisumu was the lowest accounting for 2.7 per cent of the total value of reported private building works completed in selected main towns. All the towns recorded a general decline in the values of building works completed.

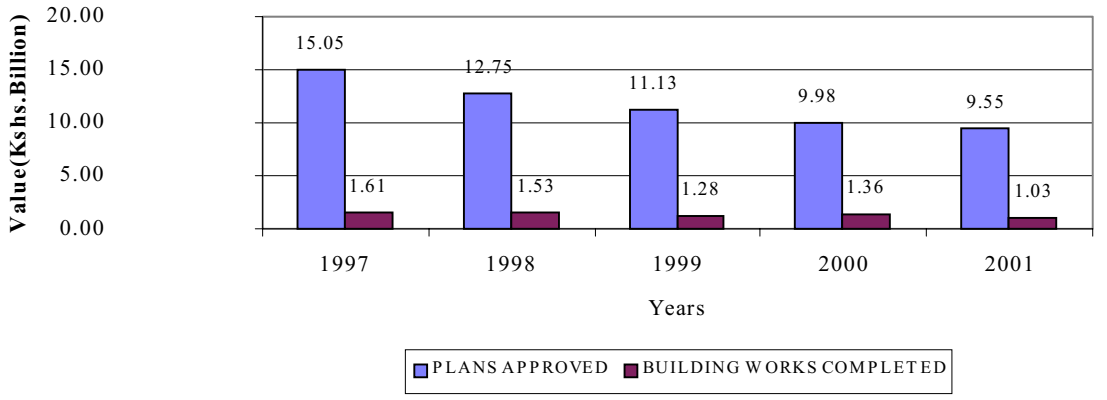
Table 12.4 Value of Reported Private Building* Works Completed in Selected Main Towns, 1997 - 2001 (KSh million)

Year	Nairobi	Mombasa	Kisumu	Nakuru	Malindi	Total
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	746.68	292.09	40.53	123.16	139.16	1,341.62
2001**	616.20	192.03	27.40	90.80	80.70	1,007.13

**Including the value of extension*
***Provisional*

12.8. Figure 12. 2 show the comparison of values of plans approved and building works completed during the five-year period. There has been a general decline in building works completed because of lack of donor funds, inadequate funding from the government and inaccessibility of adequate loans by the investors due to high level of interest rates charged by commercial banks.

Figure12.2: Comparison of Value of Private Plans Approved and Buildings Completed in Main Urban Areas,1997-2001



12.9. Table 12.5 shows the analysis of reported completions of new private buildings in selected main towns by number and estimated cost. The total number and value of all reported building works completed (residential and non-residential) dropped by 8.7 per cent from 1017 units in the year 2000 to 929 units in 2001. Similarly the total estimated cost of the units dropped from Ksh.1,216.4 million in the year 2000 to Ksh.975.0 million in the year 2001, representing a 19.8 per cent drop. The number of non-residential units dropped by about a third from 37 units in the year 2000 to 11 units in the year 2001, while the corresponding estimated cost declined by 52.1 per cent from Ksh.353.6 million to Ksh.169.5 million in 2000 and 2001 respectively. This was attributed to lack of adequate funding as a result of the high cost of borrowing money in the market .

Table 12.5 Reported Completions of New Private Buildings* in Selected Main Towns, 1997 - 2001

YEAR	NUMBER		ESTIMATED COST KSh million		
	Residential	Non-Residential	Residential	Non-Residential	Total
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	37	862.81	353.60	1,216.41
2001**	929	11	805.50	169.50	975.00

**Excluding the value of extensions*
***Provisional*

12.10. Table 12.6 shows that both the total number of units and value of reported public buildings in main towns increased between the years 2000 and 2001. During the review period, the public sector managed to complete 8 residential units valued at Ksh 4.8 million compared to 11 units in 2000. It should be noted that the number of residential units constructed by the government have been diminishing over the year largely due to budget constraints. Overall, the total cost of completing new public buildings was Ksh 27.04 million in 2001. The number of non-residential units increased by 60 per cent from 10 to 16 units, while the corresponding cost almost doubled from Ksh.11.5 million to Ksh.22.2 million in the years 2000 and 2001, respectively.

Table 12.6 Reported Completions of New Public Buildings* in Main Towns, 1997 - 2001

YEAR	NUMBER		ESTIMATED COST KSh million		
	Residential	Non-Residential	Residential	Non-Residential	Total
1997	90	9	33.60	12.20	45.80
1998	68	5	33.20	10.80	44.00
1999	46	7	25.00	6.20	31.20
2000	11	10	4.50	11.50	16.00
2001**	8	16	4.80	22.24	27.04

**Including the value of extensions*
***Provisional*

Housing

12.11. Housing construction activities create employment opportunities in the economy, hence making an important contribution to the economic growth. However, the financial constraints experienced by the government over the last five-year, has resulted in slow growth in public housing projects.
Inadequate budgetary allocation has stalled the completion of urban pool housing projects in Nairobi, Kapsabet, Kericho and Voi undertaken by the Housing Department of the Ministry of Roads and Public works.

12.12. Table 12.7 depicts the trend of approved and actual Central Government expenditure on housing for the last five financial years. Total approved expenditure on housing more than doubled during the review period by recording Ksh.24.0 million in 2001/2002, up from Ksh.10.1 million in 2000/2001. However, actual expenditure on housing has been maintaining a downward trend for the last four years falling from Ksh.217.2 million in 1997/98 to Ksh.70.5 million in 2000/2001, mainly because of inadequate budgetary allocation.

Table 12.7 Approved and Actual Central Government Expenditure on Housing, 1997/98 - 2001/2002

Year	Expenditure in Ksh Million		Approved Expenditure as Percentage of Development Expenditure
	Approved	Actual	
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	70.5	0.03
2001/2002*	24.0	,, ,,	0.07

** Provisional*

Approved expenditure as a percentage of development expenditure has been declining from its peak percentage of 0.39 in 1998/99 to 0.07 per cent in 2001/ 2002.

12.13. National Housing Corporation (NHC) is the main government agent charged with the responsibility of implementing government residential housing programmes in the country. The Corporation was able to complete 222 units in the last five years but completed no housing units during the year under review mainly because of lack of funding as it is reflected by its inability to sell the housing units in Malindi and Thika which were completed in the year 2000. One tenant purchase and one mortgage schemes comprising of 197 units valued at Ksh. 666 million were at various stages of construction in Nairobi (Jonathan Ngeno estate with 173 units) and Eldoret (Mortgage phase III comprising of 24 units). The Corporation through the Rural Housing Loans Scheme did not advance loans at all during the period under review due to inadequacy of funding facilities and instead, concentrated on evaluating the programme with a view to revamping it in the future.

Roads

12.14. A good and well maintained road network is vital for a country as it facilitates efficient marketing and subsequently raises productivity in various sectors of the economy and hence economic growth. The government oversees the management of the road network and thereby coordinates its maintenance, rehabilitation and development. The construction of roads is prioritized according to traffic volume, contribution to economic growth, employment, socio-cultural/ national and international concerns.

12.15. The classified road network has grown by 51 per cent from 41,800 kilometres at independence to 63,291 kilometres currently, while tarmac road length has increased by 393 per cent from 1,811 to 8,937 kilometres over the same period. Table 12.8 shows the classified road system by type and classification as at 1997 and 2001. Between 1997 and 2001, national trunk roads under bitumen recorded a rise of 10.0 per cent, from 1.30 thousand to 1.43 thousand kilometres, while primary roads under earth/gravel decreased by 5.3 per cent from 5.47 thousand to 5.18 thousand kilometres in the years 1997 and 2001 respectively. During the same period, secondary roads under bitumen decreased from 1.18 thousand to 1.17 thousand kilometres, representing a drop of 0.8 per cent. Total roads under bitumen increased by 3.2 per cent, from 8.66 thousand to 8.94 thousand kilometres during the period under review.

Table 12.8 Kilometres of Road as at 1st JULY 1997 and 1st JULY 2001 by Type and Classification ('000 Km)

	Type of Road	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*

12.16. The Ministry of Roads and Public Works undertook rehabilitation, bituminisation, feasibility study and design review of some of the major roads in the year 2001. The roads that were under bituminisation were Mtito Andei – Bachuma Gate section of Nairobi Mombasa road (150kms), Machakos - Wote - Makindu (69kms), Narok – Amala river (66kms). Isiolo - Moyale road (500kms) was under feasibility study, Sultan Hamud - Mtito Andei (135kms) was under road study while Wote - Makindu road was under design review.

12.17. Under the El Nino Emergency Fund, roads in Nairobi, Mombasa, Voi and Malindi urban centres were rehabilitated and reconstructed at a total cost of Ksh. 294 million. Under Kenya Urban Infrastructure Programme (KUTIP), roads in five towns, namely Nairobi, Embu, Muranga, Nyeri and Meru were covered and it involved new works, roads capacity improvements and rehabilitation at a total cost of Ksh1,083.6 million.

12.18. Table 12.9 summarizes total expenditure on roads for the fiscal years 1999/2000 to 2001/2002. The total development expenditure on roads more than tripled from Ksh. 863.0 million to Ksh. 2624.3 million in the fiscal year 1999/2000 to 2000/2001 while recurrent expenditure increased by 13.1 per cent from Ksh.5,922.1 to Ksh. 6,696.0 million respectively. The increase in development expenditure on roads is as a result of improving of roads from earth/gravel to bitumen standard as shown by the declining length of road under earth/gravel and an increase in the length of road under bitumen in the year 2001.

Table 12.9 Total Expenditure on Roads, 1999/2000 - 2001/2002 (KShs million)

	1999/2000	2000/2001	2001/2002*
DEVELOPMENT			
Trunk Roads	714.3	711	2,360.00
Primary Roads	18.3	505	867.49
Secondary Roads	5.8	1,131.07	2,116.50
Miscellaneous Roads	124.6	277.19	264.64
TOTAL	**863**	**2,624.26**	**5,608.63**
RECURRENT (maintenance and repair)	**5,922.10**	**6,696.00**	**8,042.19**
TOTAL	**6,785.10**	**9,320.26**	**13,650.82**

**Provisional*

12.19. The Roads 2000 Programme was established to facilitate effective maintenance of the classified road network to an economic level of serviceability using local resources. The main focus of the Programme is the provision of basic accessibility in the network by improving spots that become bottlenecks to the network during the rainy seasons. Between 1998 and 2002, some roads under

Chapter 13

Tourism

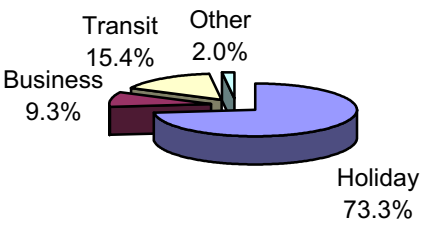
Overview

Receipts accruing to the tourism sector during 2001 improved signifi cantly from KSh. 21,553 in 2000 to KSh. 24,239. This was as a result of aggressive marketing of the country by the Kenya Tourist Board (KTB), as a favourable tourist destination. There was a marginal decline in international arrivals and departures of 4.1 per cent and 0.4 per cent, respectively. Part of this could be attributed to the lack of air travel confidence associated with the September 11th 2001 terrorist attacks in United States of America (USA). The length of stay by the visitors continued the downward trend while the hotel occupancy increased by 1.0 per cent. Visitors to museums and other historical sites increased by 15.5 per cent, while visitors to the game parks increased marginally. Germany and United Kingdom continued to be the major contributors of the tourist visiting Kenya.

Arrivals and Departures

13.2. The year started positively for the tourism sector by recording a 1.8 per cent growth in visitor arrivals for the first quarter. This was followed by substantial declines in all subsequent quarters of the year 2001 resulting in an overall drop of 4.1 per cent as shown in Table 13.1. The decline in visitor arrivals was mostly felt in Jomo Kenyatta International Airport (JKIA) and Moi International Airport which registered 11.6 per cent drop in visitor arrivals. This may be attributed to lack of consumer confidence in the face of global recession in major tourist generating countries. Overall there were 42,900 fewer visitors in 2001 compared to 2000.

Figure 13.1: Percentage share of visitor arrivals by purpose of visit, 2001



13.3. Although holiday has dominated as the main purpose stated by most arriving visitors to Kenya, its share has declined over time from 1997 when its share was over 80.4 per cent when compared to the current 73.3 per cent Between 2000 and 2001, visitors on holiday declined by 6.3 per cent to stand at 728.8 thousand. Similarly, visitors on business who comprised 10.2 per cent five years earlier were down to 9.3 per cent in 2001. This was a drop of 6.3 per cent from the preceding year. Transit visitors whose number rose by 10.2 per cent from 138.5 thousand to 152.6 thousand over the same period have had their share increase from 7.2 per cent in 1997 to 15.4 per cent in 2001. This

growth is due to increased volume of arriving visitors on transit through the border points of Namanga and Busia.

Table 13.1 QUARTERLY VISITOR ARRIVALS BY PURPOSE OF VISIT, 1997-2001 ('000s)

Quarter	Purpose	1997	1998	1999	2000	2001*
1st Qr.	Holiday	233.6	192.9	193.8	194.5	200.3
	Business	29.5	24.4	24.5	24.6	25.3
	Transit	14.2	34.1	27.6	41.2	39.4
	Other	6.3	5.2	5.5	5.5	5.7
	TOTAL	**283.6**	**256.6**	**251.4**	**265.8**	**270.7**
2nd Qr.	Holiday	176.4	149.6	163.7	165.5	149.6
	Business	22.3	18.9	20.7	20.9	18.9
	Transit	15.5	20.6	24.4	33.0	38.5
	Other	4.8	4.1	4.5	4.6	4.2
	TOTAL	**219.0**	**193.2**	**213.3**	**224.0**	**211.1**
3rd Qr.	Holiday	210.0	175.8	207.7	211.1	184.7
	Business	26.5	22.2	26.2	26.6	23.3
	Transit	20.4	23.1	29.1	32.6	37.7
	Other	5.7	4.8	5.7	5.8	5.1
	TOTAL	**262.6**	**225.9**	**268.7**	**276.1**	**250.8**
4th Qr.	Holiday	184.8	168.6	181.7	207.1	194.2
	Business	23.4	21.3	23.0	26.2	24.6
	Transit	22.2	24.1	26.3	31.7	37.0
	Other	5.0	4.6	4.9	5.6	5.3
	TOTAL	**235.4**	**218.6**	**235.9**	**270.6**	**261.0**
Year	Holiday	804.8	686.9	746.9	778.2	728.8
	Business	101.7	86.8	94.4	98.3	92.1
	Transit	72.3	101.9	107.4	138.5	152.6
	Other	21.8	18.7	20.6	21.5	20.1
	TOTAL	**1,000.6**	**894.3**	**969.3**	**1,036.5**	**993.6**

**Provisional*

13.4. The number of departing visitors declined marginally by 0.4 per cent from 995.2 thousand observed in 2000 to 990.9 thousand in 2001. The first and the second quarters registered positive growth rates of 5.6 per cent and 5.4 per cent, respectively
during the year under review. However, the third and fourth quarters recorded declines of 5.6 per cent and 6.3 per cent, respectively, over the same period.

During the year 2001, the pattern of departing visitors by purpose of visit showed a similar pattern as that of arriving visitors by purpose. All categories of departing visitors declined with the exception of departing visitors on transit which went up substantially by 29.6 per cent. as detailed in Table 13.2

TABLE 13.2 QUARTERLY VISITOR DEPARTURES BY PURPOSE OF VISIT,1997-2001 ('000s)

Quarter	Purpose	1997	1998	1999	2000	2001*
1st Qr.	Holiday	221.6	181.2	196.0	204.3	214.9
	Business	28.0	22.9	24.8	25.9	27.2
	Transit	11.8	26.4	26.5	29.6	32.3
	Other	6.0	4.9	5.6	5.8	6.1
	TOTAL	**267.4**	**235.4**	**252.9**	**265.6**	**280.5**
2nd Qr.	Holiday	158.8	152.8	165.5	164.3	165.2
	Business	20.1	19.3	20.9	20.7	20.9
	Transit	15.3	17.7	23.2	22.8	33.3
	Other	4.3	4.2	4.5	4.5	4.5
	TOTAL	**198.5**	**194.0**	**214.1**	**212.3**	**223.8**
3rd Qr.	Holiday	195.3	166.7	203.0	199.0	179.6
	Business	24.6	21.0	25.0	24.5	22.1
	Transit	20.0	24.0	29.4	25.3	33.5
	Other	5.3	4.5	6.6	6.5	5.8
	TOTAL	**245.2**	**216.2**	**264.0**	**255.3**	**241.1**
4th Qr.	Holiday	168.6	172.2	182.0	204.6	182.3
	Business	21.3	21.8	23.0	25.9	23.0
	Transit	19.1	23.8	27.3	25.8	35.0
	Other	4.6	4.7	5.1	5.7	5.1
	TOTAL	**213.6**	**222.5**	**237.4**	**262.0**	**245.5**
Year	Holiday	744.3	672.9	746.5	772.2	742.0
	Business	94.0	85.0	93.7	97.0	93.2
	Transit	66.2	91.9	106.4	103.5	134.1
	Other	20.2	18.3	21.8	22.5	21.6
	TOTAL	**924.7**	**868.1**	**968.4**	**995.2**	**990.9**

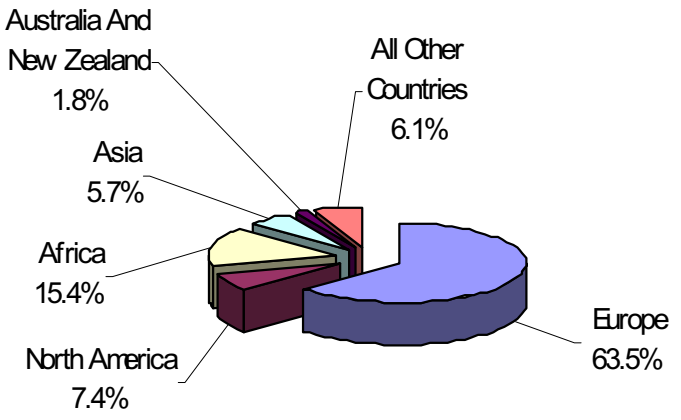
**Provisional*

13.5. Table 13.3 shows the number of departing visitors by country of residence and purpose of visit. The majority of departing visitors from Kenya were dominated by European residents who accounted for 63.5 per cent of all departing visitors, down 0.5 percentage points in 2000. The number of departing visitors to this region dropped from 622.5 thousand recorded in 2000 to 615.9 thousand persons in 2001. Holiday makers comprised over 83.3 per cent of these visitors. The African region with a share of 15.4 per cent of departing visitors was the next major destination of departing visitors. The number of departing visitors to Africa rose from 145.1 thousand in 2000 to 149.6 thousand in 2001 representing a 0.5 percentage share gain in 2001. Departing visitors to the two East African countries of Tanzania and Uganda made up more than half of all departing visitors to Africa who were mainly on holiday or business category. Visitors destined for North America declined marginally from 72.3 thousand in 2000 to 71.7 thousand in 2001. Over 70 per cent of departing visitors to North America were destined for U.S.A. Figure 13.2 shows the percentage shares of departing visitors by region.

Table 13.3: Departing visitors by country of residence and purpose of visit, 2000-2001 ('000)

Country of Residence	Holiday		Business		Transit		Total	
	2000	2001	2000	2001	2000	2001	2000	2001
Germany	187.0	179.7	4.4	4.2	14.7	19.0	206.1	202.9
United Kingdom	119.9	115.2	17.3	16.6	11.0	14.3	148.2	146.1
Switzerland	19.9	19.1	2.6	2.5	3.4	4.4	25.9	26.0
Italy	24.6	23.6	2.9	2.8	2.8	3.6	30.3	30.1
France	18.9	18.2	2.7	2.6	3.1	4.0	24.7	24.8
Scandinavia	16.1	15.5	2.2	2.1	2.7	3.5	21.0	21.1
Other Europe	147.6	141.8	3.3	3.2	15.4	20.0	166.3	165.0
TOTAL EUROPE	**534.0**	**513.1**	**35.4**	**34.0**	**53.1**	**68.8**	**622.5**	**615.9**
U.S.A	44.7	43.0	5.1	4.9	4.3	5.6	54.0	53.4
Canada	14.2	13.6	1.9	1.8	2.2	2.9	18.3	18.3
TOTAL NORTH AMERICA	**58.9**	**56.6**	**7.0**	**6.7**	**6.5**	**8.4**	**72.3**	**71.7**
Uganda	14.3	13.7	21.2	20.4	4.4	5.7	39.9	39.8
Tanzania	25.2	24.2	5.7	5.5	11.7	15.2	42.6	44.9
Other Africa	30.8	29.6	17.5	16.8	14.3	18.5	62.6	64.9
TOTAL AFRICA	**70.3**	**67.6**	**44.4**	**42.7**	**30.4**	**39.4**	**145.1**	**149.6**
India	12.1	11.6	2.4	2.3	2.3	3.0	16.7	16.9
Japan	10.4	10.0	1.2	1.2	1.1	1.4	12.8	12.6
Israel	5.9	5.7	0.8	0.8	0.4	0.5	7.1	7.0
Other Asia	12.7	12.2	3.3	3.2	3.0	3.9	19.1	19.3
TOTAL ASIA	**41.1**	**39.5**	**7.7**	**7.4**	**6.8**	**8.8**	**55.6**	**55.7**
Australia and New Zealand	13.9	13.4	1.7	1.6	1.8	2.3	17.3	17.3
All Other Countries	54.0	51.9	0.8	0.8	4.9	6.3	59.7	59.0
TOTAL	**772.2**	**742.0**	**97.0**	**93.2**	**103.5**	**134.1**	**972.7**	**969.3**

Figure 13.2: Percentage share of departing visitors by region of residence, 2001



13.6. Since 1997, the number of days stayed by visitors has declined by about 23.7 per cent as presented in Table 13.4. The total number of days stayed contracted by 4.3 per cent from 8,507.4 thousand in 2000 to 8,144.0 thousand days in 2001. Departing visitors on holiday and business stayed for 3.9 per cent and 14.2 per cent fewer days, respectively, in 2001 compared to 2000. On the other hand, departing visitors who were on transit stayed for 15.1 per cent more days from 279.5 thousand days in 2000 to 321.8 thousand days in 2001.

Table 13.4: Number of days stayed* by purpose of visit, 1997-2001 ('000)

Purpose	1977	1998	1999	2000	2001**
Holiday	9,603.0	7,132.7	7,754.6	7,413.1	7,123.2
Business	785.4	646.0	712.1	814.8	699.0
Transit	284.7	404.4	468.2	279.5	321.8
TOTAL	**10,673.1**	**8,183.1**	**8,934.9**	**8,507.4**	**8,144.0**
Average length of stay (days)	**11.8**	**9.8**	**9.4**	**8.7**	**8.4**

** Excludes days stayed by"Other Visitors" Category*
*** Provisional*

Hotel Occupancy

13.7. Table 13.5 presents details on the number of hotel bed-nights by country of residence. Occupation has fluctuated between 51.6 per cent in 1997 and 40.3 per cent in 2001. During the year 2001, hotel capacity as defined by hotel bed-nights available contracted by 11.2 per cent from 9,382.3 thousand in 2000 to 8,327.8 thousand in 2001. This was mainly due to the closure of a number of hotels for renovations during the tourist low season. In spite of this reduction in capacity, the number of bed-nights occupied went down by 9.0 per cent from 3,687.8 thousand to 3,354.9 thousand over the same period. The above scenario was precipitated by the decline in the number of days stayed as well as the number of arriving visitors in 2001 compared to the previous year.

13.8. In 2001, the number of hotel bed-nights by European residents comprised 57.6 per cent of all bed-nights in the country. However, hotel bed-nights by residents of Europe went down drastically by 7.1 per cent from 2,082.9 thousand bed-nights in 2000 to 1,935.4 thousand in 2001. In the wake of the September 11th terrorist attack in the US, fewer persons wanted to travel which affected the fourth quarter peak tourist season. Germany and the United Kingdom continued to be the country's dominant markets in Europe. Hotel bed-nights by residents of these two countries accounted for 59.3 per cent of all hotel bed-nights occupied by residents of Europe. However, bed-nights by clients from these two markets fell from 1,163.7 thousand to 1,147.2 thousand over the review period.

Table 13.5: Hotel Bed-nights by Country of Residence, 1997-2001 ('000s)

Country of Residence	1997	1998	1999	2000	2001*
Permanent Occupants**	28.3	11.6	15.2	20.4	17.6
Germany	1,135.1	418.8	536.1	605.1	381.8
Switzerland	272.6	129.8	164.0	174.8	127.1
United Kingdom	956.0	516.3	399.1	558.6	534.2
Italy	249.3	126.5	151.7	202.4	103.8
France	267.6	123.3	137.5	212.8	138.9
Scandinavia	152.1	54.1	50.6	69.9	58.9
Other Europe	321.9	145.6	190.7	259.3	159.9
EUROPE	**3,354.6**	**1,514.4**	**1,629.7**	**2,082.9**	**1,504.6**
Kenya Residents	776.8	696.9	653.8	794.1	660.3
Uganda	36.6	26.4	30.7	30.0	29.7
Tanzania	40.6	35.1	39.4	41.4	34.6
East and Central Africa	50.2	35.7	41.4	50.0	36.2
West Africa	21.7	13.5	18.8	22.6	23.3
North Africa	15.0	13.0	16.5	15.9	13.3
South Africa	43.6	36.8	36.4	38.7	33.3
Other Africa	64.4	41.1	50.9	65.5	46.0
AFRICA	**1,048.9**	**898.5**	**887.9**	**1,058.2**	**876.7**
U.S.A	225.7	185.1	171.8	228.9	154.4
Canada	29.9	18.3	21.8	26.8	21.8
Other America	23.2	13.4	16.3	27.7	18.3
AMERICA	**278.8**	**216.8**	**209.9**	**283.4**	**194.5**
Japan	49.6	33.5	38.8	55.9	37.4
India	31.1	29.6	29.9	34.7	25.5
Middle East	34.6	48.4	46.9	50.5	47.2
Other Asia	26.2	17.8	17.0	27.2	17.7
ASIA	**141.5**	**129.3**	**132.6**	**168.3**	**127.8**
Australia and New Zealand	30.2	21.8	21.2	26.9	18.4
All Other Countries	28.0	20.6	54.5	47.7	24.5
TOTAL OCCUPIED	**4,910.3**	**2,813.0**	**2,951.0**	**3,687.8**	**2,764.1**
TOTAL AVAILABLE	**9,516.6**	**7,975.7**	**8,711.4**	**9,382.3**	**7,095.4**
Occupancy rate %	**51.6**	**35.3**	**33.9**	**39.3**	**39.0**

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

13.9. The second most important source of tourists in 2001 was the African continent. The number of bed-nights occupied by residents of Africa were 990.2 thousand in 2001 accounting for 29.5 per cent of all hotel bed-nights in the country. Hotel bed-nights by Kenyan Residents which accounted for about 75 per cent of all bed-nights by residents of Africa dropped from 794.1 thousand in 2000 to 740.2 thousand in 2001. This may be viewed against the weak national economy during the review year. Apart from Kenya, the other important individual tourist markets in the African region were Tanzania, South Africa and Uganda in that order. The American continent was another important source of tourists to Kenya.

Table 13.6: Hotel bed-nights by Zone, 1997-2001 ('000s)					
Zone	**1997**	**1998**	**1999**	**2000**	**2001***
Coastal-Beach	3,074.4	1,505.3	1,625.2	2,065.2	1,438.2
-Other	71.5	109.1	73.9	85.8	136.1
Coastal Hinterland	59.0	43.9	48.7	76.3	56.6
Nairobi-High Class	801.5	655.6	685.5	836.1	568.6
-Other	311.8	178.0	173.2	167.2	124.9
Central	218.1	92.9	77.5	145.7	74.5
Masailand	215.0	85.2	84.3	141.5	138.3
Nyanza Basin	88.2	110.8	110.1	87.3	94.4
Western	64.3	27.3	69.2	72.4	91.3
Northern	6.5	4.9	3.4	10.3	41.2
TOTAL-OCCUPIED	**4,910.3**	**2,813.0**	**2,951.0**	**3,687.8**	**2,764.1**
TOTAL-AVAILABLE	**9,516.6**	**7,975.7**	**8,711.4**	**9,382.3**	**7,095.4**

** Provisional*

However, the bulk of hotel bed-nights occupied by American residents were by residents of U.S.A and Canada.

13.10. As is the tradition most tourists to Kenya are attracted by the warm beaches of the Kenyan Coast coupled with attractive game sanctuaries nearby. The number of hotel bed- nights spent by tourists in hotel establishments in coast accounted for over 50 per cent of all bed-nights in the country in 2001. However, this number dropped by 6.5 per cent from 2,151.0 thousand recorded in 2000 to 2,010.4 thousand in 2001. Tourists visiting Kenya on business spent most of their bed-nights in Nairobi with 819.5 thousand in 2001 compared to 1,003.3 thousand in 2000. Increases in hotel bed-nights in 2001 were recorded for Nyanza basin, Western and the Northern zones only.

13.11. It was expected that the reduction in visitor arrivals, coupled with the fall in the days stayed would result in a contraction in hotel bed-nights occupied. There was a general decline in the number of hotel bed-nights occupied in all areas as depicted in Table 13.7. The number of hotel bed-nights occupied in establishments in Nairobi and Coast fell by 18.3 per cent and 6.5 per cent, respectively in 2001. Similarly, lodges and establishments in 'other areas' reported declines of 0.6 per cent and 2.5 per cent respectively over the same period. Residents of Europe spent over 70 per cent of their bed-nights in Coast though the number of bed-nights dropped from 1,604.7 thousand in 2000 to 1,539.3 thousand in 2001. Residents of Germany and the United Kingdom were the main contributors of hotel bed-nights spent in Coast. However, in 2001 the latter surpassed the former in their respective share contribution in bed-nights occupied in Coast. Hotel bed-nights by residents from Germany which were on the rise faltered in 2001 by 10.6 per cent causing a 1.3 percentage points drop in share. Apart from Kenyan residents, other notable contributors to hotel bed-nights in Coast were Switzerland, France and Italy with 155.8, 129.2 and 113.6 thousand bed-nights, respectively. Hotel bed-nights in Lodges were mostly preferred by residents of the United Kingdom and the U.S.A with 58.3 thousand and 44.4 thousand respectively. Bed-nights for the former went up by 5.6 per cent while for the latter declined by 11.7 per cent in 2001 when compared to 2000. Kenyan residents spent 222.2 thousand bed-nights which is 80 per cent of all bed-nights in hotel establishments in 'Other areas'. The Coast area and Nairobi had a share of 59.9 per cent and 24.4 per cent respectively of all bed-nights occupied in the country while Lodges and Other areas contributed 7.4 per cent and 8.2 per cent.

Table 13.7: Hotel bed-nights by Area and Country of Residence, 2001* ('000s)

Country of Residence	Nairobi	Coast	Lodges	Others	Total
Permanent Occupants**	12.8	1.9	0.1	2.8	17.6
Germany	19.6	333.8	26.3	2.1	381.8
Switzerland	6.6	109.5	9.9	1.1	127.1
United Kingdom	70.4	397.0	58.3	8.5	534.2
Italy	13.8	82.7	5.9	1.4	103.8
France	23.1	90.8	24.0	1.0	138.9
Scandinavia	15.7	31.4	9.9	1.9	58.9
Other Europe	36.1	100.4	18.9	4.5	159.9
Kenya	153.6	289.7	19.5	198.0	660.3
Uganda	18.2	6.8	0.2	4.5	29.7
Tanzania	21.0	9.7	0.9	3.0	34.6
East & Central Africa	26.9	6.8	0.2	2.3	36.2
West Africa	17.4	4.7	0.9	0.3	23.3
North Africa	10.3	1.7	0.8	0.5	13.3
South Africa	23.8	7.6	0.7	1.2	33.3
Other Africa	33.7	8.6	2.6	1.1	46.0
U.S.A.	82.8	20.0	44.4	7.2	154.4
Canada	11.9	6.1	2.8	1.0	21.8
Other America	10.1	5.1	2.4	0.7	18.3
Japan	21.3	6.8	8.3	1.0	37.4
India	14.4	7.9	2.4	0.8	25.5
Middle East	20.3	22.7	3.4	0.8	47.2
Other Asia	9.4	5.4	2.1	0.8	17.7
Australia & Newzealand	11.1	3.4	3.2	0.7	18.4
All Other Countries	9.2	14.3	0.6	0.4	24.5
TOTAL	**693.5**	**1574.3**	**248.7**	**247.6**	**2764.1**
PERCENTAGE SHARE	**25.1**	**57.0**	**9.0**	**9.0**	**100.0**

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

13.12. There was decreased activity in accommodation establishments located in national parks and game reserves in 2001 when compared to 2000. The number of bed-nights occupied in these establishments went down marginally by 0.6 per cent from 250.1 thousand to 248.7 thousand during the review period. The number of bed-nights occupied by foreign residents however went up marginally from 225.7 thousand in 2000 to 228.1 thousand in 2001. On the other hand, bed-nights occupied by East African residents declined from 24.4 thousand to 20.6 thousand over the same period. Bed-nights occupied by clients who opted for full catering accounted for over 80 per cent of all the bed-nights in these establishments during 2001. These details are shown in Table 13.8.

Table 13.8 Game lodges* occupancy, 1998 - 2000 ('000)

Game Lodges	BED-NIGHTS OCCUPIED					
	Foreign Residents			E.A. Residents		
	1999	2000	2001**	1999	2000	2001**
Game Reserves	74.4	126.2	127.5	6.1	14	11.8
National Parks	58.7	99.5	100.6	4.5	10.4	8.8
TOTAL	**133.1**	**225.7**	**228.1**	**10.6**	**24.4**	**20.6**
Of which full Catering	116.2	197	199.1	8.3	19.1	16.1
Self Service	16.9	28.7	29	2.3	5.3	4.5

**Lodges in National Parks and Game Reserves*
*** Provisional*

Other Tourist Attractions

13.13. There was a marginal increase in activity in parks and game reserves in terms of the number of visitors in 2001 when compared to 2000 as depicted in Table 13.9. The total number of visitors to these tourist attractions went up from 1,644.9 thousand in 2000 to 1,650.3 thousand in 2001. The seven major parks registered mixed activity in 2001 when compared to 2000. Visitors to Nairobi National Park declined by 22.0 per cent from 130.3 thousand to 101.6 thousand over the review period. Visitors to the Animal Orphanage dropped drastically from 266.1 thousand in 2000 to 151.1 thousand in 2001. However, the real decrease was much lower since the visitors for Nairobi Safari Walk were merged with the Orphanage for the years 1999 and 2000. The number of visitors to Amboseli was down from 93.5 thousand recorded in 2000 to 91.5 thousand in 2001. Visitors to Tsavo West rose marginally from 78.6 thousand to 78.7 thousand while visitors to the adjacent Tsavo East rose from 124.9 thousand to 132.7 thousand over the same period. In 2001, Lake Nakuru National Park and Masai Mara were the most visited parks with the former registering a significant growth of 8.3 per cent in the number of visitors compared to the latter which grew by 7.1 per cent to stand at 209.4 thousand and 207.2 thousand, respectively. The number of visitors to the three marine parks of Malindi, Watamu and Mombasa recorded an overall decline of 16.5 per cent in the number of visitors in 2001 compared to 2000. This is partly due to the decline in the number of visitors in the coast region.

Table 13.9: Number of visitors to parks and game reserves, 1997-2001 ('000)

	1997	1998	1999	2000	2001*
Nairobi	149.6	122.3	139.2	130.3	101.6
Nairobi Safari Walk	-	-	-	-	113.5
Animal Orphanage	193.7	164.8	235.1	266.1	151.1
Amboseli	117.2	62.9	77.0	93.5	91.5
Tsavo (West)	88.6	54.9	61.0	78.6	78.7
Tsavo (East)	123.2	66.9	111.6	124.9	132.7
Aberdare	59.0	47.9	44.2	44.9	40.5
Lake Nakuru	132.1	111.0	189.1	193.3	209.4
Masai Mara	118.3	100.4	171.0	193.5	207.2
Haller's Park	86.8	77.9	96.4	92.6	87.2
Malindi Marine	27.0	13.7	23.9	35.7	26.5
Lake Bogoria	24.5	20.6	53.0	56.1	59.6
Meru	4.1	1.8	3.5	6.0	7.8
Shimba Hills	22.5	16.8	17.7	20.5	18.3
Mount Kenya	14.8	10.2	22.7	11.5	26.3
Samburu	8.3	7.0	7.0	8.2	6.3
Kisite/Mpunguti	35.1	29.2	34.2	37.9	45.7
Mombasa Marine	15.2	16.2	36.1	38.4	29.1
Watamu Marine	19.4	18.3	40.8	28.4	30.0
Hell's Gate	47.2	57.1	72.7	74.0	73.0
Impala Sanctuary(Kisumu)	62.4	65.6	77.4	90.4	96.9
Other**	15.5	13.9	19.8	20.1	17.4
TOTAL	**1,364.5**	**1,079.4**	**1,533.4**	**1,644.9**	**1,650.3**

** Provisional*

*** Other includes Mount Elgon, Ol-Donyo Sabuk, Marsabit, Saiwa swamp, Sbiloi, Ruma National Park, Mwea National Reserve, Central Ilsland National Park, Nasolot National Reserve and Kakamega National Reserve.*

13.14. There was improved performance in the number of visitors to museums, Snake Park and other historical sites as depicted in Table 13.10. The total number of visitors went up significantly by 15.5 per cent from 585.1 thousand in 2000 to 675.8 thousand in 2001. This improved performance is mainly attributed to the false security stigma attached to non-urban tourist attractions sites. Visitors to Main Gate and Fort Jesus were 251.6 thousand and 140.3 thousand in 2001 compared to 210.9 thousand and 96.5 thousand, respectively in 2000. The combined growth rate of 27.5 per cent may be attributed to relative safety of urban attractions. Other museums that registered increases in the number of visitors were Kisumu, Kitale, Meru and Hyrax Hills.

Table 13.10: Number of visitors to museums, snake park and sites,1997-2001 ('000)

	1997	1998	1999	2000	2001*
National Museum:(Main Gate)	184.5	173.4	196.4	210.9	251.6
National Museum:(Snake Park)	148.6	75.9	81.1	85.0	83.6
Fort Jesus	124.4	88.9	107.8	96.5	140.3
Kisumu Museum	18.2	34.7	45.9	48.1	62.3
Kitale Museum	16.1	27.3	22.5	28.1	29.6
Gedi	29.7	14.8	27.3	21.8	18.1
Meru Museum	9.4	15.8	16.6	18.1	19.2
Lamu	8.6	6.2	6.7	7.3	4.3
Jumba la Mtwala	4.9	4.0	5.5	5.1	4.6
Olorgessaile	2.2	1.9	2.2	2.4	1.8
Kariandusi	0.7	4.5	5.2	5.0	4.6
Hyrax Hills	1.5	2.8	2.5	3.3	3.4
Karen Blixen	38.6	41.1	50.0	52.6	51.3
Kilifi Mwarani	0.7	2.9	3.4	0.9	1.1
TOTAL	**588.1**	**494.2**	**573.1**	**585.1**	**675.8**

** Provisional*

Conference Tourism

13.15. The number of local conferences recorded in 2000 dropped from 980 to 609 in 2001 while international conferences declined from 162 to 108 over the same period. As a consequence, overall reported conferences were down 37.2 per cent. The number of delegate days for local and international conferences also went down from 312,655 and 66,404 in to 120,385 and 23,626 respectively over the same period. However, percentage occupancy rose from 7.7 per cent and 1.6 per cent for local and international conferences to 8.7 per cent and 1.7 per cent, respectively over the same period. Table 13.11 depicts details of reported conferences.

Table 13.11: Reported conferences, 1999-2001

	1999		2000		2001*	
	Local	International	Local	International	Local	International
No.of conferences	1,021	192	980	162	609	108
No.of delegates	41,004	27,800	65,329	36,810	31,979	5,375
No.of delegate days	119,631	126,371	312,655	66,404	120,385	23,626
No.of delegate days available	4,666,525	4,666,525	4,042,010	4,042,010	1,387,000	1,387,000
Percentage Occupancy	**2.6**	**2.7**	**7.7**	**1.6**	**8.7**	**1.7**

** Provisional*

13.16 The results of reduced conferences nationally translated into reduced activity at the Kenyatta International Conference Centre in terms of the number of international conferences and delegates when compared to the previous review period. The number of conferences and the number of delegate dropped from 67 and 27,880 in 2000 to 64 and 26,632 in 2001, respectively. However, the resurgence in conference activity that was observed in 1999 continued during the review period. The preference by conference organisers to the big hotels contin-

ues to affect negatively the overall utilisation of this conference centre. Occupancy was reported at 17.5 per cent in 2001 compared to 18.4 per cent in 2000 as shown in Table 13.12.

Tourism Promotion

Table 13.12: Conferences held at Kenyatta International Conference Centre, 1997-2001

	1997	1998	1999	2000	2001*
Number of conferences	1	7	10	19	21
Number of conference days	3	26	39	67	64
Attendance(Number of delegates**)	250	13,100	20,750	27,880	26,632
Percentage occupancy	**0.8**	**7.1**	**10.7**	**18.4**	**17.5**

** Provisional*
*** International conferences/delegates only*

13.17. During the review period the country through the Kenya Tourism Board (KTB) participated in various tourism fairs in Europe and South Africa to promote Kenya as a preferred tourist destination. The Board also organized a miss tourism contest with the aim of promoting tourism both locally and overseas. In terms of manpower development for the tourism industry, the Kenya Utalii College continued to play a leading role in training personnel in various courses geared to the tourism industry. In 2001 this college trained a total of 1,219 graduates of whom 339 and 880 had taken professional and in-service courses respectively. Table 13.13 shows the number of graduates from Utalii College.

Table 13.13 Kenya Utalii College graduates, 1997-2001

	In-Service	Professional			Grand Total
		Ordinary	Advanced	Total	
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
2001	880	317	22	339	1,219

Source: Kenya Utalii College

Chapter 14 Transport Storage and Communications

Overview

The value of output from transport, storage and communications sector registered 18.7 per cent rise during 2001 compared to a 12.2 per cent increase realised in 2000. Improvement and rehabilitation of roads enhanced cargo and passenger transport services during the year, resulting in an increase of 20.2 per cent in the value of output from the road transport sub-sector. Inward bound transit traffic from the port of Mombasa to the Great Lakes Region via railway network increased by 59.8 per cent, although the demand for domestic rail freight services declined substantially during the period under review. Imports of goods through sea and air transport modes increased by 22.1 and 14.1 per cent, respectively, during the same period. Similarly, throughput of white petroleum products pumped by the Kenya Pipeline Company in 2001 increased by 45.6 per cent above the volume pumped in 2000. Volume of freight exports through air declined by 2.7 per cent while those by sea increased by 12.3 per cent. Demand for cellular phones was more pronounced during the year as subscription shot up by almost sevenfold from 85,000 in 2000 to 668,000 in 2001. The number of Internet cyber cafes recorded a steady growth on one hand while on the other, circulation copies of daily and weekly English and Swahili newspapers declined by significant margins during the year.

Value of Output

14.2. As detailed in Table 14.1, all sub-sectors of the transport and communication sector posted increases in output value during 2001 except the railway transport sub-sector. The value of output from air transport industry expanded by 23.9 per cent to KSh. 28,526 million in 2001 from KSh. 23,025 million in 2000. Road transport industry recorded some recovery in 2001, with output value rising by 20.2 per cent in 2001 to total KSh. 25,659 million. Output value from communications sub-sector rose by 30.1 per cent from KSh. 25,760 million in 2000 to KSh. 33,521 million in 2001. The notable economic performance of the communications sub-sector was as a result of the continued liberalisation of the sub-sector. Pipeline transport recorded a 4.2 per cent increase in the total value of output. However, railway transport posted an output drop of 14.0 per cent to KSh. 5,121 million in 2001 from KSh. 5,954 million in 2000. This reflects the deteriorating nature of the rail transport services in the country.

Table 14.1: Transport and Communications - Value of Output, 1997 - 2001 (KSh million)

	1996	1997	1998	1999	2000	2001*	% increase
Road Transport	18,528.0	18,994	17,414	18,552	21,503	22,019.07	2.40
Railway Transport**	3,672.0	3,000	4,096	5,206	5,954	5,121	(14.00)
Water Transport	7,346.0	7,868	7,784	7,432	8,461	8,605	1.70
Air Transport	10,812.0	11,858	14,026	20,002	23,025	26,068	13.22
Services Incidental to Transport	3,622.0	4,964	4,036	3,274	3,750	3,780	0.80
Pipeline Transport	4,614.0	4,802	5,282	5,728	6,202	6,462	4.20
Communications	19,922.0	21,304	23,012	24,028	25,515	27,891	9.31
TOTAL	**68,516.0**	**72,790**	**75,650**	**84,222**	**94,410**	**99,946**	**17.63**

** Provisional.*
*** Includes other revenue*

Road Transport

Roads

14.3. During the year under review, about 57 per cent of the classified road network was considered to be in good and maintainable condition. The remaining 43 per cent of the network was in poor condition. Table 14.2 shows that Road Maintenance Levy Fund (RMLF) increased by 9.5 per cent in 2000/2001

Table 14.2: Road Maintenance Funds (Kshs. Billion)

	1993/1994	1994/1995	1995/1996	1996/1997	1997/1998	1998/1999	1999/2000	2000/2001*	% change	Total
Fuel Levy	1.4	2.8	3.1	3.1	5.1	5.1	6.0	6.6	9.45	33.2
Transit Toll	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	12.50	1.4
Total	**1.5**	**3.0**	**3.3**	**3.3**	**5.3**	**5.2**	**6.2**	**6.8**	**9.5**	**34.6**

**Provisional*

compared to an increase of 18 per cent in 1999/2000. The total fund stood at KSh. 6.78 billion in
2000/2001 compared to KSh. 6.19 billion in 1999/2000. The increase is largely accounted for by the increase in fuel levy. Transit toll collections rose by 12.5 per cent in 2000/2001 but remained below the amounts collected in the years 1994/1995 to 1996/1997.

Road traffic

14.4. The road improvement programme that had been going on during the preceding year saw completion of rehabilitation works for several road projects. The completion significantly enhanced road traffic activities during the period under review. As indicated in Table 14.3, combined cargo and passenger output value increased by 19.3 per cent from KSh. 21,503 million in 2000 to KSh. 25,659 million in 2001. Value of output from passenger transport service stream alone increased by 33.6 per cent from KSh. 10,026 million in 2000 to KSh. 13,394 million. Travelling and transporting goods by road proved both faster and more dependable, which explains the rising share of revenue accruing to the road transport industry.

Table 14.3: Earnings from road and rail traffic, 1997 - 2001 (KSh Million)

	1996	1997	1998	1999	2000	2001*	%increase
Passenger Traffic:							
Road	10,540.0	9,994	9,494	9,764	10,026	10,261	2.34
Rail	298.0	292	268	288	227	149	(34.27)
Total	**10,838.0**	**10,286**	**9,762**	**10,052**	**10,253**	**10,410**	**1.53**
Freight Traffic							
Road	7,988.0	9,000	7,920	8,788	11,477	11,758	2.45
Rail	3,134.0	2,478	3,154	4,514	5,175	4,463	(13.76)
Total	**11,122.0**	**11,478**	**11,074**	**13,302**	**16,652**	**16,221**	**(2.59)**
Total Road Traffic	**18,528.0**	**18,994**	**17,414**	**18,552**	**21,503**	**22,019**	**2.40**
Total Rail Traffic	**3,432.0**	**2,770**	**3,422**	**4,802**	**5,402**	**4,612**	**(14.62)**
Total (Road and Rail)	**21,960.0**	**21,764**	**20,836**	**23,354**	**26,905**	**26,631**	**(1.02)**

**Provisional.*

New Registrations

14.5. The number of newly registered vehicles increased by 28.6 per cent from 20,236 in 2000 to 26,024 in 2001. However, the current registration is still below the levels attained during 1997, 1998 and 1999. Details of the categories of the newly registered vehicles are contained in Table 14.4. The increasing demand for urban transport by private cars and minibuses accounted for the bulk of the rise in new registrations. Saloon cars and minibuses registered in 2001 accounted for 45.6 per cent of the total vehicle registration.

Table 14.4: New Registration of Road Vehicles, 1997 - 2001 (Number)

Type of Vehicle	1997	1998	1999	2000	2001*	%increase
Saloon Cars	8,995	11,126	8,917	6,514	8,258	26.77
Station Wagons	4,259	5,175	4,251	4,004	4,733	18.21
Panel Vans, Pick-ups, etc	7,544	7,295	6,984	4,413	4,747	7.57
Lorries/Trucks	2,732	2,578	2,087	1,104	1,283	16.21
Buses and Coaches	931	887	866	466	490	5.15
Mini Buses/Matatu	927	874	872	1,751	3,598	105.48
Special Purposes Vehicles	35	25	29	23	87	278.26
Trailers	680	539	567	331	603	82.18
Rollers, Graders, Cranes	102	63	70	46	69	50.00
Wheeled Tractors	1,263	1,160	1,112	510	575	12.75
Crawler Tractors	6	5	6	3	20	566.67
Motor and Auto Cycles	2,415	1,986	2,127	1,065	1,559	46.38
Three Wheelers	4	5	4	6	2	(66.67)
Total	**29,893**	**31,718**	**27,892**	**20,236**	**26,024**	**28.60**

**Provisional*

Road Licenses

14.7. Table 14.5 shows that licenses issued in 2001 by Transport Licensing Board (TLB) to freight and passenger transport vehicles, declined by 10.9 per cent to 47,248 from 53,045 in 2000. Passenger Service Vehicle (PSV) licenses issued to Matatu operators during the period under review, declined by 13.7 per cent to 30,675 from 26,475 in 2000. Conversely, PSV licences issued to operators of buses and tourist vehicles during the same period went up by 55.5 per cent.

Table 14.5: Licences issued for freight and passenger transport vehicles,1997- 2001 (Number)

	1996	1997	1998	1999	2000	2001	%increase
PSV Matatus	24,470	21,662	24,334	28,805	30,675	26,475	(13.69)
PSV Buses and Tourist Vehicles	2,042	1,996	1,952	3,359	4,673	7,264	55.45
Freight Transport Vehicles	6,517	9,031	7,157	7,706	17,697	13,509	(23.67)
Total	**33,029**	**32,689**	**33,443**	**39,870**	**53,045**	**47,248**	**(10.93)**

**Provisional*

Railway Transport

14.8. Use of block trains that reduced transit time assisted the Railway Corporation to record a major boost in transporting transit cargo to the Great Lakes Region. But the fragmentation of domestic traffic and stiff competition from road hauliers resulted in unsatisfactory demand for local railway transport services. As shown in Table 14.6, total freight tonnage hauled along the railway network dropped by 4.2 per cent from 2,400 thousand tonnes in 2000 to 2,300 thousand tonnes in 2001. The number of rail passenger journeys made in 2001 increased by 54.8 per cent due to the increase in local services of urban commuter trains. However, the increase still could not offset the loss in earnings by the Corporation.

Table 14.6: Railway traffic, 1997- 2001

	1996	1996/1997	1997/1998	1998/1999	1999/2000	2000/2001*	%increase
Freight (Units):							
Tonnes ('000)	1,826.5	1,620.6	1,688.0	2,200.0	2,400.0	2,300	(4.2)
Tonne-km (million)	1,218.8	1,068.2	1,111.0	1,491.6	1,556.9	1,603	3.0
Revenue Kshs. (Mill)	3,134.0	2,478.0	3,154.0	4,514.3	4,726.8	4,463	(5.6)
Revenue per tonne-Km (cts)	257.1	232.0	283.9	302.6	332.4	278	(16.2)
Passenger							
Journeys ('000')	2,379.0	1,981.0	2,843.0	4,700.0	4,200.0	6,500	54.8
Passenger-Km (million)	371.0	393.0	432.0	306.2	302.0	166	(45.0)
Revenue (Kshs. mill)	298.0	292.0	268.0	287.5	227.0	149	(34.3)
Revenue per passenger-Km (cts)	80.3	74.3	62.0	93.9	75.2	75.1	(0.1)

**Provisional*

14.9. Total revenue earned from the total railway traffic therefore dropped by 6.9 per cent with passenger traffic earnings dropping significantly by 34.4 per cent during the year. The unreliable, old and slow rail movement, coupled with decrease in daily passenger transport services to Mombasa and Kisumu are some of the reasons for the drop in the passenger transport business. However, there are attempts to revive railway's former glory and confidence. These include staff rationalisation programme, overhaul and maintenance of class 93/94 locomotives by the General Electric Company of USA and the Corporation's reorientation programme through privatisation.

Harbours and Shipping

14.10. The number of cargo ships that arrived at the port of Mombasa in 2001 increased by 120 to 1,111 ships from 991 ships in 2000. Container traffic performance also improved for the second year running by 22.6 per cent from 236,928 containers in 2000 to 290,500 in 2001.

14.11.Total exports handled at the port of Mombasa increased by 12.3 per cent to 2,271 thousand tones from 2,023 thousand tones handled during 2000. How-

ever, outward bound transit traffic declined by 9.2 per cent during the same period. Details of the freight traffic handled at Mombasa Harbour are presented in Table 14.7. Total imports handled during the year increased by a remarkable 22.1 per cent. Inwards bound transit traffic increased by 59.8 per cent to 1,844 thousand tones from 1,153 thousand tones in 2000. Total freight tonnage increased by 20.2 per cent to 12,717 thousand tones from 10,580 thousand tones in 2000. Oil imports continued rising steadily, reaching 4,132 thousand tones in 2001 from 3,133 thousand tones in 2000.

Table 14.7: Freight handled at Mombasa Harbour, 1997 - 2001 ('000' Tonnes)

	1996	1997	1998	1999	2000	2001*	%increase
Loaded:							
Dry Cargo	2,103	1,657	1,783	1,613	1,530	1,802	17.78
Oils	273	173	136	232	192	196	2.01
Transit Outward		369	239	285	301	273	(9.19)
Total	**2,376**	**2,199**	**2,158**	**2,130**	**2,023**	**2,271**	**12.27**
Landed:							
Dry Cargo	3,538	5,187	4,408	3,915	4,271	4,470	4.67
Oils	2,780	1,425	2,234	2,428	3,133	4,132	31.87
Transit Inward		973	888	1,025	1,153	1,844	59.84
Total	**6,318**	**7,585**	**7,530**	**7,368**	**8,557**	**10,446**	**22.06**
Total Freight Handled	**8,694**	**9,785**	**9,688**	**9,498**	**10,580**	**12,717**	**20.19**

**Provisional*

Pipeline Transport

14.12. Details of throughput of white petroleum products pumped by the Pipeline Company are presented in Table 14.8. The total volume of the products pumped grew by 45.5 per cent from 2,783.3 thousand cubic metres in 2000 to 4,051.0 thousand cubic metres in 2001. The volume of motor spirit (premium) and light diesel oil pumped increased tremendously registering 77.7 per cent and 84.0 per cent rise to 1,057.7 thousand cubic metres and 1,804.0 thousand cubic metres, respectively, in 2001. The increase can be traced to the increased volumes of export drawn at Eldoret and Kisumu terminals. However, volumes of Kerosene illuminating oil and motor spirit (regular) pumped declined by 6.7 per cent and 4.1 per cent, respectively, during the same period.

Table 14.8: Pipeline Throughput of White Petroleum Products, 1997 - 2001 ('000' Cu. Metres)

	1997	1998	1999	2000	2001*	%increase
Motor Spirit (Premium)	587.0	615.0	631.0	598.6	1,041.7	74.02
Motor Spirit (Regular)	183.8	185.6	192.4	184.2	177.0	(3.90)
Kerosene Illuminating Oil	319.2	373.0	443.5	397.8	372.8	(6.30)
Light Diesel Oil	790.5	821.5	876.9	980.7	1,749.8	78.43
Jet Fuel	594.4	579.8	639.4	622.0	121.3	(80.51)
Total	**2,474.9**	**2,574.9**	**2,783.2**	**2,783.3**	**3,462.5**	**61.7**

**Provisional*

14.13. In order to improve on the existing capacity and ensure accommodation for future increases, KPC is undertaking projects to expand several facilities. These include construction of extra tanks at Kipevu, Kisumu and Eldoret and erecting a new pumping station at Morendat. Plans are afoot to construct a pipeline extension to Uganda as this was found to be economically and financially viable than land transport.

Air Transport

14.14. Tables 14.9 and 14.10 present data on air transport industry. The September 11, 2001 terrorist attacks in the US severely affected air transport business worldwide. This resulted in cancellation of some travel routes with some major airline companies like Sabena and Swiss Air completely ceasing operating. In the local scene, Kenya Airways terminated the Muscat route and reduced flights to Saudi Arabia but increased those to Europe. The latter was made possible following the airline's acquisition of 3 new and modern aircrafts.

14.15. During the period under review, total passenger traffic through the two main airports of Nairobi and Mombasa declined marginally by 0.7 per cent to 3,819 thousand persons from 3,846 thousand persons in 2000. On the other hand, the total volume of imports handled rose by 5.9 per cent from 39,353 thousand tones in 2000 to 41,668 thousand tones in 2001. Exports volume however dropped by 2.8 per cent to 99,154 thousand tones from 101,997 thousand tones in 2000. Transiting passenger traffic dropped by 9.8 per cent during the same period.

Table 14.9: Airports Passenger Traffic, 1997 - 2001							
		1997	1998	1999	2000	2001*	%increase
Passengers - 000 No.							
	Arrivals	1,275	1,087	1,248	1,376	1,370	(0.44)
Nairobi(JKIA) -	Departures	1,022	1,051	1,205	1,358	1,386	2.04
	In Transit**	254	211	215	211	213	0.78
	Total	**2,551**	**2,350**	**2,668**	**2,945**	**2,968**	**0.79**
	Arrivals	407	370	416	427	413	(3.28)
Mombasa (MIA)	Departures	407	370	424	428	419	(2.17)
	In Transit**	52	73	50	46	19	(58.62)
	Total	**865**	**812**	**890**	**901**	**851**	**(5.57)**
	Arrivals	1,682	1,457	1,664	1,803	1,783	(1.11)
Sub - total	Departures	1,429	1,422	1,629	1,786	1,805	1.03
	In Transit**	306	284	265	257	232	(9.83)
	Total	**3,416**	**3,163**	**3,558**	**3,846**	**3,819**	**(0.70)**
	Arrivals	1	7	10	18	15	(13.91)
Eldoret	Departures	1	5	9	17	15	(14.25)
	In Transit**	0	6	5	7	1	(79.07)
	Total	**2**	**18**	**23**	**42**	**32**	**(24.76)**
	Arrivals	181	192	210	247	237	(3.83)
Others	Departures	185	186	200	236	229	(2.88)
	In Transit**	7	9	11	12	12	(5.50)
	Total	**373**	**386**	**421**	**495**	**478**	**(3.42)**
	Arrivals	1,864	1,655	1,884	2,068	2,036	(1.55)
TOTAL	Departures	1,614	1,612	1,837	2,039	2,048	0.45
	In Transit**	313	298	281	276	245	(11.37)

14.16. Eldoret International Airport recorded an improved cargo traffic performance in 2001, as the traffic more than doubled to 10,110 thousand tones in 2001 from 4,968 thousand tones in 2000. However, passenger traffic declined by 24.8 per cent to 32 thousand from 42 thousand passengers handled in 2000.

Table 14.10: Commercial Freight, 1997 - 2001 (000' tonnes)							
Airport	Item	1997	1998	1999	2000	2001*	%increase
	Cargo: Unloaded	28,521	39,538	31,183	37,918	40,161	5.92
	Loaded	47,169	76,747	94,369	101,702	98,986	(2.67)
Nairobi (JKIA)	Mail: Unloaded	1,108	911	734	728	292	(59.89)
	Loaded	435	479	335	296	173	(41.72)
	Total	**77,232**	**117,674**	**126,621**	**140,643**	**139,612**	**(0.73)**
	Cargo: Unloaded	1,800	1,328	1,329	1,435	1,507	4.97
	Loaded	1,505	1,807	1,021	1,280	1,962	53.25
Mombasa (MIA)	Mail: Unloaded	30	8	1	0	4	673.79
	Loaded	34	26	24	24	24	2.51
	Total	**3,368**	**3,170**	**2,376**	**2,740**	**3,497**	**27.63**
	Cargo: Unloaded	30,320	40,866	32,512	39,353	41,668	5.88
	Loaded	47,604	77,226	94,703	101,997	99,159	(2.78)
Sub - Total	Mail: Unloaded	1,138	919	735	728	296	(59.39)
	Loaded	47,203	76,773	94,393	101,725	99,010	(2.67)
	Total unloaded	**31,458**	**41,785**	**33,247**	**40,082**	**41,963**	**4.70**
	Total loaded	**94,807**	**153,999**	**189,096**	**203,723**	**198,169**	**(2.73)**
	Cargo: Unloaded	100	6,112	4,133	4,724	9,635	103.94
	Loaded	-	84	79	244	472	94.01
Eldoret	Mail: Unloaded	-	-	-	-	0	-
	Loaded	-	-	-	-	3	-
	Total	**100**	**6,196**	**4,212**	**4,968**	**10,110**	**103.52**
	Cargo: Unloaded	740	1,220	421	708	325	(54.03)
	Loaded	3,232	3,817	19,268	23,239	6,385	(72.52)
Others	Mail: Unloaded	1	1	5	1	0	(94.07)
	Loaded	0	0	5	1	-	(100.00)
Total	**Total**	**4,073**	**11,234**	**23,911**	**28,916**	**16,821**	**(41.83)**
	Cargo: Unloaded	31,160	48,198	37,067	44,785	51,628	15.28
	Loaded	50,837	81,127	114,050	125,480	106,016	(15.51)
TOTAL: Arrivals	**Mail: Unloaded**	**1,138**	**919**	**741**	**729**	**296**	**(59.41)**
	Loaded	47,203	76,773	94,398	101,726	99,013	(2.67)
	Total cargo unloaded	32,298	49,117	37,807	45,514	51,924	14.08
	Total cargo loaded	98,040	157,901	208,448	227,206	205,029	(9.76)

**Provisional*

Postal and Telecom-munications Services

Postal Services

14.18. Postal Corporation of Kenya has in the past laid emphasis on network expansion but this has since taken a new dimension with emphasis being on retaining the post offices that are income generating. Total number of post offices therefore increased only by one above the 890 available in 2000. The number of licensed courier outlets increased from 185 in 2000 to 299 in 2001. Private rented letter-boxes registered a growth of 7.4 per cent to 323 thousand from 301 thousand in 2000. Ordinary correspondence posted increased from 114 million to 210 million in 2001. Postal orders registered an increase of 71.9

per cent in 2001 while money orders almost maintained the 2000 level. The service was however discontinued later in 2001.

Table 14.11: Postal and Telecommunication Services, 1997 - 2001

Description	Unit	1997	1998	1999	2000	2001*	%increase
Post Offices	No.	1,034	1,033	941	890	891	0.11
Total Courier Outlets (Licensed)					**185**	**299**	**61.62**
Total					**1,075**	**1,190**	**10.70**
Private Letter Boxes (installed)	000	326	340	345	387	394	1.62
Private Letter Boxes (rented)	000	291	301	305	300	323	7.39
Registered and Insured Items Posted	No.(million)	2.10	2.10	1.96	1.95	2.16	10.61
Total correspondence handled	**No.(million)**	**431**	**403**	**147**	**114**	**210**	**83.67**
Parcels handled	'000'	263	175	161	65	67	3.08
Money Orders	No.(million)	1.70	3,450	1.73	1.80	1.81	0.56
Postal Orders	No.(000)	77	71	68	32	55	71.88
Telephone Exchange Capacity	No.(000)	384	403	411	444	446	0.45
Telephone Exchange Connections	No.(000)	272	280	296	304	321	5.66
Public Call boxes	No.	6,309	7,263	8,397	8,388	8,346	(0.50)
Card Phones	No.	49	212	876	1,061	1,158	9.14
Mobile Telephone	No.(000)	5	9	15	85	668	686.19
Manual Telephone Calls made	No.(million)	4.60	3.70	3.50	3.86	4.25	10.02
Telex Subscribers	000	1.20	1.10	1.00	0.69	0.65	(4.96)

**Provisional*

Telecommunications

14.19. Telephone exchange connections expanded from 304 thousand in 2000, to 321 thousand in 2001; representing a connectivity growth rate of 5.7 per cent. However, the telephone exchange capacity expanded slowly by only 0.5 per cent, rising from a capacity of 444 thousand in 2000 to 446 thousand in 2001. Total number of available public call boxes declined by the same margin of 0.5 per cent as card phones increased by 9.1 per cent.

14.20. The inability of Telkom Kenya Limited to meet the customer demand on fixed telephone services (landlines) accelerated the growth and demand for cellular phone connections. The mobile telephone services expanded very rapidly during the period under review. Available statistics show that the subscription of mobile telephone services was twice that of landline as at the end of 2001. The large increase in the subscription for the service has provided an alternative avenue of communication to the hitherto inefficient traditional systems. Subscription for mobile phones increased significantly and reached 668 thousand subscribers in the year 2001 from 85 thousand subscribers in 2000. Coverage of the mobile telephone services has also been expanded to cover other urban and rural areas as well as major highways in the country, beyond what landlines could achieve.

14.21. Telex services declined further due to availability of cheaper and efficient alternative services such as facsimile and internet connectivity including e–mail services. Due to growing demand in internet use, the business of

cyber cafes continued expanding. There is however cut-throat competition between different actors. The liberalisation of the telecommunications sector also effectively triggered the growth of other service providers such as Internet service providers (ISPs), resale services and cyber cafes. The number of ISPs increased in 2001 from 30 to 65. However, the number of licensed paging companies remained at the same level as the previous period due to efficiency attributed to mobile telephone services.

Table 14.12: External Telecommunications Traffic, 1997 - 2001

	1996	1997	1998	1999	2000	2001*	%increase
Telephone service-million paid minutes							
Outgoing	26.2	29.00	29.20	29.20	25.99	24.98	(3.89)
Incoming	57.6	69.50	71.50	67.10	67.68	68.87	1.75
Telex service-million paid minutes							
Outgoing	0.5	0.30	0.20	0.10	0.36	0.05	(86.47)
Incoming	0.5	0.40	0.30	0.40	0.12	0.04	(71.34)
Telegraph service-million paid words							
Outgoing	0.1	0.20	0.10	0.10	0.16	0.02	(87.09)
Incoming	0.2	0.20	0.20	0.20	0.07	0.10	53.16
Bureau fax outgoing							
Documents	18,250.0	13,593	6,191	10,271	5,506	2,977	(45.93)
Pages	21,326.0	16,671	7,621	13,140	7,189	3,856	(46.36)
Bureau fax incoming							
Documents	4,001.0	3,169	2,276	2,304	1,517	1,252	(17.47)
Pages	7,154.0	5,941	4,062	3,852	2,480	2,157	(13.02)

**Provisional*

14.22. Table 14.12 presents indicators of the external telecommunications traffic. The volume of outgoing telephone service in million paid minutes, declined by 4 per cent while incoming calls increased by 20 per cent during 2001. At the same time, performance of Telex and Telegram services remained insignificant. Indicators of incoming and outgoing fax messages declined significantly during the same period and the poor performance of these services can be attributed to shift to new communication facilities and traffic congestion.

Information and Mass Media

Radio and TV

14.23. Table 14.13 presents details of the number of new radio and TV sets sold and licensed. The total number of radios and television sets sold and permits issued decreased in 2001 by 20.6 per cent and 23.1 per cent, respectively, during 2001. This was occasioned by liberalisation of airwaves and commodity markets, which gave way to mass sales and purchases of radios and TV sets without issuance of permits. Roadside equipment dealers do not issue permits.

Table 14.13 New Radios and T.V. Sets Sold and Licensed, 1997 - 2001 (000' Number)

	1996	1997	1998	1999	2000	2001*	%increase
Radios	163.1	172	75	104	85	66	(23.08)
Television Sets	35.8	44	28	43	38	30	(20.56)

**Provisional*

14.22. New radio and TV stations continued to be licensed in the year 2001 but the concentration was still within the major towns. The continuing depressed economic situation and low investor confidence restrained further growth in this industry, as some licensed stations are yet to commence operations.

Daily and weekly newspaper

14.25. Table 14.14 presents the average number of daily and weekly local newspapers in circulation. Increase in cover price, decreased disposable income among Kenyans due to economic depression and availability of alternative sources of news through electronic media are some of the reasons for the drop in newspaper sales. Average sales of daily English and Swahili newspapers declined by 18.0 per cent and 28.5 per cent respectively in 2001. Similarly, average sales of weekly English and Swahili newspapers declined by 37.1 per cent and 39.3 per cent respectively during the same period.

Table 14.14: Local Daily/Weekly Average Newspaper in Circulation, 1997 - 2001 ('000 Copies)

	1997	1998	1999	2000	2001*	%increase
Morning Newspapers						
English	263.3	257.1	262.5	271.6	222.6	(18.03)
Swahili	36.2	35.0	36.0	38.2	27.3	(28.53)
Other Newspapers						
English Weeklies	582.1	528.6	540.1	556.1	349.9	(37.08)
Swahili	44.1	42.0	43.6	45.3	27.5	(39.29)

**Provisional*

Chapter 15 Labour Force Participation in Kenya

Overview

This chapter presents a summary of labour force data collected through the 1998/99 Integrated Labour Force Survey (ILS). The sample survey covered the whole country, and hence generated representative results at national and provincial levels of aggregation. Results presented here are for the economically productive population aged 15 - 64 years so as to facilitate international comparisons, and also compare the results with labour force data collected by previous surveys in Kenya. The activity status of the population was determined with respect to one-week reference period.

15.2. Results from the survey show that 12.3 million persons aged 15-64 years were economically active. The employed population stood at 10.5 million with the rural area accounting for 70.8 per cent. Most of the employed were in self-employment as wage-employment contributed only 33.4 per cent of the employed. Average earnings for wage employees amounted to KSh. 7,766 per month. The overall unemployment rate was 14.6 per cent and was more pronounced in urban areas where it rose from 13.0 per cent in 1989 to 25.1 per cent in 1999.

The Economically Active Population

15.3. As summarized in Table 15.1, an estimated 77.4 per cent of the population aged 15-64 was reported to be economically active or in the labour force. This population was made up of 10.5 million employed persons and 1.8 million unemployed persons. The majority (57.9 per cent) of the active population was in the age bracket 20-39 years.

Table15.1 Distribution of Population Aged 15-64 by Activity Status

Age	Employed	%	Unemployed	%	Inactive	%	Total	%
15-19	843,909	8	270,217	15	2,349,270	65.3	3,463,396	21.7
20-24	1,435,405	13.6	533,078	29.6	485,067	13.5	2,453,550	15.4
25-29	1,584,271	15.1	291,679	16.2	165,931	4.6	2,041,881	12.8
30-34	1,541,604	14.6	185,927	10.3	94,668	2.6	1,822,199	11.4
35-39	1,533,196	14.6	140,147	7.8	91,739	2.5	1,765,082	11.1
40-44	1,128,190	10.7	113,165	6.3	68,964	1.9	1,310,319	8.2
45-49	992,261	9.4	88,596	4.9	67,260	1.9	1,148,117	7.2
50-54	702,199	6.7	66,839	3.7	82,769	2.3	851,807	5.3
55-59	412,639	3.9	64,235	3.6	87,107	2.4	563,981	3.5
60-64	351,936	3.3	46,739	2.6	106,457	3	505,132	3.2
Total	**10,525,609**	**100**	**1,800,623**	**100**	**3,599,231**	**100**	**15,925,463**	**100**

Participation Rates

15.4 The labour force participation rate is one of the most commonly used summary measures in labour statistics. It is computed as the proportion of the economically active population to the working age population during the reference period.

15.5. *Age and sex* - Table 15.2 gives an overall labour force participation rate of 73.6 per cent. Labour force participation rate for males (74.7 per cent) compared to that of females (72.6 per cent). This pattern of participation rates was common in all age cohorts except for the 15-19 and 20 –24 cohorts where participation rates for males are slightly lower than the corresponding rates for females. The age distribution shows that the participation rates are lowest for the 15-19 age group, but increase along the age spectrum to about 95.2 for the age group 40 – 44 years before levelling to 80. 9 per cent for the cohort aged 60 – 64 years. The low participation rates in the 15-19 age group result from the fact that persons in this age cohort are mainly studying in secondary school.

Table 15.2 Labour Force Participation Rates by Sex and Age

Age Group	Male	Female	Total
15-19	28.1	30.5	29.3
20-24	66.6	69.8	68.3
25-29	91.5	87.7	89.4
30-34	96.6	91.6	94.1
35-39	97.4	92.3	94.8
40-44	97.5	92.9	95.2
45-49	95.6	90.7	93.4
50-54	94	86.9	90.3
55-59	87.8	82.5	85.1
60-64	85	77.4	80.9
Total	**74.7**	**72.6**	**73.6**

15.6. *Educational attainment* - Table 15.3, shows that participation rates rose with the level of formal education completed, from 83.7 per cent for those with no education to over 98.8 per cent for those with postgraduate education. There are also gender differentials where participation rates for females without university education are slightly lower than those of the counterpart males. However, there is a reverse at the university level, where all females with university education in the surveyed population were reported to be in the labour force. Further, participation rates for those with vocational training were high, lying between 95.5 per cent for Higher National Diploma holders and 97.1 per cent for Ordinary Diploma holders. The participation rates for females with vocational certificates were slightly lower than corresponding rates for their male counterparts.

Table 15.3 Participation Rates for Persons Aged 15 – 64 by Level of Education and Attainment of Vocational Certificate (Percentages)

Highest Level Attained	Males	Females	Total
Academic Attainment			
None	86.0	82.7	83.7
Primary	85.0	83.1	84
Secondary	94.6	90.1	92.7
Undergraduate	95.2	100	96.5
Post Graduate	98.2	100	98.8
Not Stated	50.8	65.2	59.7
Total	**88.8**	**84.8**	**86.7**
Vocational/Professional Attainment			
None	87.5	84.3	85.8
Trade Tests	96.9	94.3	96.2
Ordinary Diploma	97.6	96.1	97.1
Higher National Diploma	96.0	94.2	95.5
CPA/CPS	98.2	93.7	97.0
Not Stated	62.7	82.2	76.4
Total	**88.8**	**84.8**	**86.7**

15.7. *Geographical distribution* - Table 15.4 shows that the urban areas have higher labour force participation rate of 86.4 per cent compared to the rural ones with a rate of 73.6 per cent. Among the eight provinces, Nairobi had the highest participation rate (86.3 per cent) followed by Eastern, North Eastern, and Central provinces respectively. The labour force participation rates for North Eastern province are unexpectedly high. This could be attributed to the fact that the survey was only conducted in urban areas of the province. Nyanza and Western provinces had the lowest rates which were below the national average of 77.4 per cent. Other provinces with rates below the overall rate were Coast and Rift Valley.

Table 15.4 Spatial Distribution of Participation Rates for Persons Aged 15 – 64 years

Region /Province	Active Population	Population Aged 14–64	Rates %
Rural	8,228,762	11,182,431	73.6
Urban	4,097,157	4,742,719	86.4
Total	**12,325,919**	**15,925,150**	**77.4**
Nairobi	1,204,184	1,395,259	86.3
Central	1,802,000	2,266,086	79.5
Coast	1,037,186	1,374,329	75.5
Eastern	2,119,365	2,634,870	80.4
North Eastern*	323,774	405,850	79.8
Nyanza	1,891,902	2,619,905	72.2
Rift Valley	2,691,274	3,524,809	76.4
Western	1,256,234	1,704,042	73.7
Total	**12,325,919**	**15,925,150**	**77.4**

The Employed Persons

15.8 Spatial distribution of the employed population is presented in Table 15.5. Rural areas absorbed 70.8 per cent of the employed persons, where the majority were engaged in farm related activities (see Table 15.10) as self-employed and unpaid family workers. With the exception of North Eastern Province, whose coverage was restricted to urban area, the lowest levels of employment were witnessed in Western and Coast provinces which recorded 8.7 and 7.5 per cent respectively. Gender analysis shows that there were slightly more female than male workers in rural areas while the converse was true for the urban areas.

Table 15.5 Spatial Distribution of the Employed Persons Aged 15-64 (Numbers)

Region	Male	%	Female	%	Total	%
Rural/Urban						
Rural	3,652,290	66.7	3,804,842	75.3	7,457,133	70.8
Urban	1,821,518	33.3	1,246,958	24.7	3,068,477	29.2
Total	**5,473,809**	**100**	**5,051,800**	**100**	**10,525,609**	**100**
Province						
Nairobi	592,794	10.8	323,222	6.4	916,016	8.7
Central	812,832	14.8	877,976	17.4	1,690,808	16.1
Coast	490,265	9	303,894	6	794,158	7.5
Eastern	954,194	17.4	1,021,531	20.2	1,975,725	18.8
North Eastern (Urban)	118,616	2.2	92,859	1.8	211,475	2
Nyanza	776,666	14.2	884,166	17.5	1,660,831	15.8
Rift Valley	1,264,535	23.1	1,101,573	21.8	2,366,108	22.5
Western	463,907	8.5	446,581	8.8	910,488	8.7
Total	**5,473,809**	**100**	**5,051,800**	**100**	**10,525,609**	**100**

15.9 Table 15.6 presents the employment estimates by three non-overlapping categories: modern sector; informal sector; and the small-scale farming and pastoralist activities. The results indicate that most of the working persons (42.1 per cent) were employed in the small-scale farming and pastoralist activities, largely based in rural areas. The informal sector accounted for 31.6 per cent,

Table 15.6 Working Population Aged 15-64 by Sex and Sector

	Sex		
Sector	**Male**	**Female**	**Total**
Modern Sector			
Rural	719,174	224,727	943,898
Urban	1,085,581	477,806	1,563,389
Total	**1,804,755**	**702,533**	**2,507,287**
Informal Sector			
Rural	1,182,813	939,547	2,122,357
Urban	635,399	569,188	1,204,588
Total	**1,818,212**	**1,508,735**	**3,326,945**
Small-Scale Farming & Pastoralist Activities			
Rural	1,705,223	2,570,994	4,276,217
Urban	65,450	86,550	152,001
Total	**1,770,673**	**2,657,544**	**4,428,218**
Not Stated			
Rural	45,082	69,576	114,658
Urban	35,086	113,413	148,499
Total	**80,168**	**182,989**	**263,157**
Total	**5,473,808**	**5,051,801**	**10,525,607**

whereas the modern one absorbed the least share of 23.8 per cent of the employed persons. There were more male than female workers, aged 15-64 years, resulting into an overall sex ratio of 1.08. However, females dominated small-scale farming and pastoralist activities, as indicated by a sex ratio of 0.67.

15.10 **Status in employment** - Table 15.7 shows that the working population was mainly made up of self-employed and unpaid family workers (63.5 per cent), mostly working in the rural areas followed by paid employees (33.4 per cent) who were mainly working in the urban areas. Paid employee absorbed 33.4 per cent of the working population. The rest i.e. 3.1 per cent of the workers did not state their employment status. Gender analysis shows that 77.9 per cent of female workers were self-employed, mainly residing in the rural areas. Only 19.3 per cent of females were in wage employment compared to a higher proportion of 46.4 per cent for males.

Table 15.7 Percentage Distribution of the Employed Persons Aged 15-64 by Status in Employment (Percentages)

Status in Employment	Sex		Total
	Male	Female	
Paid Employee			
Rural	32.6	9.7	20.9
Urban	74	48.5	63.6
Total	**46.4**	**19.3**	**33.4**
Self-employed*			
Rural	63.7	87.4	75.8
Urban	23.2	47	33.6
Total	**50.2**	**77.9**	**63.5**
Not Stated			
Rural	3.6	2.9	3.3
Urban	2.9	2.6	2.7
Total	**3.4**	**2.9**	**3.1**
TOTAL			
Rural	100	100	100
Urban	100	100	100
Total	**100**	**100**	**100**

Includes unpaid family workers

15.11 *Education and training* - All employed persons were asked about their highest academic and professional training attainments. The results presented in Table 15.8 shows that 16.1 per cent of workers had no formal education. About 50.5 per cent of the employed persons had attained primary education, and about one-third had secondary education. Only 1.8 per cent of the employed had university education. The situation is reversed for vocation and professional training, where 89.5 per cent of the employed persons reported to have had no professional training. About 94.3 of female workers had no training at all, compared to a lower male proportion 85.0 per cent.

Table 15.8: Percentage of Employed Population by Educational and Vocational Level Attained (15-64 in Percentage)

Academic/ Professional Level	Sex		Total
	Males	Females	
Academic Level			
None	9.7	22.9	16.1
Nursery	0.4	0.4	0.4
Primary	49.5	51.6	50.5
Secondary	37.6	24.1	31.2
University	2.7	0.9	1.8
Not Stated	0	0.1	0.1
Total	100	100	100
Professional Level			
None	85	94.3	89.5
Trade Test	9.2	3.2	6.3
Ordinary Diploma	3.7	1.7	2.8
H/National Diploma	0.6	0.2	0.4
CPA/CPS	1.5	0.5	1
Not Stated	0	0.1	0.1
Total	100	100	100

15.12 *Occupation* - The occupational classifications presented in Table 15.9 are based on current International Standard Classification of Occupations (ISCO-88) at one-digit level of aggregation. Most of the employed persons reported to be skilled agricultural and fishery workers (37.3 per cent), with females accounting for 45.0 per cent. Professionals accounted for only 1.2 per cent of the employed persons. The majority (26.1 per cent) of the paid employees were holding elementary occupations.

Table 15.9 Occupations of the Employed Persons and Paid Employees Aged 15-64 years by Sex

Occupation- Employed	Male	%	Female	%	Total	%
Legislators, senior officials and managers	114,468	2.1	16,430	0.3	130,898	1.2
Professionals	107,441	2	16,500	0.3	123,940	1.2
Technicians and associate professionals	387,183	7.1	228,052	4.5	615,234	5.8
Clerks	248,201	4.5	163,584	3.2	411,786	3.9
Service workers, shop/market sales workers	638,964	11.7	647,234	12.8	1,286,198	12.2
Skilled agricultural and fishery workers	1,648,550	30.1	2,273,283	45	3,921,833	37.3
Craft & related workers	604,075	11	154,375	3.1	758,450	7.2
Plant & machine operators & assemblers	306,307	5.6	12,689	0.3	318,996	3
Elementary occupation	1,413,344	25.8	1,529,313	30.3	2,942,656	28
Other	6,384	0.1	9,233	0.2	15,617	0.1
Total	**5,474,916**	**100**	**5,050,693**	**100**	**10,525,609**	**100**
Occupation-Paid Employees						
Legislators, senior officials and managers	88,786	3.5	7,941	0.8	96,727	2.8
Professionals	92,269	3.6	10,035	1	102,304	2.9
Technicians and associate professionals	344,881	13.6	215,339	22.1	560,220	15.9
Clerks	238,939	9.4	155,527	16	394,465	11.2
Service workers, shop/market sales workers	381,933	15	149,636	15.4	531,569	15.1
Skilled agricultural and fishery workers	166,371	6.5	60,781	6.2	227,152	6.5
Craft & related workers	364,176	14.3	23,002	2.4	387,179	11
Plant & machine operators & assemblers	281,584	11.1	8,037	0.8	289,620	8.2
Elementary occupation	578,053	22.8	340,442	35	918,496	26.1
Other	3,414	0.1	1,794	0.2	5,208	0.1
Total	**2,540,406**	**100**	**972,534**	**100**	**3,512,940**	**100**

15.13. **Industry** - Table 15.10 presents industrial categories for the employed population. The industrial classification used here is based on the 1990 edition of the UN International Standard Industrial Classification (ISIC-1990) of all economic activities. The largest employer was the agricultural sector, which absorbed 63.1 per cent of the employed persons who reported the industries they worked in. The other major employers were the service industries - where community, social and personal services accounted for 6.1 per cent of the employed persons with stated industries. Other industries with notable employment levels were in wholesale and retail trades and repairs (5.0 per cent), and educational services (4.0 per cent)

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Table 15.10 Distribution of Employed Persons Aged 15 -64 Years by Industry and Sex

	Male	%	Female	%	Total	%
Region						
Rural	3,652,290	66.7	3,804,842	75.3	7,457,132	70.8
Urban	1,821,518	33.3	1,246,958	24.7	3,068,476	29.2
Total	**5,473,808**	**100**	**5,051,800**	**100**	**10,525,608**	**100**
Industry						
Agriculture & hunting	2,543,353	46.5	3,303,345	65.4	5,846,698	55.5
Fishing	53,271	1	19,587	0.4	72,858	0.7
Mining & quarrying	39,005	0.7	12,834	0.3	51,839	0.5
Manufacturing	316,308	5.8	48,927	1	365,235	3.5
Electricity, gas, steam & water supply	29,259	0.5	2,446	0	31,705	0.3
Construction	195,080	3.6	7,324	0.1	202,404	1.9
Trade, whole sale & retail trade, repair of motors and house hold goods	309,274	5.6	156,649	3.1	465,922	4.4
Hotels & restaurants	155,361	2.8	77,155	1.5	232,517	2.2
Transport, storage & communications	314,176	5.7	27,530	0.5	341,706	3.2
Financial Intermediation	192,826	3.5	96,751	1.9	289,577	2.8
Public Administration & defense	167,430	3.1	60,718	1.2	228,149	2.2
Education	217,076	4	150,124	3	367,200	3.5
Health	115,673	2.1	77,737	1.5	193,410	1.8
Other community, social & personal services	334,582	6.1	232,884	4.6	567,466	5.4
Private households with employed persons	3,564	0.1	5,280	0.1	8,844	0.1
Not Stated	488,677	8.9	771,402	15.3	1,260,079	12
Total	**5,474,916**	**100**	**5,050,693**	**100**	**10,525,609**	**100**

15.14. Analysis by gender shows that the proportion of females employed in activities traditionally dominated by males such as construction, mining and quarrying was notably low. However, there were more females than males engaged in agricultural activities, with a high proportion of 65.4 per cent of the female workforce. There was concentration of females in trades and educational services with proportions of 3.1 per cent and 3.0 per cent of the employed females, respectively .

15.15. *Hours of work* - Most workers reported having worked for 40 hours per week with a significant proportion of the urban population working above the average hours. As shown in Table 15.11, urban workers generally reported to have worked for longer hours than workers in rural areas. Gender analysis showed that females worked for fewer hours than their male counterparts, particularly in the rural areas. It is however, observed that average hours worked by females in urban areas were quite above the national average. Analysis by age-group showed that the average hours worked per week rose from 38 for the age group 15-19 years to peak at 42 for the cohorts 25-29 years and 30-34 years. Thereafter, average hours worked declined gradually to 33 for the working population aged 60-64 years.

Table 15.11: Average Hours Worked per Week by the Employed Persons Aged 15 - 64 Year (Average Hours)									
Age	Rural			Urban			All		
	Males	Females	Total	Males	Females	Total	Males	Females	Total
15-19	35	32	33	46	63	59	36	40	38
20-24	36	32	34	59	51	55	42	37	40
25-29	40	35	37	51	50	51	45	40	42
30-34	40	34	37	50	48	49	45	38	42
35-39	41	35	38	47	50	48	43	39	41
40-44	41	34	37	48	48	48	43	37	40
45-49	40	33	37	50	52	51	43	36	40
50-54	38	32	35	55	49	53	42	35	38
55-59	37	33	35	46	39	44	38	33	36
60-64	35	30	33	48	32	42	36	30	33
Total	**39**	**33**	**36**	**50**	**51**	**51**	**43**	**38**	**40**

Unemployment

15.16 *Wage levels* - Table 15.12 presents data on average earnings from paid employment. The results showed that the Kenyan workers were earning an average of Kshs 7,766 per month. The main source of employee's remuneration was the basic salary, which formed 81.3 per cent of the overall earnings per person. Earnings in the urban areas were almost double those in the rural areas. There were significant disparities in earnings by gender as females' earnings were quite below their male counterparts in both rural and urban areas.

Table 15.12 Mean Monthly Earnings from Paid Employment (Kshs)				
	Earnings			
Region and Sex	Basic Salary	Benefits & Allowances	Earnings in-kind	Total
Rural				
Male	3,870	937	116	4,922
Female	3,088	638	69	3,796
Total	**3,689**	**868**	**105**	**4,662**
Urban				
Male	9,721	1,811	190	11,721
Female	5,826	925	228	6,979
Total	**8,519**	**1,537**	**201**	**10,257**
Total				
Male	6,897	1,389	154	8,440
Female	4,771	815	167	5,752
Total	**6,316**	**1,232**	**158**	**7,766**

Table 15.13 Age and Sex Distribution of the Unemployed Persons Aged 15-64 (Numbers)

Region	Male	%	Female	%	Total	%
Rural	332,402	56.1	439,540	36.4	771,941	42.9
Urban	260,063	43.9	768,618	63.6	1,028,681	57.1
Age Group						
15-19	113,583	19.2	156,634	13	270,217	15
20-24	171,526	29	361,552	29.9	533,078	29.6
25-29	69,492	11.7	222,187	18.4	291,679	16.2
30-34	41,844	7.1	144,083	11.9	185,927	10.3
35-39	42,169	7.1	97,978	8.1	140,147	7.8
40-44	51,078	8.6	62,087	5.1	113,165	6.3
45-49	29,882	5	58,714	4.9	88,596	4.9
50-54	23,999	4.1	42,840	3.5	66,839	3.7
55-59	34,491	5.8	29,745	2.5	64,235	3.6
60-64	14,402	2.4	32,337	2.7	46,739	2.6
Total	**592,465**	**100**	**1,208,158**	**100**	**1,800,623**	**100**

15.17 There were 1.8 million unemployed persons in 1999. As shown in Table 15.13 , most of the unemployed persons were youth aged 15-19 years (15.0 per cent), 20 – 24 years (29.6 per cent) and 25-39 years (16.2 per cent). There is notable gender disparity, where unemployed females were almost double the males, giving unemployment sex ratio of 0.49. Urban areas absorbed 57.1 per cent of the unemployed.

15.18 As shown in Table 15.14, very few of the unemployed have education beyond secondary school. Only 1.5 per cent of the unemployed have gone beyond secondary school level. The largest proportion of the unemployed had either completed primary school (49.6 per cent) or secondary school (32.2 per cent) education. Inventory of job skills showed that the unemployed persons generally had less vocational and professional training. About 92.0 per cent of the unemployed had no professional training compared to a lower proportion of 89.5 per cent for the employed persons as presented in Table 15.8.

Table 15.14 Education and Training for Unemployed Persons Aged 15-64 (Numbers)						
Training Received	**Male**	**%**	**Female**	**%**	**Total**	**%**
Academic						
None	74,724	12.6	219,111	18.1	293,835	16.3
Nursery	4,573	0.8	1,182	0.1	5,756	0.3
Primary	299,787	50.6	594,113	49.2	893,900	49.6
Secondary	205,988	34.8	374,127	31	580,115	32.2
Undergraduate	6,485	1.1	10,267	0.8	16,752	0.9
Postgraduate	542	0.1	7,954	0.7	8,496	0.5
Not stated	366	0.1	1,403	0.1	1,769	0.1
Total	**592,465**	**100**	**1,208,158**	**100**	**1,800,623**	**100**
Vocational/ Professional						
None	524,635	88.6	1,131,528	93.7	1,656,163	92
Trade tests	48,077	8.1	56,510	4.7	104,587	5.8
Ordinary diploma	11,318	1.9	13,729	1.1	25,046	1.4
Higher national diploma	1,387	0.2	1,187	0.1	2,574	0.1
CPA/CPS	6,168	1	5,204	0.4	11,372	0.6
Not stated	881	0.1	0	0	881	0
Total	**592,465**	**100**	**1,208,158**	**100**	**1,800,623**	**100**

Unemployment Rates

15.19 Table 15.15 shows that urban unemployment rate had risen to 25.1 per cent by 1999. Likewise, unemployment in the rural areas was high at 9.4 per cent, but less acute compared to the urban situation. The overall rate of

Table 15.15 Unemployment Rates by Age Group and Sex for Population Aged 15-64 Years (Numbers)			
Region	**Males**	**Females**	**Total**
Rural	**8.3**	**10.4**	**9.4**
Urban	**12.5**	**38.1**	**25.1**
Age			
15-19	21.8	26.4	24.3
20-24	19	33.9	27.1
25-29	8.2	21.6	15.5
30-34	4.8	16.8	10.8
35-39	5	11.8	8.4
40-44	7.8	10.6	9.1
45-49	4.9	12.5	8.2
50-54	6.3	11.1	8.7
55-59	14.2	12.7	13.5
60-64	7.5	15.7	11.7
Total	**9.8**	**19.3**	**14.6**

unemployment for the country was 14.6 per cent. The age-sex analysis showed that the proportion of the unemployed youth in the labour force was high, especially in the early ages of 15 – 24 years constituting about 51.4 per cent of the unemployed. On average females had a higher unemployment rate, across all the age cohorts

15.20 There were significant disparities in unemployment rates across the eight provinces. As shown in Table 15.16, the provinces with large urban population such as Nairobi, Coast, urban North Eastern and Western had unemployment rates of 23.9 per cent, 23.4 per cent, 34.7 per and 27.5 per cent, respectively. Unemployment rates for provinces with high proportion of rural population such as Central and Eastern were below the 9.4 per cent average rate for rural areas.

Table 15.16 Spatial Distribution of Unemployment Rates for Population Aged 15 –64 Years

Area/Region	Active Population	Unemployed Population	Unemployment Rate (%)
Region			
Rural	8,229,074	771,941	9.4
Urban	4,097,158	1,028,681	25.1
Total	**12,326,232**	**1,800,623**	**14.6**
Province			
Nairobi	1,204,183	288,167	23.9
Central	1,802,000	111,192	6.2
Coast	1,037,187	243,028	23.4
Eastern	2,119,365	143,640	6.8
North Eastern (Urban)	323,774	112,299	34.7
Nyanza	1,891,902	231,071	12.2
Rift Valley	2,691,587	325,479	12.1
Western	1,256,235	345,746	27.5
Total	**12,326,232**	**1,800,623**	**14.6**

The Inactive Population

15.21 The economically inactive population was considered to cover persons who reported that they did not work because they were either full time students, the infirm/incapacitated, retired, did not need work or because of other unspecified reasons. About 3.6 million persons reported to be economically inactive, representing 22.6 per cent of the population aged 15-64 years. Table 15.17 shows the distribution of the inactive population by rural and urban areas. It also shows the distribution of this population by age group.

Conclusion 15.22 Comparison between participation and unemployment rates for the 1998/99 integrated labour force survey and those derived from previous surveys showed some consistency in the trends. The past three labour force surveys showed an expected rising trend in unemployment rates - from urban unemployment rate of 7 per cent in 1978 to 16.0 per cent in 1986, and 25.1 per cent in 1999. Likewise, unemployment in the rural areas also rose from 7.2 per cent in 1989 to 9.4 per cent in 1999. Conversely, urban labour force participation rates declined from 70.4 per cent in 1989 to 86.4 percent in 1999. Similarly, the corresponding rates for rural areas declined over time.

Table 15.17 Age Sex-Structure of the Inactive Population Aged 15 - 64 Years

	Male	%	Female	%	Total	%
Region						
Rural	**1,393,775**	**81.6**	**1,559,893**	**82.5**	**2,953,669**	**82.1**
Urban	**314,162**	**18.4**	**331,401**	**17.5**	**645,562**	**17.9**
Age Group						
15-19	1,236,699	72.4	1,112,571	58.8	2,349,270	65.3
20-24	237,550	13.9	247,517	13.1	485,067	13.5
25-29	52,301	3.1	113,630	6.0	165,931	4.6
30-34	21,766	1.3	72,902	3.9	94,668	2.6
35-39	22,459	1.3	69,280	3.7	91,739	2.5
40-44	20,884	1.2	48,080	2.5	68,964	1.9
45-49	22,481	1.3	44,779	2.4	67,260	1.9
50-54	24,030	1.4	58,739	3.1	82,769	2.3
55-59	33,963	2.0	53,144	2.8	87,107	2.4
60-64	35,804	2.1	70,653	3.7	106,457	3.0
Total	**1,707,937**	**100.0**	**1,891,294**	**100.0**	**3,599,231**	**100.0**

Chapter 16

New Consumer Price Indices

Introduction

The Consumer Price Index (CPI) is a general indicator of changes in the level of prices paid by consumers for goods and services. It is based upon a weighted basket of goods and services purchased by consumers, as determined by expenditure survey. The prices are updated through monthly price surveys covering goods and services in the basket. The basket used in the construction of CPI is normally updated after every ten years, because households incomes and expenditures change over time. Central Bureau of Statistics recently revised the expenditure weights and some aspects of the CPI using results of the 1993/94 Urban Household Budget Survey. In October 1997, the department began collecting price data for the new indices. The methodology in constructing the CPI and differences between the old and new CPI is reviewed in the rest of this chapter. New CPI series are appended at the end of the chapter.

Formulae for Computation of CPI

16.1. A CPI is an example of an index number. An index is a ratio which is used as an aid to indicate change that has taken place in some group or phenomenon. In the economic field, index numbers have many uses as indications of change over time. Examples include indices for prices for volumes of goods produced (or exported), for expenditures. The Stock Exchange Index, or share index, quoted in many national stock markets is another example of an economic index number. An index number is thus a means of summarising in a single number the change which has taken place in large range of data. Any index number has at least two fundamental properties:

· Since it measures change over time, there has to be a base period against which all subsequent time periods are measured. The index value for this base time is usually set to 100.

· Since it is a ratio, it does not measure actual values, only changes in values and therefore it has not units.

There are several formulae of calculating CPI but in Kenya, Laspeyres formular is normally used. The Lasperyres formular is presented as follows:-

$$L = \frac{\sum P_i Q_0}{\sum P_0 Q_0} \quad X \quad 100$$

where,

Pi = Current period average price of commodity i

P_o = Base period average price

Q_o = Base period weights

This index is usually computed as a weighted index of price relatives where the weights are base year expenditure.

$\text{Index} = \sum(P_1 i / P_o i) \times W_i \times 100$ where

$W_i = \frac{P_o i Q_o i}{\sum P_o i Q_o i}$

$P_1 i$=current price of commodity i

$P_o i$=Base year price of commodity i

Q_oi=Quantity of commodity i in base year

In short, price relatives are first calculated for the commodities included in the index. These are then multiplied by appropriate weights (base-year value weights) to obtain a weighted average consumer price index.

Computation of CPI

16.2. To compute the index, retail prices data are collected every month from selected field outlets and are carefully examined for accuracy and validity. The process involves checks on price levels in the current period and price changes since the previous pricing period. An average price is calculated for each item. Relative prices, which measure changes of an item's average price between current and base period, are computed. The resultant relative prices for each individual item are multiplied by their corresponding weights. The sum of weighted relative prices for all items is multiplied by 100 to obtain a Laspeyres weighted index for the given group of items. In the above formula, only P_i changes over time while the other variables (base year prices and weights) remain unchanged.

Computation of Inflation Rates

16.3. There are different ways of computing inflation rates, but all processes involve comparison of the Consumer Price Indices (CPI) over two periods. The overall CPI uses prices of all consumer goods and services contained in a defined "basket". The basket may be broken down into two categories: items whose prices are not affected by policy but by market forces of supply and demand and other transitory factors, and items whose prices are affected directly by fiscal and monetary policies, in addition to forces. Policy factors include changes in the money supply and the financing of the Government operations, while non-policy factors may include price changes induced by transitory factors such as drought, floods and other natural occurrences. There is the "underlying inflation" which is of great interest to the central monetary authorities. It is computed by using a partial basket, which includes only goods and services whose prices, in addition to demand and supply forces, are affected directly by fiscal and monetary policies.

16.4. Normally, the following rates of inflation are calculated:-
The "average annual" inflation, is computed as percentage change of a twelve months average of the CPI.
The "year on year" inflation rate, is calculated as percentage change of the CPI between the current month and the same month a year ago. E.g., percentage change of CPI between the month of April in 2000 and month of April in 2001. The year on year inflation rate is calculated as:

$$\left(\left(\frac{I_n}{I_{n-12}}\right)-1\right)\times 100$$

Where I_n is the index for the current month, and I_{n-12} is the corresponding index 12 months ago.

If an annualised rate is required for a shorter period, the following formula should be used:

$$\left(\left(\frac{I_2}{I_1}\right)^{\frac{12}{n_2-n_1}}-1\right)\times 100$$

16.5. The calculations used to measure inflation depend on their intended use, hence the overriding factor is the quality of data collected and methodology applied. For each of the major measures of inflation, it is worth noting that:

¨ The "current month-on-previous month" inflation, which is essentially a one-month measure, is volatile as it looks only at the short term changes. This shows the immediate impact of such changes as school fees or oil price hikes.

¨ The "current month-on-same-month a year ago" is a longer term measure of changes over a whole year and so is more useful for wage revisions or similar longer term issues.

¨ The "average annual" inflation, considers price movements within the whole year and is therefore unresponsive to the current price situation. Much of the change in inflation is attributable to developments that occur beyond one year.

Uses of the CPI

16.6. The CPI is widely used as:

· Main estimate of inflation rate

· A macroeconomic indicator for general economic and social analysis and policy formulation

· A tool in wage negotiation and indexation, i.e., it is used to adjust taxes, determine wage levels in the event of trade disputes, social security benefits, public service remuneration and pensions, among others

· A deflator of expenditure, that is, by deflating nominal values (current cost) of goods and services by the prevailing CPI, the real/constant value can be established.

Compilation of the Kenya Old CPI

16.7. In the old CPI, CBS computed three Consumer Price Indices for Nairobi covering the lower, middle and upper income groups. In addition, quarterly indices for the combined Lower/Middle income groups for the three major towns of Mombasa, Kisumu and Nakuru were computed. Of these indices, the Nairobi CPI was the most widely used as a measure of inflation in Kenya. It was composed of three separate indices: lower income group for households with a monthly income of less than KSh.. 2,000 per month, middle income group for households earning between KSh.. 2,000 and KSh.. 7,999 per month, and upper income group for households with monthly income of KSh.. 8,000 or more. These income groupings have a time dimension, and reflected income levels prevailing in 1982 when an Urban Household Budget Survey (UHBS) was undertaken. Given changes in the income levels since 1982 and possible shifts in the composition of each income group, the use of 1982 as the base year was one of the major weaknesses of the Nairobi CPI. The three indices were assigned weights of 76.8 per cent, 20.9 per cent and 2.3 per cent for lower, middle and upper income groups, respectively. These weights were used to compile a composite (overall) index for Nairobi

Shortcomings of the Old CPI

16.8. In providing a broad measure of changes in retail prices experienced by urban households, the CPI attempts to reflect on a monthly basis the combined price movement of many retail transactions. Due to the fact that the index is based on a fixed basket of goods and services bought in the base year, it tends to be outdated with time. Changes also take place in the social and economic characteristics of the population; new products and services come into the market as the old ones disappear; there are also changes in consumer's tastes and incomes, all of which cause changes in the relative importance of some goods and services. Thus, the old CPI, with the base period of 1986, did not fully reflect present consumption patterns.

The following were some of the concerns about the old CPI:

¨ Income brackets given for Lower, Middle and Upper income groups and their relative importance were those prevailing during the UHBS in 1982, and

were not compatible with the current income distribution.

¨ The relevance of the sample items in the "CPI basket" priced and their assigned weights have probably changed over time, particularly since Structural Adjustments Programmes in the Kenya economy in the early 1990's. Liberalisation of the economy also brought in many new goods into the market particularly imports.

¨ The sample of retail outlets may not have reflected the current shopping habits of the Nairobi households.

¨ The inflation rate was based on Nairobi index only, and may not have represented the true picture for the whole country.

¨ Rent data, that used to be collected by the Survey of Rent and Domestic Servants, had stopped and rent data was imputed.

16.9. It is against this background, that the CBS revised the 1982 CPI basket so as to reflect the prevailing consumption and expenditure patterns. Collection of data for the new index commenced on October 1997 and a base period fixed on the same month.

Advantages of the new CPI

The main features of the new Kenya CPI as opposed to the old CPI are:

¨ Income brackets have been revised to take account of the current income levels.

¨ The results of the 1993/94 Urban Household Budget survey were used to construct a new basket of goods and services with corresponding new weights.

¨ The new CPI covers Nairobi and 12 other urban towns representing all the provinces of the country.

¨ Housing costs are now collected on a monthly basis.

¨ The base period has also been updated to October 1997.

The Basket for the New Kenya CPI

16.10. An Urban Household Budget Survey (UHBS) was carried out in 1993/94. One of the main purpose of the survey was to establish expenditure patterns across urban towns in Kenya. 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) it targeted 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. Details of this Survey have been published by the CBS and the highlights were presented in the 2001 Economic Survey.

16.11.The CPI basket is split into ten groups namely food and drink, alcohol and tobacco, clothing and footwear, housing, fuel and power, household goods and services, medical goods and services, transport and communication, recreation, entertainment and education, and personal goods and services. In the new CPI, prices for 221 items are collected for each income group. Each item is quoted from three different outlets in each of the 25 price collection areas (zones). The total number of prices to be quoted in the new Kenya CPI is more than 11,000. This definitely give a better price average than the old Nairobi CPI.

The Weighting System

16.12. The CPI is a weighted index which reflects that some items in the consumer's basket are more important than others in the sense that more money is spent on them. Each item, subgroup and broad group of commodity and service is therefore given a "weight" which represents its relative importance in household expenditure. Thus, the weights are corresponding shares or proportions of reported expenditures to total household consumption expenditures. As with the old CPI, the new CPI attempts to measure the cost of maintaining a particular expenditure pattern over time. As with the earlier CPI measures, it has been

found both convenient and useful to group the population into relatively homogeneous groups where homogeneity is related to their expenditure pattern. For instance, those with low incomes may tend to spend a greater proportion on food, while those with higher incomes might spend a greater proportion on education and housing. It follows, therefore, that the first step in creating an easily computable CPI is to determine whether, in fact, expenditure amounts differ in some way.

16.13. The new Kenya CPI uses the 1994 UHBS results to provide weights for each group, subgroup and item. The weights assigned to each broad group for both the old Nairobi CPI and the new Kenya CPI are presented in Tables 16.1 and 16.2 below respectively. Comparison of weights in the 1993/94 UHBS and 1982 UHBS results shows that there was a rise in the expenditure shares of food, clothing and transport & communications between the two periods. Further, there were slight declines in the expenditure shares of other item groups. This is consistent with expenditure changes in households experiencing a long run decline in real income; that is, as real income falls, households tend to spend a higher proportion of their income on food and other essentials. The decline in the significance of rent/housing for the poor is particularly noteworthy showing a shift to lower quality structures.

Table 16.1 Weighting System for the old Nairobi CPI

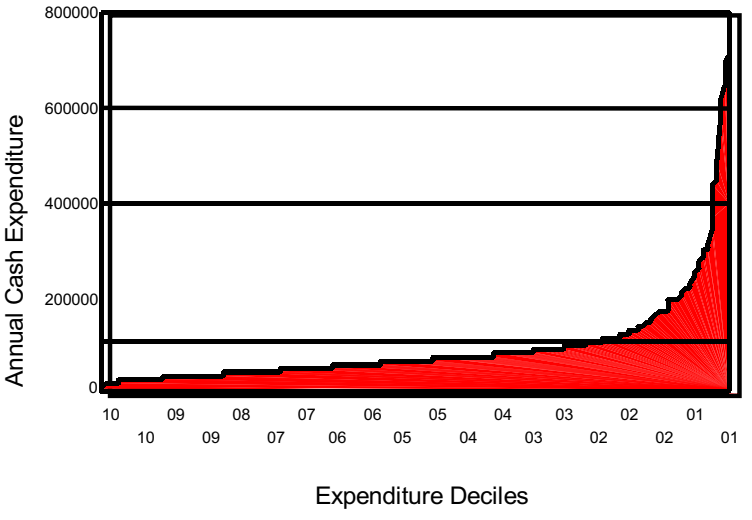
Items Group	Income Group			
	Lower	Middle	Upper	Overall Nairobi
Food	0.442	0.212	0.139	0.387
Drinks & Tobacco	0.021	0.031	0.041	0.024
Clothing & footwear	0.05	0.052	0.041	0.05
Rent	0.25	0.302	0.324	0.263
Fuel & power	0.031	0.081	0.097	0.043
Household Equipment and Operations	0.053	0.099	0.107	0.064
Health & personal care	0.03	0.04	0.034	0.032
Transport & Communications	0.041	0.062	0.079	0.046
Recreation, Education and Entertainment	0.062	0.081	0.099	0.067
Miscellaneous goods and services	0.02	0.04	0.039	0.025

Table 16.2 New Kenya CPI Broad Category Weight					
Item Groups	Nairobi	Nairobi	Overall	Rest of	All Kenya
	Lower	Middle/ Upper	Nairobi	Urban Kenya	
Food	0.557	0.319	0.509	0.502	0.505
Alcohol and Tobacco	0.018	0.014	0.017	0.038	0.03
Clothing and Footwear	0.092	0.074	0.088	0.091	0.09
Rent and Housing	0.119	0.317	0.159	0.09	0.117
Fuel and Power	0.035	0.022	0.032	0.048	0.042
Household Goods and Services	0.05	0.047	0.049	0.064	0.058
Medical Goods and Services	0.009	0.013	0.01	0.02	0.016
Transport and Communications	0.051	0.102	0.061	0.055	0.057
Recreation, Entertain. & Education	0.046	0.073	0.051	0.066	0.06
Personal Goods and Services	0.023	0.019	0.022	0.026	0.024

New Income Groups

16.14. Expenditure in the UHBS was used as a proxy for income. When ranked by household expenditure, as shown in Figure 16.1 it began to rise sharply at the 8th decile which was observed to be the cut-off point of the lower income group. The breakpoint arise from a change in behaviour approximately a change in average propensity to consume.

Figure 16.1: Nairobi Expenditure Curve



The results showed that the lower income group was composed of household whose expenditure was below KSh..8,700 in April 1994 prices, while middle/ upper income group were those with expenditure above this amount. Using the April 1994 cut-off value and inflating this expenditure to reach the new base period of October 1997 shows the new cut-off point to be KSh.. 10,000 per month as shown below:

CPI for Nairobi lower Income April 1994	= 486.58
CPI for Nairobi lower Income October 1997	= 569.33
Inflation over the period	= 17.0 per cent
April 1994 Cut-Off Point	=8,700
Multiplied by 17 per cent inflation rate (approximately)	=10,000

16.15. The 1993/94 UHBS surveyed very few households in the upper income group and therefore, middle and upper incomes were combined to form a single group for Nairobi. In Nairobi, 1.5 per cent of the households had a monthly expenditure of KSh.. 40,000 and above.
In addition to the new indices for Nairobi, the new CPI also covers other selected urban areas in the country. These were assumed to be mostly similar to the Lower Income Nairobi Group and were not split into income groups.

Selection of Areas and Towns

16.16. Prices for compiling the old CPI were collected from the outlets where urban households normally purchased goods and services. About 100 outlets representative of the shopping habits of each of the three income groups were visited for retail price quotations. The sample included supermarkets, shops, hotels and restaurants, schools, health institutions, etc. Prices for items like rail and bus fares, electricity and water charges were centrally collected from relevant authorities. The 1993/94 UHBS showed expenditure proportions for Nairobi as 57.1 per cent, while rest of the urban towns was 42.9 per cent. These proportions were used to determine how many locations should be selected for price collection. This was done to ensure the data collected for the CPI reflects the significance of expenditure between the regions.

The next stage was to select three areas in Nairobi to represent the middle/ upper income group. A further eight areas in Nairobi were selected to represent the Lower Income Group. The City Centre is used to collect prices for both income groups with each group using a different set of outlets. While this may appear to differ from the 20/80 weighting in the composite index, it is actually a good approximation given the differences in settlement density.

Nairobi, by reason of its exceptionally large size, both in terms of population and household expenditure, relative to the rest of the urban centres, is treated separately. This also allows for continuity with the old CPI.

16.17. In the rest of the country, towns were chosen to represent each province. The number of urban centres selected in each province was proportional to the total urban household expenditure in the province. This was calculated using the 1993/94 UHBS household expenditure and population data for each province. To calculate the composite Consumer Price Index for Nairobi, the ratios of 80 per cent for lower income and 20 per cent for middle/upper were used. Again, the composite for Kenya CPI was calculated using the number of households from 1993/94 UHBS in Nairobi and Rest of Urban areas. Nairobi accounted for 39.9 per cent of the households and Rest of Urban contributed 60.1 per cent.

16.18. Next towns had to be selected within each province. A list of all urban centres with a population of over 10,000 was obtained from the 1989

census. Towns, which had a population below 10,000 but were district headquarters were added to the list. A systematic sample of households was then carried out and the town where the household was located was used to select that town for the sample. This means that the larger towns could be selected more than once as was the case for some towns. Where this occurred, separate collections were set up in different areas.

16.19. Table 16.3 and Table 16.4 below show the list of towns and areas that were selected in each province. Nairobi has three collections for the middle/ upper income group and further seven areas for the lower income group. Mombasa has three areas while Nakuru has two.

Table 16.3 Towns Selected for New CPI Price Data Collection

	PROVINCE
Nairobi	Nairobi (10 Areas)
Central	Nyeri
Coast	Mombasa (3 Areas), Malindi, Kilifi
Eastern	Meru
North Eastern	Garissa
Nyanza	Kisii, Kisumu
Rift Valley	Nakuru (2 Areas), Kitale, Kabarnet
Western	Kakamega

Table16.4 Areas within Major Urban Centres

Town	Income Group	Areas Selected
Nairobi	Middle/Upper Income group	Westlands, South C,City Centre
	Low Income group	Githurai, Kibera, Kawangware Kangemi, Dandora, Kariobangi Eastleigh, City Center
Mombasa	Lower Income group	Town Centre, Likoni, Kasauni
Nakuru	Lower Income group	Nakuru South Nakuru North (Town Centre)

Table 16.5 Average Annual Percentage Changes In New Consumer Prices 1999/98-2001/2000

	1999/98	2000/99	2001/2000
Income Group **			
Nairobi Lower Income Inflation	4.0	8.8	3.6
Nairobi Middle/Upper Income Inflation	6.3	6.4	4.3
Nairobi Inflation***	4.4	8.3	3.7
Rest of Urban Towns Inflation	6.6	11.1	7.1
Kenya Inflation Rate***	5.8	10	5.8

*** The Income Groups are defined as*
1.The lower income group comprises households with monthly earnings below KSh 10,000 in October 1997
2. The middle/upper income group comprises households with monthly earnings above KSh10,000 in October 1997
****The Nairobi composite index is weighted as 0.8 for lower income group and 0.2 for middle/upper income group, While Kenya composite index is weighted as 0.399 for Nairobi and 0.601 for Rest of Urban Towns*

16.20. The old Consumer Price Indices show that inflation rate has been rising at an annual rate of 3.5 per cent from 1998. In the new CPI, Nairobi inflation has been rising at a rate of 5.5 per cent from 1998, while the Kenya inflation has been increasing at a rate of 7.1 per cent. This leads to the conclusion, that the old basket of goods and services underestimated inflation rate by about 3.6 percentage points from 1998. The main reasons for the underestimation are because the new CPI basket has wider geographical coverage and rent data is collected every month

16.21. Tables 16.6, 16.7,16.8,16.9 and 16.10 show a four-year series of the consumer price indices for the Nairobi lower, Nairobi middle/upper, Nairobi combined, Rest of urban towns and Kenya. Tables 16.6 and 16.7 are consistent with Tables 4.19, 4.20 and 4.21 of chapter 4 of the 2002 Economic Survey. (Please refer to paragraph 4.28)

Table 16.6 New Consumer Price Index ,Nairobi Lower Income Group 1998-2001 (Base October 1997=100)

Months	1998	1999	2000	2001
January	108.71	107.13	116.34	129.67
February	110.93	111.66	117.45	127.68
March	111.41	112.96	117.45	127.04
April	110.66	113.23	121.08	127.92
May	110.03	114.23	123.26	127.42
June	111.17	113.93	125.85	127.42
July	111.32	113.14	125.62	127.1
August	110.17	113.86	126.73	128.53
September	107.99	114.2	126.46	128.08
October	106.25	115.35	126.46	128.13
November	105.49	116.11	127.23	127.92
December	105.24	115.84	127.34	127.58
Annual average	**109.11**	**113.47**	**123.44**	**127.87**

Table 16.7 New Consumer Price Index ,Nairobi Middle/Upper Income Group 1998-2001 (Base October 1997=100)

Months	1998	1999	2000	2001
January	103.74	106.45	113.17	122.97
February	104.21	110.11	114.8	123.27
March	104.37	110.22	114.8	121.71
April	104.56	110.83	115.55	123.28
May	104.51	110.68	117.66	123.56
June	104.73	111.54	118.18	123.61
July	105.13	111.62	119.19	123.47
August	104.78	112.41	119.97	123.67
September	104.73	112.54	121.15	122.65
October	104.44	113.03	121.15	124.24
November	105.38	113.16	122.36	124.4
December	105.45	112.88	122.42	124.22
Annual average	**104.67**	**111.29**	**118.36**	**123.42**

Table 16.8 New Consumer Price Index, Overall Nairobi Index 1998-2001 (Base October 1997=100)

Months	1998	1999	2000	2001
January	107.71	106.99	115.71	128.33
February	109.59	111.35	116.92	126.8
March	110	112.41	116.92	125.98
April	109.44	112.75	119.97	127
May	108.93	113.52	122.14	126.65
June	109.88	113.45	124.32	126.66
July	110.08	112.83	124.34	126.37
August	109.09	113.57	125.38	127.55
September	107.34	113.87	125.4	127
October	105.88	114.88	125.4	127.35
November	105.47	115.52	126.25	127.23
December	105.28	115.25	126.35	126.91
Annual average	**108.22**	**113.03**	**122.42**	**126.99**

Table 16.9 New Consumer Price Index, Rest of Urban Towns Index 1998-2001 (Base October 1997=100)

Months	1998	1999	2000	2001
January	105.72	105.42	116.63	131.40
February	106.28	107.83	117.80	131.12
March	106.19	109.91	117.80	130.28
April	106.30	110.86	119.45	132.90
May	105.75	112.91	123.38	134.56
June	106.26	112.88	126.77	134.86
July	106.34	113.86	127.86	135.47
August	105.62	114.41	128.04	135.11
September	104.57	114.92	129.34	134.81
October	104.23	114.78	129.34	134.90
November	103.46	115.34	130.55	134.50
December	103.93	115.57	130.83	134.44
Annual average	**105.39**	**112.39**	**124.82**	**133.70**

Table 16.10 New Consumer Price Index, Kenya Index 1998-2001 (Base October 1997=100)

Months	1998	1999	2000	2001
January	106.51	106.05	116.26	130.18
February	107.60	109.24	117.45	129.40
March	107.71	110.91	117.45	128.56
April	107.56	111.61	119.66	130.55
May	107.02	113.15	122.88	131.41
June	107.71	113.11	125.79	131.58
July	107.83	113.45	126.45	131.84
August	107.01	114.07	126.98	132.09
September	105.67	114.5	127.77	131.69
October	104.89	114.82	127.77	131.89
November	104.26	115.41	128.83	131.45
December	104.47	115.44	129.04	131.3
Annual average	**106.52**	**112.65**	**123.86**	**130.99**

Figure 16.2: Consumer Price Indices from October 1997 to December 2001

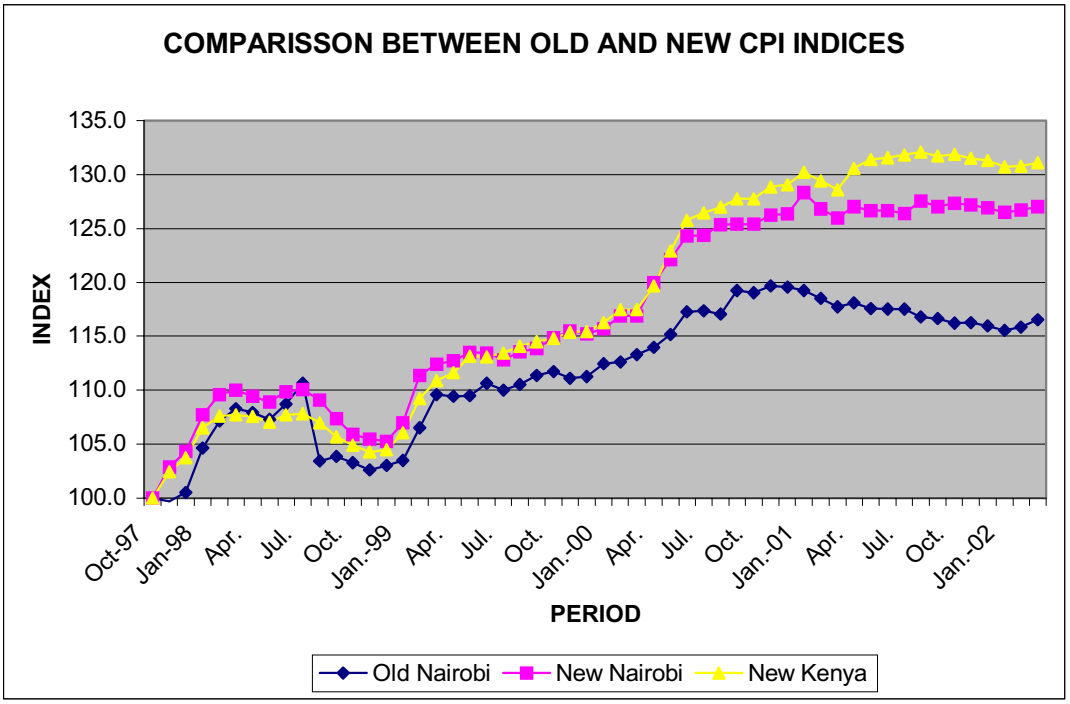


Figure 16.2 shows the old Nairobi series and new Nairobi and Kenya series. Though the rate of change for the three series is different they all show a consistent trend.

Chapter 17 Migration & Urbanisation, Housing Social Amenities in Kenya

Overview

The 1999 Population and Housing Census collected data on a variety of demographic attributes including housing and social amenities. This chapter presents the highlights of migration , urbanization, housing and social amenities.

The pattern of migration in Kenya for the intercensal periods 1969-79, 1979-89 and 1989-99 remained almost the same. The majority of the migrants are young adults in the 20-49 age bracket who migrated in search of employment opportunities. Although the majority of migrants were males in some regions, females were also increasingly involved in long-distance migration.

Demographic, social, economic and political factors have greatly impacted on the urbanization process, resulting in varied urbanization levels, trends and patterns at both the provincial and district levels. Urbanization process in Kenya is on the increase, but still at the medium level. The process seems to be guided by the policy of growth centre strategy. Nevertheless, the future development of these centres is based on the continued improvement of their infrastructure particularly water supply, transport and communications services, housing, health, education and power supply.

The composition and structure of households has remained unchanged over the last ten years. The female-headed households accounted for 36.7 per cent of the total households in the country. The dwelling unit counts reflected a concentration of the housing stock in the rural areas as opposed to urban areas. The construction materials for most dwelling units were conventional, notably iron sheets and cement. The results further show that 76 per cent of the households in the urban areas are renters while 86 per cent of the households in the rural areas own their dwelling units.

Migration and Urbanization in Kenya

17.2 The migration pattern in Kenya can be categorised into six main regions. These include resettlement districts, cash crop districts, marginal areas, National border districts, Western and Eastern Kenya regions, and urban districts.

17.3 The resettlement districts are marked by population net gains in all age groups. This indicates that population flows into such areas involve movements for permanent settlement. The pattern of migration is largely attributable to land pressure in the adjacent districts. The in-migration pattern is observed in Laikipia, Trans Nzoia, Uasin Gishu, West Pokot, Kajiado, Lamu and Tana River districts. Population net-flow into these resettlement districts is experienced in all age brackets meaning that such flows involve family movements.

17.4 Net gains in the population of people aged between 10-19 years was observed in cash crop districts such as Muranga, Kiambu, Nyeri, Embu, Kirinyaga, Nyandarua, Kericho, and Nandi districts where crops such as coffee, tea and pyrethrum are produced. All districts of Central province, except Nyandarua, experienced net gains in population aged 50 years and above.

17.5 The pattern of migration in marginal areas was greatly influenced by nomadic life styles. Whether a district is experiencing net losses or gains in its population, such movements often affect nearly all age groups. The pattern is clearly observable in Mandera, Wajir, Garissa, Marsabit, Samburu and Turkana districts.

17.6 The Districts located along international boundaries registered net gains in population. This can either be attributed to people moving into Kenya from the neighbouring countries or Kenyans moving to these districts for the purpose of cross-border trade. This phenomenon was particularly evident in Busia and West Pokot on the Kenya-Uganda border; Kajiado and Narok on the Kenya-Tanzania border; Garissa and Wajir on the Kenya-Somalia border; and Marsabit on the Kenya-Ethiopia border.

17.7 In Western and Eastern Kenya regions, all districts in Nyanza and Western provinces experienced net losses in male population aged 10-39 years. In Kitui, Machakos, Meru and Embu districts of Eastern province, such net out-migration was experienced up to age 29. Nyanza and Western provinces lost population in early young ages, but experienced net gains in male population of ages 40 years or more. In districts of Eastern province ,return migration was observed among those in the age brackets 50-59 and 60+ years.

17.8 Nairobi and Mombasa reflect the same age-specific migration patterns, suggesting that major factors attracting people into and/or repelling them from these two cities were almost similar. The two cities experienced net losses in the age groups 30-69 for males and 20-69 for females. These could have been those who gave up job seeking in the towns; entrepreneurs who had accumulated enough money and were moving out to invest in land and/or business elsewhere; people who had completed their education and/or training; those on job transfers; and people who had attained retirement age. It could therefore, be inferred that population flows into the major urban centres in Kenya are mainly for employment purposes and not for permanent settlement.

Demographic & Socio-Economic Characteristics of Migrants

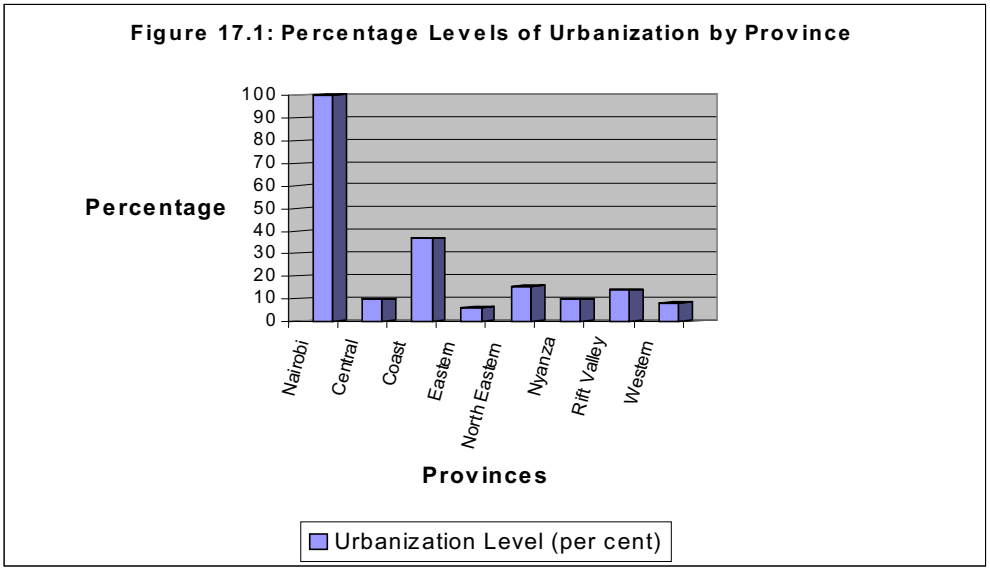
17.9 **Migrants by education level**: The proportion of those who never attained any education is highest in North Eastern province (54.0 per cent) and lowest in Nairobi (5.3 per cent), followed by Central Province (9.4 per cent). Completion rate for Std 5-8 was highest in Nyanza and Central province, at above 35 per cent, and lowest in North Eastern at 12.7 per cent. Completion rate at Forms 1-4 was highest in Nairobi, Central and Coast, at above 27 per cent, and lowest in Nyanza and North Eastern Province, at less than 20 per cent.

17.10 **Migrants by marital status**: In all the districts, the majority of the migrants were either in single or married status and majority were males. Turkana, Meru Central and Mackakos district that had the highest level of the migrants in single status (i.e. 40 per cent plus). Migrants in married status were highest in Nyanza province (66.1 per cent), followed closely by Western (65.6 per cent) and Rift Valley (63.8 per cent). The widowed, separated and/or divorced migrants were highest among the female than the male in all the districts.

17.11 **Migrants by economic activity:** Migrants in the farming category were more in the rural cash crop growing districts such as Kirinyaga, Narok, Trans Nzoia, Uasin Gishu, Nyandarua, Kiambu and Kericho, as well as those harbouring settlement schemes such as Laikipia, Lamu, Tana River, Kwale and Kilifi. Migrants reporting business as their main economic activity resided in major urban centres such as Nairobi, Mombasa, Malindi, Eldoret, Kisumu, and Nakuru.

Trends and patterns of urbanisation

17.12 The 1999 census reveals that the proportion of population living in the urban areas is still small compared to those in the rural areas. The trend has been: 8.0 per cent in 1970; 15.0 per cent in 1980; 18.0 per cent in 1990, and 19.0 per cent in 1999. Inter-censal growth rate of urbanization for the periods 1979-89 and 1989-99 was 5.2 per cent and 3.2 per cent, respectively. Nairobi district which is a metropolitan area is the only one that reported all of its population as urban. In contrast, Tharaka and Marakwet districts enumerated all the population as rural. Figure 17.1 shows the urbanization levels of the various provinces in Kenya.



17.13 Table 17.1 shows the trends and patterns of urbanization, the provincial percentage share of the national urbanization, and the intercensal growth rate of urbanization at the provincial levels. Nairobi, Coast and Rift Valley Provinces had the largest share of the national urban population accounting for over 70 per cent in 1999. The overall intercensal growth rate delined from 5.2 between 1979-1989 to 3.2 between 1989-1999. The highest growth rates between 1989-1999 were recorded in Nairobi and Coast provinces

Table 17.1 Trends and Patterns of Urbanization by Province, 1962 – 1999

Province	Urban Population					Share per cent of National Urban Population		Intercensal Growth Rate (per cent)	
	1962	1969	1979	1989	1999	1989	1999	1979-89	1989-99
Nairobi	343,500	506,286	827,775	1,324,570	2,087,668	34.1	38.9	4.7	4.5
Central	35,047	45,955	128,932	309,821	354,017	8	6.6	8.8	1.3
Coast	195,834	283,652	406,991	588,470	894,311	15.2	16.7	3.7	4.2
Eastern	28,746	37,965	233,316	354,359	265,280	9.1	5	4.2	2.9
Nyanza	28,068	43,829	207,757	352,527	423,183	9.1	7.9	5.3	1.8
Rift Valley	112,517	148,576	341,696	672,177	940,311	17.3	17.5	6.8	3.4
Western	3,939	10,645	105,743	186,049	270,503	4.8	5.1	5.6	3.7
N. Eastern	-	63,486	-	90,724	125,644	2.3	2.3	3.6	3.3
Total	747,651	1,079,908	2,315,696	3,878,697	5,360,916	100	100	5.2	3.2

Distribution of urban centres by population size

17.14 Table 17.2 shows the distribution of urban centres by population size from 1962-1999. The table indicates that the number of urban centers have consistently increased from 34 in 1962 to 139 in 1989. However, in 1999 the number of urban centres was categorised by boundaries, that is, whether core urban or local authority boundaries.

Table 17.2 Distribution of Urban Centres by Population Size, 1962-1999

Size of Centre	1962		1969		1979		1989		1999			
									Core Urban Boundary		Local Authority Boundary	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
100000+	2	5.9	2	4.3	3	3.3	6	4.3	5	2.8	19	9.6
20000-99999	2	5.9	2	4.3	13	14.3	21	15.1	33	18.4	84	41.8
10000-19999	3	8.8	7	14.9	11	12.1	19	13.7	34	19	17	8.5
5000-9999	11	32.4	11	23.4	22	24.2	32	23	33	18.4	30	14.9
2000-4999	16	47	25	53.1	42	46.1	61	43.9	74	41.3	51	25.4
Total	34	100	47	100	91	100	139	100	179	100	201	100

Urban primacy

17.15 Table 17.3 shows urban primacy by provinces. The indices are labelled as **'Four-city index'** and '**Eleven-city index'**, respectively. The classification of primacy indices as earlier applied by the United Nations (UNECA, 1989), are interpreted as follows: less than 1 = low; 1-2.9 = medium; 3 and above = high.

Table 17.3 Urban Primacy Index by Province, 1999

Province	Population of City 1999 (Core Urban Centre Boundary)				Primacy Index		
	Largest	Second	Third	Fourth	Four Cities		11 Cities
					1989	1999	1999
Central	83,094	79,935	47,180	15,101	0.8	0.6	0.1
Coast	663,842	54,124	43,943	30,435	7.5	5.2	6
Eastern	52,618	46,875	33,545	31,230	0.8	0.5	0.4
Nyanza	196,147	32,242	31,687	26,032	2.3	2.2	2.3
N. Eastern	51,350	30,663	20,515	11,136	0.6	0.8	-
R. Valley	221,753	167,326	60,201	35,865	0.8	0.8	1
Western	57,554	44,323	36,260	30,888	0.8	0.5	0.6
National							
1999	2,111,633	660,080	219,366	194,390	1.97	-	2.6
1989	1,324,570	461,753	192,733	163,927	1.6	-	-
1979	828,000	341,000	153,000	93,000	1.4	-	-

17.16 Coast, North Eastern, Rift Valley and Nyanza were the only provinces recording 10 per cent and above of their population being urban. As shown in Table 17.4, on the urban/rural ratio, there was no province, which had equal urban and rural indices. The city concentration ratio shows that Coast province led all the other provinces followed by Nyanza. The same applies for the index of city distribution. The mean city population size index shows that Coast still led the other provinces followed by Rift Valley. However, for the index of city concentration, Coast had the highest, followed by Northeastern province.

Table 17.4 Indices of City Population by Province, 1999

	Central	Coast	Eastern	N. Eastern	Nyanza	R. Valley	Western	KENYA
Total Population	3,666,860	2,443,947	4,593,317	828,900	4,347,743	6,850,379	3,342,744	28,686,605
Urban Population	365,551	923,515	422,755	130,136	436,701	968,811	279,667	5,573,295
Rural Population	3,301,309	1,520,432	4,170,562	698,764	3,911,042	5,881,568	3,063,077	23,113,310
Percent Urban	10	38	9	16	10	14	8	19
Urban/Rural Ratio	0	1	0	0	0	0	0	0
City Population	302,697	885,081	380,360	121,100	385,272	853,773	250,776	4,940,765
Non-city Population	3,364,163	1,558,866	4,212,957	707,800	3,962,471	5,996,606	3,091,968	23,745,840
Number of Cities*	12	11	19	5	14	27	12	68
Primacy Indices								
First 4 Cities	0.582	5.166	0.471	0.824	2.18	0.842	0.516	1.97
First 11 Cities	0.776	6.001	0.409	-	2.322	0.984	0.612	2.59
Index of City Distribution	1.036	1.968	0.603	1.064	1.385	1.047	0.857	1.32
City Concentration Ratio	0.51	0.735	0.363	0.355	0.581	0.559	0.431	0.73
Index of Mean City Population Size	4,523	183,211	2,421	5,039	9,719	13,087	2,581	176,577
Index of City Concentration	0.001	0.075	0.001	0.006	0.002	0.002	0.001	0.006

*Note: * Limited to pure urban population only*

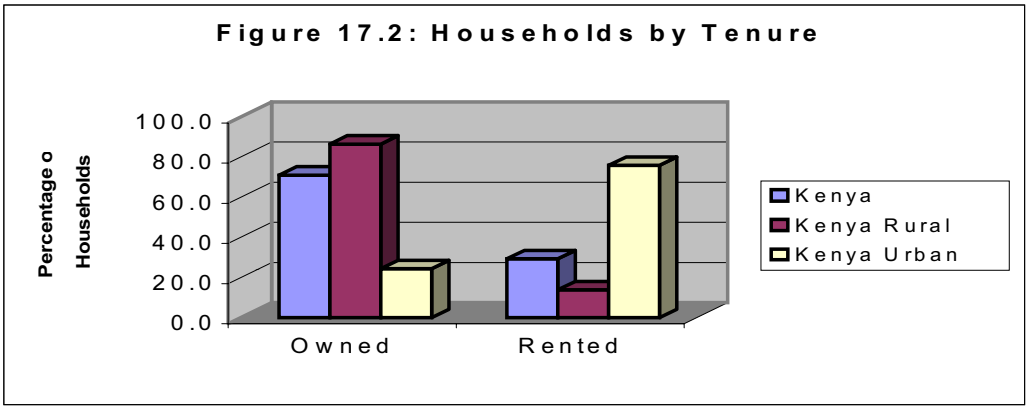
Housing and Social Amenities

17.18 Housing and social amenities data collected during the census provides a basis of assessing housing condition in the country as well as access to social basic amenities such as water, sanitation and energy. The results provide the basic framework within which other housing social amenities indicators can be derived.

17.19 The results reveal that the composition and structure of households has remained unchanged over the last ten years. The female-headed households accounted for 36.7 per cent of households. Nyanza, Western and Eastern Provinces recorded the highest percentage of female-headed households. The mean and median household sizes at the national level stood at 4.41 and 3.51, respectively.

17.20 Dwelling unit counts reflected a concentration of the housing stock in the rural areas as opposed to urban areas. Some 10.5 million dwelling units were recorded out of which 81.4 per cent were in the rural areas. The average rooms per dwelling unit were 1.73. The number of persons per room averaged 1.55 at the national level and 1.74 persons per room in urban areas indicating higher congestion in urban areas. Most households occupied single rooms partly due to high rents associated with dwelling units with two or more units.

17.21 It was evident from the results that most households (76 per cent) in the urban areas are renters while in rural areas most households (86 per cent) own their dwelling units. A small proportion of households (3.7 per cent) lived in purchased dwelling units, indicating inability of most households to purchase dwelling units as a result of high house prices arising from high interest rates on mortgage loans. Figure 17.2 presents Household by Tenure status.



17.22 The construction materials for most dwelling units were conventional, notably, iron sheets and cement. For roofing materials, most households (63.8 per cent) reported dwelling units with iron sheet roofs reflecting an improvement over the 51.5 per cent recorded in 1989. Grass thatched roofs significantly reduced from 40.2 per cent of households recorded in 1989 to 24 per cent of households in 1999, reflecting a shift to better roofing materials owing to environmental conditions that have made grass unavailable in most parts of the country. Analysis by region reveals that Central and Eastern Provinces recorded the highest percentages (92.8 per and 71.5 per cent respectively of households with iron sheet roofs. It should be noted that due to the hot adverse climatic conditions of the arid and semi-arid districts, iron sheets are not the most appropriate roofing material. Coast Province recorded the highest percentage (34.2 per cent) of household with Makuti roof. This is mainly due to availability of this type of roofing material in the area and also due to the hot climatic conditions in the region that has rendered the use of iron sheets inappropriate.

Social Amenities

17.23 **Water**: The results revealed that there was no improvement in the proportion of households with access to piped water implying that attaining the goal of "water for all by the year 2000" has remained elusive. Only 30.7 per cent of households had access to piped water in 1999 compared to 31.9 per cent recorded in 1989. Rural households were worse off in access to clean and safe water as compared to their urban counterparts, less than 45 per cent of households had access to water from piped water systems, boreholes and wells compared to over 80 per cent for urban households. Regional analysis shows that households in Nairobi, Central, Eastern, Western and Coast Provinces reported better access to clean water. Over 50 per cent of the households in the five regions had access to piped r, boreholes and well as main water sources. This is attributed to investments in water infrastructure that took place in these areas since 1989. The commissioning of the Ndakaini Water Project and the construction of boreholes by NGOs partially explains this trend. However, Nyanza and Rift Valley Provinces recorded below national average levels of access to clean water. Analysis by gender shows that female-headed households were disadvantaged in most regions in terms of access to basic social services. Details are shown in Table 17.5.

Table 17.5 Percentage Distribution Of Households By Main Source Of Water 1999

Province/Region	Pond/Dam	Lake/River	Spring	Well/Borehole	Piped
KENYA	**4.8**	**28.3**	**11.7**	**21**	**30.7**
Kenya Rural	6.1	36	15	24.7	15.1
Kenya Urban	0.9	5.2	1.7	9.8	77.7
Nairobi	0.4	0.3	0.2	1.9	93.7
Central	2.7	37.9	3	21.4	30.5
Coast	10.6	11.3	2	17.1	53.3
Eastern	4.5	31.3	9.1	25.5	27.2
N/eastern	13.6	14.1	0.7	56.8	7.2
Nyanza	7.2	42.2	25.2	16.9	5.6
Rift Valley	5.5	35.5	7.8	23.3	23.8
Western	1.3	21.6	38.4	28.2	9.9

17.24 **Sanitation**: The analysis presented in Table 17.6 shows that 83 per cent of households had access to decent sanitary. At the national level improvements were recorded in access to main sewer and pit latrines between 1989 and 1999. This was due to implementation of a number of health programmes over the period with focus on sanitary. Proportion of households with access to main sewer slightly improved from 6.7 per cent in 1989 to 7.1 per cent in 1999 while that of pit latrines improved from 68.5 per cent to 72.8 per cent in the same period (Fig 17.3). Pit latrine remained the dominant human waste disposal method for both urban and rural areas as well as in all the provinces except North Eastern, which had majority of households (77.6 per cent) using the bush. Provincial analysis showed that Nairobi, Central and Western provinces had the highest access (above 80 per cent) to descent sanitary facilities. Despite high levels of access in Nairobi Province, sanitary conditions in slums\informal settlement in the province are in pathetic state and are compounded by overcrowding in slums/informal settlements.

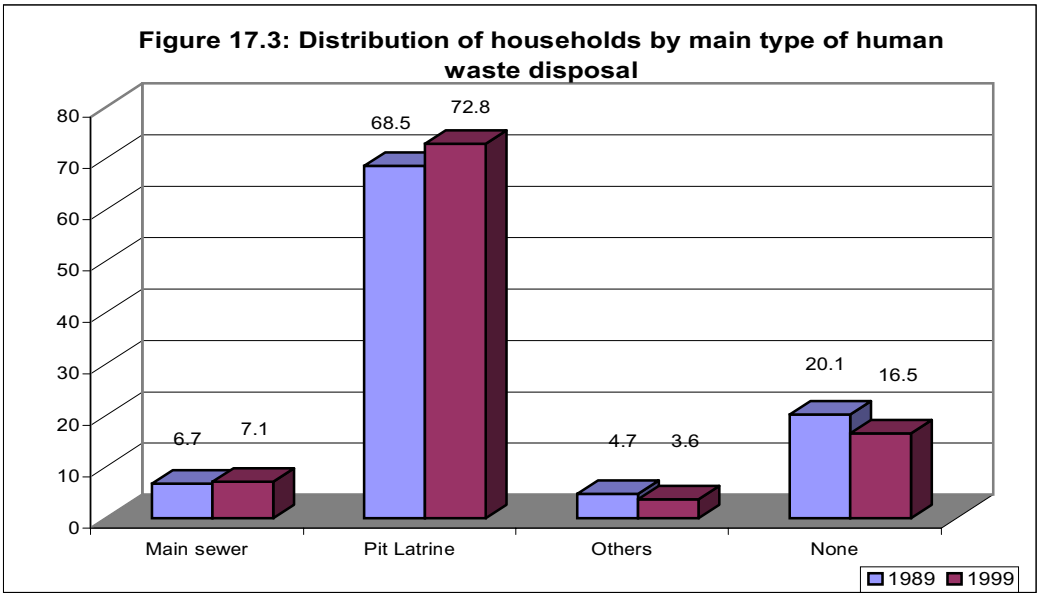


Table 17.6 Percentage Distribution Of Households By Main Type Of Human Waste Disposal 1999

Province	Main sewer	Pit latrine	Septic Tank/Cess pool	Bush	Other
KENYA	**7.1**	**72.8**	**2.5**	**16.5**	**1**
Nairobi	48	42.3	6.5	1.1	2.1
Central	3.6	92.6	2.9	0.4	0.5
Coast	3.2	57.4	8.1	29.8	1.5
Eastern	1.6	81.1	1.2	15.5	0.6
N'eastern	0.8	17.7	0.4	77.6	3.5
Nyanza	1.3	78.1	0.6	18.7	1.3
Rift Valley	3.6	66.6	1.9	27.3	0.6
Western	1.2	92.8	0.6	4.9	0.5

17.25 **Lighting fuel:** As shown in Table 17.7, at the national level, 79 per cent of the population use tin lamps, pressure lamps and lantern (all classified as paraffin lamps) for lighting with a high concentration, that is, 86 per cent being in the rural areas. The results further show that about 14 per cent of the population had access to electricity, representing an improvement over the 8.7 per cent recorded in 1989. This growth may be attributed to increased electricity supply to both rural and urban areas over the decade 1989-1999 through among other programmes, the Rural Electrification Programme. Nairobi, Central and Coast Provinces are better served with electricity. Kiambu, Mombasa and Thika Districts were better served as compared to other districts, which had less than 20 per cent of households connected to electricity.

Table 17.7: Percentage Distribution of Households By Main Type Lighting Fuel 1989 and 1999

REGIONS	Electricity		Paraffin lamps		Other	
	1989	1999	1989	1999	1989	1999
KENYA	**8.7**	**13.6**	**81.3**	**79.1**	**10**	**7.3**
Rural	1.9	4.2	86.2	87	11.9	8.8
Urban	32.1	42.1	64.3	55.3	3.6	2.6
Nairobi	42.5	52.6	54.4	45	3.1	2.4
Central	7	15.8	90	81.3	3	2.9
Coast	11.6	19.5	82.2	76.8	6.2	3.7
Eastern	4.1	6	74.1	87.2	21.8	6.8
North-Eastern	5.1	5.4	43.4	45.2	51.5	49.4
Nyanza	2.6	4.8	89.5	92.5	7.9	2.7
Rift Valley	4.5	9.5	64.8	74.9	30.7	15.6
Western	1.7	3.3	92.6	96	5.7	0.7

17.26 **Cooking fuel:** The results presented in Table 17.8 below, reveals that firewood, paraffin and charcoal continued to be the main source of cooking fuel in Kenya. At the national level, 68.8 per cent of the households use firewood as the main cooking fuel with a significant proportion (84.4 per cent) in the rural areas. This represents a drop from 73.0 per cent recorded in 1989.

Table 17.8: Percentage Distribution of Households by Main Type Cooking Fuel 1989 and 1999

REGION	Fire wood		Paraffin		Charcoal		Other	
	1989	1999	1989	1999	1989	1999	1989	1999
KENYA	**73**	**68.8**	**15.5**	**17.2**	**7.2**	**9.7**	**4.3**	**4.3**
Rural	90.1	88.4	4.2	4.2	3.6	6	2.1	1.4
Urban	13.1	9.6	54.9	56.6	19.8	20.8	12.2	13
Nairobi	2.9	1.8	68.4	75.7	8.7	4.1	20	18.4
Central	78.5	69.6	12.5	17.2	4.9	9	11.6	4.2
Coast	67.2	53.7	18.3	30.1	9.5	10.4	10.9	5.8
Eastern	84.8	84	6.6	6.7	6.1	7.1	8.2	2.2
North-Eastern	88.9	90.8	4.8	1.3	4.8	6.5	1.8	1.4
Nyanza	83.2	82.1	7.2	5.7	7.1	10.6	7.9	1.6
Rift Valley	79.3	73.7	8.4	9.1	9.3	14.7	7.9	2.5
Western	86.8	87.3	5	4.2	6.2	7.3	6.4	1.2

17.27 **Housing Quality:** Analysis of the results indicates significant disparities in quality of housing between rural and urban areas at the national level and similarly by region. At the national level, a significant proportion of households (69.6 per cent) had average quality housing and about 20 per cent had high and good quality. As expected and consistent with other housing indicators, urban areas were better off as compared to rural areas.