Summary and Outlook

International Scene

World economic recovery in 2002 was slower than expected. This was due to weak consumer and business confidence as well as low performance of equity and financial markets. Economic activities across the Organization of European Cooporation and Development (OECD) region were relatively weak while recovery was erratic. Interest rates were low in all the OECD countries. Despite volatility in the oil market, inflation remained low with oil prices averaging US$24 per barrel.

The world's major currencies recorded mixed performance in 2002 with the dollar depreciating against the Euro by 14 cents and the yen against the Euro by 8 cents.

Real GDP of USA grew by 2.3 per cent in 2002 against a background of strong household and government spending. In Japan, the economy performed well in the first half of 2002 due to sharp increase in exports and low level of inventories. The weakening of the Yen further augmented increase in exports. Real GDP growth in China improved further from 7.3 per cent in 2001 to 7.9 per cent in 2002. The robust growth was bolstered by China's accession to the World Trade Organisation (WTO), which improved its international competitiveness. Performance of most countries of Dynamic Asian Economies (DAEs) was rapid mainly due to improved export growth to USA and strong regional and domestic demand.

In Africa, growth in real GDP is estimated to have slowed down from 3.5 per cent in 2001 to 3.1 per cent in 2002. The recorded slow growth is explained by sharp decline in agricultural output particularly in Southern Africa, the impact of drought which affected most parts of the continent and political instability in some countries of Africa.

Domestic Economy

Kenya's economy recorded a slight growth of 1.1 per cent in 2002 compared to 1.2 per cent in 2001. This slow growth is mainly attributed to the effects of poor infrastructure, low domestic credit, low output and prices of major agricultural exports; and the uncertainties regarding general election. Reduced tariffs on raw materials and other intermediate inputs, electricity supply, stable macro-economic environment and moderate weather buoyed the economy.

Agricultural sector recorded growth of 0.7 per cent in 2002 compared to 1.5 per cent in 2001 while the manufacturing sector grew by 1.2 per cent. The inflation declined to 2.0 per cent in 2002 up from 5.8 per cent in 2001. The prudent fiscal and monetary policies, stable exchange rate, low food prices, low demand for imports and stable world petroleum prices were factors which contributed to the low inflation.

International trade volume declined by 24 per cent compared to a growth of 16.2 per cent in 2001 on account of decline in imports as a result of low demand. The decline in imports was due to drop in the imports of crude oil, industrial machineries and refined sugar.

Government borrowing from domestic market increased by 13 per cent from Kshs. 100,383 million in 2001 to 113,384 million in 2002 as withholding of donor funds continued. Imports of goods declined significantly by 11.2 per cent while exports rose by 9.7 per cent.

Domestic savings have become an important component in financing capital formation due to diminishing foreign investments which include, loans and grant inflows to the country. The Norminal Gross Fixed Capital Formation (GFCF) grew by 9.26 per cent in 2002 compared to 8.96 per cent in 2001. There has been a substantial increase in investment in manufacturing sector especially in the clothing and textile sub sector as a result of increased demand for apparel mainly from USA.

Social Scene

The Central Government expenditure on social services increased by 18.3 per cent from KSh 79,375.97 million in 2001/2002 to KSh 93,975.46 million in 2002/2003. The Ministry of Education, Science and Technology took the largest share (70.7 per cent) of the expenditure due to the implementation of the free primary education programme. As a result there was a remarkable increase in education expenditure of 17.9 per cent from KSh 56,335.71 million in 2001/2002 to KSh 66,417.93 million in 2002/2003. However, gross enrolment rate in primary schools declined slightly from 91.2 per cent in 2001 to 90.8 per cent in 2002. Total secondary school enrolment went up by 5.3 per cent from 804,510 in 2001 to 847,287 in 2002. Enrolment in tertiary institutions increased by 10.8 per cent from 111,000 in 2001 to 123,023 in 2002, with the highest increase of 18.8 per cent recorded in university enrolment. The number of private accredited universities also increased from 6 to 10 although public universities still accounted for 94.8 per cent of entire university enrolment. Enrolment in public teacher training colleges increased from 10,838 in 1998/99 to 17,955 in 2002/2003, while the public primary teacher training colleges enrolled 15,730 trainees in 2002/2003, of whom 47.4 per cent were females.

The number of hospital beds and cots rose by 4.4 per cent from 58,080 in 2001 to 60,657 in 2002, while the ratio of registered medical personnel per 100,000 population edged slightly upwards from 188.2 in 2001 to 189.1 in 2002. The HIV prevalence rate continued to slow down from 13.4 per cent in 2000 through 13.0 per cent in 2001 to 10.2 per cent. The members benefits paid out by the NHIF increased tremendously by 47.7 per cent from KSh 400.3 million in 2000/2001 to KSh 591.4 million in 2002/2003, while annual contributions to NSSF went up by 95.4 per cent from KSh 1,736.9 million in 2001 to KSh 3,394.2 million in 2002. Male and female enrolment in Adult Education classes went up by 56.1 per cent and 10.4 per cent respectively, while total enrolment increased by 23.4 per cent in 2002. While the number of registered women groups increased only modestly between 2001 and 2002, Government grants to the groups more than doubled during the same period from KSh 9 million to KSh 20 million. Women's participation in politics continued to increase, constituting 7.7 per cent of the total membership of the National Assembly after the 2002 general elections compared to only 4.1 per cent after 1997 general elections. Criminal acts reported at police stations declined by 6.5 per cent from 75,352 in 2001 to 70,423 in 2002. However, there was a phenomenal rise in the reported cases of corruption, while the percentage increase in number of offenders committed to prison declined from 36.5 per cent between 2000 and 2001 to 4.4 per cent between 2001 and 2002.

Employment, Earnings and Consumer Prices

The number of persons employed outside small-scale agriculture and pastoralists activities rose by 7.6 percent from 5086.4 to 6,851.6 thousand persons. Employment in the modern sector expanded by 1.3 per cent whereas non-wage employment in the form of self employed and unpaid family workers stood at 65.5 thousand persons and accounted for 3.7 percent of the total modern sector employment in 2002. Growth in the private sector employment went up from 1.6 per cent in 2001 to 2.2 per cent in the year under review. The growth arose mainly from the

manufacturing activities, which expanded at a high rate of 6.3 percent compared with 0.1 percent recorded in 2001. Wage employment in the public sector registered a growth of 0.1 percent between 2001 and 2002. Expansion in this sector's employment was mainly in the community, social and personal services, largely in the teaching service in the course of 2002.

Nominal average earnings in the modern sector per person increased from Kshs 198,841.7 per annum in 2001 to Kshs 228,540.4 per annum in 2002. Real average earnings in the modern sector rose by 12.7 per cent from 151,799.1 to Kshs 171,114.4 per annum in 2002. The inflation rate maintained its single digit level but improved from 5.8 per cent in 2001 to 2.0 per cent in 2002. The decline in inflation during the year under review was as a result of decrease in prices of basic foodstuffs especially maize grain, maize flour, rice and beans. Inflation rate was confined within the 5 percent target in 2002 following the sustained implementation of prudent monetary policy and the stability in the shilling exchange rate. However, during the last quarter of the year, an upward trend in prices emerged accruing from increases of vegetables and petroleum products.

Money, Banking and Finance

The government continued with the tight monetary policy that enhanced the stability of the shilling and exchange rate. The country achieved a decline in inflation from 5.8 per cent in 2001 to a 2 per cent in 2002.Controlled domestic borrowing by government led to lowered Treasury Bill rates that stood at 8.38 per cent by end of period. The low TB rates benchmark further led to a drop in all principal interest rates indicating a trend towards a low regime.

This scenario led to increased domestic credit as demand for loanable funds increased. The banking system maintained liquidity levels that were well above the minimum statutory requirement of 20.0 per cent averaging around 46.0 per cent. The banking system was relatively stable with 44 banks in operation. While in the equities market 51 companies and 40 insurance companies were listed.

Key improvements were observed in all the financial sector regulators with a requirement that institutions adopt the international accounting standards in their reporting systems. Of the main developments in the financial sector, a Central Depository and Automated System was put in place for the capital market, while in insurance regulation of health Maintenance Organizations was brought under the Commissioner of Insurance Office.

International Trade and Balance of Payments

Major pointers of international trade and balance of payments in 2002 show apparent divergent from the previous years. Imports fell significantly while exports grew substantially after a sluggish performance in the recent years. As a consequence, the trade deficit narrowed for the first time since 1996. Imports declined primarily due to lower import quantities of crude materials (inedible), mineral fuels, machinery and transport equipment and food and live animals. The weaker growth in imports mirrored the low domestic demand due to reduced economic activities during the year. Strong growths in horticulture and re-exports almost exclusively contributed to the substantial increase in exports.

These developments caused the current account balance to recover from a deficit of Kshs. 43, 795 million in 2001 to a surplus of Kshs. 4, 727 million in 2002, primarily reflecting the narrowing of the trade deficit by Kshs. 54, 091 million. The capital and financial account balance fell from a surplus of Kshs. 35, 412 million in 2001 to a deficit

Kshs. 4, 544 million in 2002. The deceleration in the financial inflows was mainly due to reduced private short-term capital inflows and official capital inflows.

Agriculture

After recording a modest recovery in 2001, the agricultural sector registered a declined GDP growth from a revised 1.3 per cent to 0.7 per cent in 2002. This poor performance is largely attributed to unfavorable weather conditions during the year, which led to a significant production decline of major agricultural commodities. At the same time, world commodity prices remained poor resulting in reduced earnings to farmers. Agricultural terms of trade declined by 3.2 percentage points from 89.7 in 2001 to 86.8 in 2002. Overall output at current prices declined by 2.8 percent from Kshs. 149,233 million in
2001 to Kshs. 145,090 million in 2002 while total inputs increased by 7.8 per cent from Kshs.17,935 million in 2001 to Kshs.19,326 in 2002.

Overall, the volume of marketed production declined from Kshs.80,946.8 million in 2001 to Kshs 76,371.9 million in 2002. This was occasioned by a 10.2 per cent reduction in the crops' marketed value, with every individual recorded crop declining in marketed value. Lower production volumes for Coffee, tea and sisal coupled with lower prices for tea resulted in a decline in the value of marketed permanent crops by 13.7% from Kshs. 46,415.4 million in 2001 to Kshs. 40,056.5 million in 2002. On the other hand, the value of livestock and livestock products increased by 16.3 percent from Kshs. 15,151.3 million in 2001 to Kshs. 17,616.5 million in 2002.This may be explained by the *la Nina* weather effects of 1999/2000 which resulted in fewer animals for slaughter and hence higher prices offered for livestock in 2002.

The prices of tea, seed cotton, maize, wheat and bacon declined while the prices of coffee, sisal, beef and milk increased marginally. On the other hand, the prices of Sugarcane and Pyrethrum remained static in the year under review.

Environment and Natural Resources

There was a significant increase in the forest cover after the Department of Forestry managed to plant a total of 6.7 thousand hectares in 2002. There was, however, reductions in the sales of major forestry products especially timber due to the ban in logging in Government forests, which is still in effect since 1999. In 2002, quantity and value of mineral production grew by 40 per cent and 2 per cent, respectively.

In water sub-sector the total Government Development Expenditure is expected to grow by 73 per cent from KShs. 1,343 million in 2001/2002 to KShs. 2,319 million in 2002/2003. The total quantity of fish landed from freshwater sources, increased by 10.0 per cent from 157.7 thousand tonnes in 2001 to 173.4 thousand tonnes in 2002.

Energy

The year 2002 was characterised by variations of crude oil prices as the Organization of Petroleum Exporting Countries (OPEC) and non-OPEC members continued with their quarterly Conferences aimed at stabilising the oil market. The price drop experienced in 2001 reversed in 2002 to register level of US$27.70 per barrel of Murban Benchmark in September up from US$ 19.70 recorded in January. Similarly, price increased by 42.1 per cent to record US$27.15 in December 2002 from US$19.10 per barrel in December 2001.

The instability of world prices translated into rapid changes in prices of refined products in the domestic economy. Imports of crude oil declined by 24.0 per cent, while those of refined products dropped by 13.7 per cent. This translated into a 22.6 per

cent decline in import bill during the period under review. Sales of petroleum products in the domestic market declined marginally by 3.3 per cent to 2,305.9 thousand tonnes in 2002. The transport sector (road, rail, marine and aviation) continued to be the main consumer of petroleum products during the period.

Total electricity installed capacity remained at 1,142.2 MW in 2002, the same level reported during 2001. On the other hand, total electricity generated went up by 5.2 per cent from 4,452.1 GWH in 2001 to 4,685.6 GWH in 2002, mainly due to improved weather conditions, which resulted in improved water levels in hydroelectric power dams. Consequently, total electricity consumption expanded by 7.2 per cent to 3,742.0 million KWH during the period under review.

Wood fuel and other biomass dominate overall energy consumption in Kenya accounting for 72 per cent of the total energy consumption. Petroleum fuels account for 25 per cent, electricity 2 per cent and the rest about 1 per cent.

Manufacturing

In 2002, the volume of manufacturing production recorded a modest expansion of 1.2 per cent up from 0.8 per cent registered in 2001. The growth in output in 2002 was attributed to many factors among them, the stable macro economic environment, the reduction in import duty to *zero rate* for the majority of industrial intermediate inputs, the government interventions in promoting export opportunities for manufactured goods, enactment of anti-dumping and countervailing duty legislation to curb restrictive practices that disadvantage local manufacturers and the lifting of the fish export ban to the European market.

The increased performance in the manufacturing sector was mainly due to increased real output of in the food processing industries. Real output in the Plastic products, and printing and publishing sub-sectors increased by big margins. On the other hand, the wood and cork sub-sector continued to decline. Investment and lending declined in the manufacturing sector during the year under review. This was mainly attributable to the uncertainty surrounding the General Elections held in 2002. In the Export Processing Zones (EPZ), there was increased activity in 2002 compared to 2001. Direct employment in 2002 rose to almost double as the number of operating companies in the Zones increased markedly.

Building and Construction

Building and construction sector recorded mixed performance in 2002. Cement consumption increased by 7.7 per cent from 1,089.0 thousand tonnes in 2001 to 1,172.8 thousand tonnes in 2002. Labour costs in building and construction sector recorded a growth of 6.1 per cent in 2002 as compared to a growth of 9.2 per cent in 2001. Wage employment decreased marginally by 0.3 per cent from 76.7 thousand persons in 2001 to 76.5 thousand persons in 2002. The total value of building plans approved declined by 15.8 per cent from KSh 10,118.4 million in 2001 to KSh 8,524.1 million in 2002. The total value of reported private building works completed in selected main towns increased by 27.6 per cent from KSh 1,184.4 million in 2001 to KSh 1,511.6 million in 2002. The government allocation on housing was inadequate as it was unable to complete urban pool housing projects in four urban centers. During the year under review, the National Housing Corporation (NHC) managed to complete only two housing projects. The roads sub-sector benefited from the El Nino Emergency Fund, which rehabilitated and reconstructed 13 roads spread across the country at a total cost of KSh 814 million. The Kenya Roads Board disbursed a total of KSh 8.1 billion to the Roads Agencies for implementation, maintenance and rehabilitation of the roads network in the country.

Tourism Key indicators of the performance of the tourism sector indicate that the sector was on a recovery path during 2002. Visitor arrivals during the year increased modestly by 0.8 per cent while visitor departures increased by 2.3 per cent during the same period. Average length of stay by the visitors improved marginally from 8.4 days to 8.5 days in 2002. However, tourism earnings fell sharply by 10.4 per cent from KSh 24,256 million in 2001 to KShs. 21,734 million in 2002. Bed occupancy expanded slightly from 40.3 per cent to 42.0 per cent in 2002. Total number of visitors to game parks and game reserves rose by 7.3 per cent in 2002 compared to 0.3 per cent rise in 2001. On the other hand, the number of visitors to museums, snake parks and historical sites fell by 14.3 per cent during the period under review.

Transport, Storage and Communication The continued roads improvement and the fast growing young industry of mobile phones boosted further the value of output by 21.5 per cent in 2002. Air transport, though partly affected by the terrorist attacks, civil strife in various African countries and the economic crisis in Zimbabwe, recorded a 22.5 per cent increase in output value, while that of the road transport sub-sector showed a significant growth by 41.0 per cent. Communications, Marine, Pipeline transports and supporting services to transport recorded increases of 51.0 per cent, 32.4 per cent, 6.6 per cent and 17.0 per cent. The Railways services went further in depression in services by 10.9 per cent. Newly registered vehicles increased by 25.4 per cent, where lorries/trucks for conveyance of goods rose by 49.6 per cent. Marine Transport recorded a favourable increase in the number of ships docking, rising from 1,111 ships in 2001 to 1,720 in 2002, an increase of 54.8 per cent. The decrease in demand for some petroleum products made the total oil throughput to drop by 2.0 per cent. Total passenger transport marginally increased by 3.4 per cent while the domestic traffic rose by 0.3 per cent compared to the previous year's figure of 3.7 per cent. However, cargo transport rose by 19.0 per cent. Demand for Mobile phones increased to over a million in 2002, an increase of 69.6 per cent. Newspapers sales shot up in the year 2002 as a result of political climate that prevailed in the year, beginning with the merging of parties in March/April and then the general election late in the year.

Highlights of the 1999 Population and Housing Census Kenya has conducted six censuses, two in the pre-independence period in 1948 and 1962, and four decennial censuses since 1969. The 1999 Population and Housing Census was the sixth and enumerated 28,686,607 persons, up from 21,448,774 in 1989. The 50 years spanning 1948 to 1999 have witnessed sustained and rapid population growth that was above 3 per cent per annum until the 1989-99 decade when it dropped to 2.9 per cent. The total fertility rate declined from 7.8 children per woman in the 1970s through 6.6 in the 1980s to 5.0 in the 1990s, and is anticipated to fall further to 3.6 by 2010 and to 3.2 by 2020. On the other hand, both child and adult mortality that fell during the 1970s and the 1980s begun to rise in the 1990s largely due to the HIV/AIDS epidemic. Infant Mortality Rate declined from 119 per 1,000 live births in the 1960s to 88 per 1,000 live births in the 1970s, and then to 66 per 1,000 live births in the 1980s, but increased to 77 per 1,000 live births in the 1990s. Subsequently, life expectancy initially increased from 49 years in the 1960s to 54 years in the 1970s, and then to 59 years in the 1980s but declined to 57 years in the 1990s, although females still seemed to live 8 years longer than males in the 1990s.

Kenya's future population growth will continue to be driven by the net balance of

births over deaths on the grounds that the country's population is not influenced by migration. Population size is expected to increase, but rather slowly, from 30.2 million in 2000 to 43.1million in 2020. However, in the absence of HIV/AIDS, the population would have increased to 39.0 million in 2010 and to 48.2 million by 2020. There are strong indications that the country's demographic transition is unstable, in fact less predictable than before the HIV/AIDS epidemic raised concerns. The increased AIDS mortality impacts both directly and indirectly on the labour force through deaths and lost opportunities for education and transfer of skills. These pose serious challenges for development as more losses occur through the rapidly declining fertility and the apparently increasing emigration.

Comparative Analysis of the Labour Force Survey and 1999 Census Results

A comparative analysis of the results of the 1998/99 Integrated Labour Force Survey (ILFS) and the 1999 Population and Housing Census shows that there were some differences in the results largely attributed to methodologies and the definitions used. The survey tended to overstate employment levels, and conversely understate unemployment situation due to difficulties in domesticating international concepts when designing survey instruments. However, the results from both the ILFS and the census showed some consistency in trend.

Poverty Mapping in Kenya

Poverty maps present the spatial variation and distribution of the poor. This chapter focuses on the preliminary results of poverty mapping for Kenya, using city of Nairobi for illustration. Initially, only one poverty estimate was known for Nairobi city, that is about 50 per cent of the population were living below the absolute poverty line. Poverty research undertaken by CBS and other stakeholders has produced estimates of poverty in Nairobi for 8 Divisions, 49 locations and 110 sub locations. Among the divisions, headcount poverty ranges from 32 per cent in Westlands division to 58 per cent in Makadara division. The results indicate that there are huge differences in the levels of wellbeing among locations and sub locations. Headcount poverty in Nairobi by sub location ranges between 6 per cent in Golf course and South C sub locations to 78 per cent in Makongeni sub location. The results further point out certain locations where the poor are concentrated namely- Mathare, Kibera, Kariobangi, Dandora Korogocho, Laini Saba-Ngombe, Huruma and Kawangware.

Highlights of the Agriculture Module

The agriculture module in the Welfare Monitoring Survey (WMSIII) of 1997 covered agriculture related issues which included land tenure and holding composition, agricultural inputs use and access to agricultural services, crop and livestock production, income and trends in Labour land productivity.

The results showed that 64.6 per cent of the households had title deeds held by men while 6.0 per cent were held by women. In less than 1 per cent of the households, the title deeds were held jointly by husband and wife. Majority of households (61.5 per cent) had one parcel, 23.5 per cent had two parcels while those with three or more separately accounted for less than 10 per cent.

Overall, Eastern province registered the highest number of households (24.7 per cent) growing food crops, followed by central province with (20.8 per cent). Coast province registered the lowest proportion of households growing food crops. Central province recorded the highest proportion of households growing both cash and

horticultural crops at 32.8 per cent and 34.5 per cent while Coast province recorded the lowest proportion of households growing both cash and horticultural crops at 5.3 per cent and 5.0 per cent respectively. Grade cattle are predominantly kept by households in Central province (43.1 per cent). They are followed by Rift valley province with (32.5 per cent). Coast province had the lowest proportion of households (1.5 per cent) keeping grade cattle.

About 50 per cent of all households surveyed reported that with agricultural credit, they could achieve higher and better quality agricultural production. Central province leads in the proportion of farmers receiving credit while coast was lowest with only 0.1 of farmers getting credit. This trend is attributed to the incidence of title deeds hold, which is commonly taken as collateral by financial institutions. The most important source of agricultural credit is the co-operative movement, accounting for 64 per cent of all credit. Others are Agricultural Finance Co-operation and Commercial banks.

Nationally, 24.3 per cent of the households apply manure for crop production. This proportion is lowest in Rift valley at 4.4 per cent followed by Central province at 16.7 per cent. At the national level, an approximately equal proportion of households (33 per cent) sourced their fertilizer either from the local market or stockists/ merchants. About half of households interviewed (46.7 per cent obtained certified seeds from their local market while 22.3 per cent bought seeds from the nearest stockiest or merchant while 25.5 per cent used their own seeds. Government Veterinary doctors accounted for 34.7 per cent of this service.

Outlook The National Rainbow Coalition (NARC) government after taking office through a democratic process and peaceful transition, embarked on reforms aimed at jumpstarting the economy in order to create additional jobs, improve governance, and reduce the levels of poverty in society. The government has put in place an Economic Recovery for Job Creation and Poverty Reduction. The strategy defines a new strategic direction and spells out priorities that will lead to rapid economic growth.

In the productive sector, increased investments in infrastructure, agriculture and manufacturing, tourism, trade and industry have been accorded priority while in the social sector increasing access to education and health services and facilities are receiving special attention. The fight against corruption and promotion of good governance are high on the agenda of the government. These initiatives are expected to generate confidence among potential and domestic investors. The country thus expects to receive budget support from development partners to finance priority programs that would revamp economic growth. Resumption of donor funding will also increase the confidence of foreign investors, thus increasing investment level in the country.

Kenya is an active member of the New Partnership for African Development (NEPAD). Under this initiative it is expected that about US$ 6 billion in-terms of foreign investments will be channeled to Africa and Kenya as one of the beneficiaries.

Regional and international trade is expected to increase as the world economy recovers from recession. In particular, the country is expected to export more manufactured products to the East African Community (EAC) and the Common

Market for Eastern and Southern Africa (COMESA) with the completion of the harmonization of tariff regimes. Exports of textiles to the USA under the AGOA initiative are also expected to increase.

The planned investments and rehabilitation of the road network is expected generate huge domestic demand and this is expected to boost the performance of the building and construction industry while facilitating expanded trade within the country. Good rains already being experienced in the country are expected to boost agricultural production.

The threat of terrorists poor state of infrastructure and the fight against corruption remain major challenges to the realization of the benefits of reforms outlined above. Despite all these, however, the economy is projected to realize real growth rate of around 2.0 per cent upon implementation of the measures outlined in the Economic Recovery Program.

Table 0: Key Economic and Social Indicators*, 1998 - 2002

	DESCRIPTION		1998	1999	2000	2001	2002**	
1	Population****	(million)	28.8	29.5	30.2	30.8	31.5	
2	Growth of GDP at constant prices ..	(per cent)	1.8	1.4	0.2	1.2	1.1	
3	GDP at market prices..	(KSh. mn)	694,028.7	743,478.6	796,342.9	882,725.0	969,353.9	
4	Net cost of petroleum products ..	(KSh. mn)	21,008.6	29,954.8	53,667.0	44,375.3	40,017.7	
5	Trade balance	(KSh. mn)	-76,608.1	- 83,841.6	-113,276.8	-142,518.0	-88,426.7	
6	Money Supply (M3)	(KSh. mn)	303,750.0	312,116.0	314,686.0	322,923.0	350,733.0	
7	Total domestic credit	(KSh. mn)	350,629.0	371,363.0	379,159.0	380,210.0	410,231.0	
8	Balance of payments (current account balance)	(KSh. mn)	28,688.0	-6,303.0	-15,189.0	-43,795.0	4,727.0	
9	Coffee-marketed production	('000 tonnes)	51.3	64.3	98.0	54.6	46.7	
10	Tea-marketed production	('000 tonnes)	294.2	248.8	236.3	294.6	287.1	
11	Maize-marketed centrally	('000 tonnes)	218.0	223.5	201.2	461.5	399.1	
12	Wheat-marketed centrally	('000 tonnes)	176.7	52.9	70.5	77.7	57.2	
13	Sugar-cane production	('000 tonnes)	4,661.4	4,415.8	3,941.5	3,550.8	4,502.2	
14	Milk sold centrally	(mn litres)	126.0	180.0	137.0	148.0	178.0	
15	Manufacturing output	(KSh. mn)	703,000.0	742,500.0	661,200.0	669,600.0	684,700.0	
16	Construction output	(KSh. mn)	37,800.0	43,214.0	47,103.4	53,615.3	61,121.4	
17	Cement Consumption	('000 tonnes)	1,071.9	1,111.1	1,067.0	1,089.0	1,172.8	
18	Petroleum Consumption	('000 tonnes)	2,199.1	2,311.6	2,448.1	2,385.2	2,305.9	
19	Electricity consumption	(GWH)	3,601.8	3,685.2	3,320.7	3,489.8	3,742.0	
20	Tourism earnings	(KSh. mn)	17,509.2	21,367.0	21,553.0	24,256.0	21,734.0	
21	New registration of vehicles ..	(number)	31,718.0	27,892.0	20,236.0	26,024.0	32,638.0	
22	Rail freight	(mn tonnes-Km)	1,111.0	1,491.6	1,556.9	1,603.0	1,538.0	
23	Air passengers handled	('000)	3,566.0	4,002.0	4,383.0	4,329.0	4,474.0	
24	Wage employment	('000)	1,678.4	1,688.2	1,695.4	1,677.1	1,699.7	
25	Education-primary enrolment ..	('000)	5,919.6	6,064.1	6,175.6	6,314.6	6,371.2	
26	Education-secondary enrolment ..	('000)	700.5	724.8	759.0	804.5	847.3	
27	Education-post secondary enrolment ..	('000)	83.6	86.1	95.4	111.9	127.7	
28	Hospital beds and cots	(number)	52,186.0	54,378.0	56,416.0	58,080.0	60,657.0	
29	Registered doctors and dentists ..	(number)	4,997.0	5,145.0	5,252.0	5,393.0	5,501.0	
30	GDP Per capita (Current)	(KSh. mn)	20,747.7	21,736.6	22,690.6	24,987.9	26,998.4	
31	GDP Per capita (Constant)	(KSh. mn)	3,556.4	3,527.3	3,424.8	3,398.6	3,360.1	
32	Government Budget Out-turn***							
33	Overall Deficit (% of GDP) at Current Market Prices		0.6	1.8	-1.6	-3.2	-4.7	
34	Overall Deficit (-)/Surplus(+)	(KSh. mn)	4,318.8	13,025.4	-12,826.7	-28,448.0	-45,722.8	
35	Recurrent Revenue and Grants	(KSh. mn)	185,246.8	188,797.8	201,450.0	193,230.5	237,301.5	
36	Total Expenditure	(KSh. mn)	243,336.5	226,151.1	270,068.2	307,714.7	342,450.7	
37	Debt Service Charge as % of GDP ***		4.5	4.6	2.0	3.3	3.0	
38	External Debt Service as % of Exports of Goods & Services		16.5	16.3	6.9	11.4		
								1998 - 2002
								Annual
								% Rate
	INDEX NUMBERS: (1982=100)							of change
	Export volumes		173.0	186.0	191.0	204.0	226.0	6.9
	Import volumes		179.0	162.0	187.0	222.0	169.0	-1.4
	Terms of trade		100.0	86.0	84.0	79.0	78.0	-6.0
	Consumer prices + ...		106.5	112.6	123.9	131.0	133.6	5.8
	Real wages		87.1	94.1	98.5	107.1	120.7	8.5
	Agricultural terms of trade ..		107.3	105.2	104.2	89.3	86.8	-5.2

* More precise measures are given in individual chapters.

** Provisional.

*** Year ending 30th June

\+ Weighted New Kenya Index (October 1997=100)

**** The population figures are adjusted for under-reporting and therefore higher than enumerated figures during census year

Chapter 1 International Scene

Introduction

World economic recovery in 2002 was less vibrant than expected. This was occa-sioned by weak consumer and business confidence and fur ther deterioration of equity and financial markets. Though in early 2002 prospects of strong growth looked bright, the situation changed to that of a subdued recovery.

1.2. Equity markets remained weak as valuation corrections that started in 2000 continued into 2002. The subsequent fall in equity prices reduced household spending, which impacted negatively on growth. Improper accounting procedures witnessed within some corporate institutions particularly in the USA raised fears among investors. However, progress was later realised towards sound stock markets evaluation and this is likely to impact positively on equity prices in future.

1.3. Quantatively, it was difficult to measure the effect of poor corporate governance that became evident since late 2001. However, it resulted in declined private consumption and investments. As a risk aversion measure, investors responded by shifting from equity to government bonds markets while banking institutions tightened their lending due the uncertainty in the financial markets.

1.4. Economic activities were relatively weak while recovery was erratic across the OECD regions. Growth of output was very modest in most countries of the Euro area and in particular sluggish in Germany and Italy. United Kingdom and Nordic countries recorded moderate growths, while in Australia, Canada, Korea and New Zealand economic activities were robust.

1.5. There was growing uncertainty on short-term profit and sale prospects in corporate institutions within developed countries. This resulted to capacity underutilization and a decline in fixed investments.

1.6. Interest rates were low in almost all OECD countries, however, they are likely to rise as recovery picks up in 2003. Despite volatility in the oil market with oil prices averaging at US$24 per barrel, inflation remained subdued. The prices were however quite unpredictable during the year particularly between June and September due to the political tension in Middle East.

1.7. The world's major currencies recorded mixed performances with the dollar depreciating against the Euro and Yen by 14 and 8 cents respectively in 2002.

Table 1.1 Key economic indicators and projections for Western industrial countries (OECD)*

		2000	2001	2002	2003	2004
		(percentage changes from previous period)				
Real GDP -						
	United States	4.1	1.1	2.3	2.6	3.6
	Japan	1.5	-0.7	-0.7	0.8	0.9
	European Union	3.3	1.7	0.9	1.9	2.7
	Total OECD ..	3.7	1.0	1.5	2.2	3.0
Real total domestic demand -						
	United States	4.8	1.1	2.8	2.7	3.8
	Japan	1.1	-0.2	-1.4	0.3	0.6
	European Union	3.0	1.4	0.7	2.0	2.6
	Total OECD ..	3.8	0.7	1.6	2.2	3.0
Inflation (GDP deflators)						
	United States	2.3	2.1	1.1	1.3	1.3
	Japan	-1.6	-1.6	-1.0	-1.6	-1.4
	European Union	1.5	2.5	2.4	2.0	1.9
	Total OECD ..	2.6	2.9	2.2	1.8	1.6
		(US $billion)				
Current balances-						
	United States	-410.3	-393.4	-509.8	-553.6	-599.7
	Japan	119.5	87.7	128.3	153.2	169.7
	European Union	-42.6	-13.2	45.2	43.2	53.1
	Total OECD ..	-306.2	-279.0	-304.3	-327.7	-348.9
		(Per cent of labour force)				
Unemployment-						
	United States	4.0	4.0	5.8	6.0	5.7
	Japan	4.7	4.7	5.5	5.6	5.6
	European Union	8.1	8.2	7.6	7.8	7.5
	Total OECD ..	6.2	6.2	6.8	6.9	6.7
		% Changes from previous period				
	World Trade** ..	13.3	0.3	2.6	7.7	8.8

Source: OECD Economic Outlook no. 72 December, 2002

** Assumptions underlying the projections include:*

- no change in actual and announced fiscal policies;

- unchanged exchange rates from 4 Nov 2002'; in particular $1 = ¥ 122.5 and 1.003 euros;

- Cut off date for other information used in the compilation of the projections was 8th, November 2002

*** Growth rate of the arithmetric average of the world import volumes and world export volumes.*

Country/ Regional Analysis

1.8. **USA:** Real GDP grew by 2.3 per cent in 2002, which was much better than the anticipated growth of 0.7 per cent. This was against a background of strong household and government spendings. The second half of 2002 witnessed significant declines in equity markets and long-term interest rates particularly government bonds, which slowed growth. Household spending was boosted by low interest rates and gains in disposable income. Government spending also supported demand but business fixed investment was somehow low.

1.9. Federal Reserve maintained a stimulative stance throughout the year. Labour market was weak while inflation and interest rates remained low. Unemployment rate worsened to 5.8 per cent in 2002 as compared to 4.8 per cent in 2001. Current account deficit widened to stand at US$ 509.8 billion in 2002 from US$ 393.4 billion in 2001.

1.10. **Japan:** The economy performed well in the first half of 2002 due to sharp increase in exports and low level of inventories. Increase in exports was supported by weakening of yen. In the second half of the year, as the yen appreciated, exports declined while share prices fell to lowest levels since 1980. The real GDP growth remained at 0.7 per cent.

1.11. Non-performing loans (NPLs) increased from ¥ 33.5 trillion 2001 to ¥ 43 trillion in March 2002. Banks recorded net operating losses for the eighth year straight necessitating continuation of special bank inspection. Unemployment went up to 5.5 per cent in 2002, while inflation went down by 1 per cent within the same period compared to 2001.

1.12. **Germany:** Real GDP grew by 0.4 per cent on account of suppressed domestic demand that resulted from dampened private consumption. There was strong external demand that contributed to rise in exports while imports fell in line with low domestic demand. Unemployment worsened to 7.8 per cent in 2002 compared to 7.3 per cent in 2001. The rising unemployment curtailed growth in disposable income.

1.13. Decline in stock prices and rise in oil prices further worsened the economy's growth. Headline inflation declined substantially although core inflation only reduced marginally. Current account balance improved to US$ 39.5 billion in 2002 compared to US$ 2.3 billion in 2001.

1.14. **France:** Growth was robust at the start of 2002 but slowed down in the second half of the year as consumer and business confidence waned considerably. This growth was supported by strong household and government consumption expenditure. In contrast growth in investment was weak.

1.15. There was considerable growth of exports and imports in the first quarter of 2002 before slowing down in the subsequent periods, reflecting an apparent reduction of intra-Europe trade. Despite appreciation of the euro, core inflation rose considerably during the first half of 2002 but somehow stabilised in the second half. Headline inflation was more volatile as a result of changes in oil and food prices. Unemployment remained relatively stable throughout the year. Government deficit almost doubled, mainly due to discretionary increases in spending, to reach 2.7 per cent of GDP.

1.16. **United Kingdom:** Although there was strong household demand, resulting from low interest rates and rising household wealth, the economy only managed a moderate growth of 1.5 per cent in 2002. Monetary and fiscal policies provided a stable macroeconomic environment. Inflation was contained at 3.2 per cent, which was within the targeted level. Substantial rise in expenditure on health, education and transport contributed to increase in public spending.

1.17. **Canada:** In contrast to other developed countries, the economy maintained its momentum to record an impressive 3.3 per cent real GDP growth in 2002 compared to 1.5 per cent in 2001. This expansion was mainly driven by domestic demand. Moreover, macroeconomic policy settings were also broadly supportive of the economic activity.

1.18. Consumer spending improved on account of strong employment growth and rise in income levels. The economy experienced increase in inventories as demand expanded and this scenario might continue into 2003. Current account balance narrowed to US$ 13.6 billion in 2002 from US$ 19.5 billion. Gains in export growth were more than offset by expansion in imports.

1.19. **China:** Real GDP growth improved further from 7.3 per cent of 2001 to 7.9 per cent in 2002. This robust growth was bolstered by China's accession to World Trade Organisation, which improved its international competitive position and created an environment for rapid growth of foreign direct investments. Fixed capital investment and government's investment in infrastructure were the major drivers of domestic demand.

1.20. Transfer of production facilities from other Asian economies to China transformed it into a major regional export platform. Current account balance improved to US$ 18.4 billion in 2002 from US$ 17.4 billion in 2001. Inflation declined to negative 0.7 in 2002 from 0.7 in 2001.

1.21. **The Russian Federation:** The country maintained the strong expansion that started in 2000. Real GDP grew at 4.0 per cent in 2002 compared to 5.0 per cent in 2001. The expansion was supported by strong domestic demand and sound macroeconomic policies. Inflation dropped significantly from 18.6 in 2001 to 15.0 in 2002, which was still relatively high. The currency (Rouble) appreciated against the dollar but depreciated against the euro while current account surplus was maintained.

1.22. **Mexico:** Real GDP was estimated to have grown at 1.5 per cent in 2002 in contrast to a contraction of 0.3 per cent in 2001. This recovery was boosted mainly by increased exports to USA and a rise in investments. However, the recovery was still sluggish due to depressed business confidence. Unemployment worsened slightly to 2.8 per cent in 2002 in comparison to 2.5 per cent in 2001.

1.23. **Dynamic Asian Economies (DAE's):** Performance of most countries of DAEs was rapid. This was mainly due to improved export growth to USA reinforced by strong regional domestic demand. Trade was occasioned by the ongoing production facilities restructuring as China entered the WTO. Malaysia, Singapore and

Chinese Taipei recorded the strongest recoveries in 2002 possibly reflecting strong demand for electronic products. Private domestic demand was principally boosted by investments growth, stronger consumption spending and in several cases by fiscal stimulus.

1.24. **South America:** Economic crisis in Argentina may have ended in 2002 but recovery was somehow weak. Considerable deceleration of inflation particularly in the second half of 2002 was evident. Exchange rate stabilised. There were political uncertainties ahead of presidential elections in Brazil that contributed to worsened exchange rate and weaker bond prices.

1.25. Crisis in Venezuela skyrocketed as political uncertainties deepened. This turbulence somehow contributed to jumps in world oil prices in 2002. Chile's economy was weakened by the developments within the region and growth of domestic and export demands stagnated.

1.26. **Africa:** GDP was estimated to have slowed down to 3.1 per cent in 2002 from the revised 3.5 per cent in 2001 as shown in Table 1.2. This drop is attributable to sharp decline in agricultural output particularly in Southern Africa, impact of drought, continued conflicts and political instability in some countries.

1.27. Most Sub-Saharan countries continued to record substantial current account deficits. Weak non-oil commodity prices, high external debt servicing costs and the relatively high oil prices were the major contributors to the large current account deficits (see Table 1.2). In Cote d'Ivoire, sharp rise in Cocoa prices enabled it to achieve a current account surplus.

Table 1.2: Real GDP, Consumer Prices, and Current Account Balances for some selected African Countries

	(Annual percentage change)											
	Real GDP				Consumer Prices				Current Account Balance			
	2000	2001	2002	2003	2000	2001	2002	2003	2000	2001	2002	2003
Africa	**3.0**	**3.5**	**3.1**	**4.2**	**14.3**	**13.1**	**9.6**	**9.5**	**1.2**	**0.3**	**-1.7**	**-1.6**
Maghreb	**2.4**	**4.4**	**3.2**	**4.0**	**1.3**	**2.6**	**3.3**	**2.7**	**7.3**	**7.0**	**3.5**	**3.7**
Algeria	2.5	2.8	2.1	2.9	0.3	4.2	4.0	3.0	16.9	12.4	8.1	8.9
Morocco	1.0	6.5	4.4	4.1	1.9	0.6	2.1	2.1	-1.4	4.9	1.3	0.5
Tunisia	4.7	5.0	3.8	6.4	3.0	1.9	3.4	3.0	-4.2	-4.2	-4.6	-3.8
Sub-Sahara	**3.1**	**3.8**	**3.3**	**4.8**	**24.9**	**21.6**	**13.3**	**14.2**	**-1.0**	**-3.0**	**-5.6**	**-5.4**
Cameroon	4.2	5.3	4.4	4.7	0.8	2.8	4.0	3.0	-1.7	-2.2	-3.8	-4.3
Cote d'Ivoire	-2.3	0.1	3.0	4.5	2.5	4.4	3.0	3.0	-2.8	-2.3	1.0	-0.8
Ghana	3.7	4.2	4.5	5.0	25.2	32.9	14.6	10.8	-8.4	-4.0	-6.2	-5.9
Nigeria	4.3	2.8	-2.3	3.7	6.9	18.9	15.9	13.2	11.9	6.0	-5.4	-1.5
Kenya*	-0.1	1.2	1.1	2.3	10.0	5.8	2.0	7.0	-2.7	-3.0	-4.6	-5.9
Tanzania	5.1	5.6	5.8	6.0	6.2	5.2	4.4	3.9	-1.6	-1.6	-4.9	-4.6
Uganda	5.0	5.6	5.7	6.5	6.3	4.6	-1.8	1.0	-12.1	-11.3	-12.4	-13.1
South Africa	**3.4**	**2.2**	**2.5**	**3.0**	**5.4**	**5.7**	**7.9**	**6.0**	**-0.4**	**-0.1**	**0.8**	**0.6**

Source: World Economic Outlook

** Provisional*

1.28. CPI inflation was estimated to have fallen to a single-digit level in 2002, for the first time ever and is projected to remain within the same range in 2003. This is attributable to the progress made in macro-economic stability in a number of countries, particularly in the Maghreb. However, inflationary pressures remained a serious concern particularly in Zimbabwe, Angola, Zambia and Nigeria, reflecting an excessive fiscal expansion, accompanied by rapid money supply growth.

1.29. Among a host of problems that have constrained growth in Africa include low level of investments, poor infrastructure, political conflicts, under-developed legal and regulatory framework and weak governance. It is against this background that New Partnership for African Development (NEPAD) placed emphasis on developing economic infrastructure and institutions. While much remained undone, a number of countries embarked on implementation in key areas such as good governance, economic liberalisation and fiscal management including tax collection, public expenditure management, civil service reform and poverty reduction. These developments are certainly steps toward attaining the NEPAD's goals.

Commodity Prices

1.30. On the external front, the international community responded by giving additional financial support and technical assistance that included increased aid commitments.

1.31. Commodity prices recovered in early 2002 when prospects for global recovery seemed bright. However, the prices stabilised in the second quarter of 2002 as growthslowed down.

1.32. In addition to global demand prospects, crude oil prices were significantly influenced by political events in the Middle East and Venezuela. Non-oil commodity prices were broadly stable as from the second quarter of 2002 but individual commodity prices varied.

1.33. World growth prospects, cuts in OPEC production targets and political uncertainty in the Middle East occasioned oil prices to remain high particularly in early 2002. However, the prices remained below the peaks reached in 2000.

Table1.3: Prices of Commodities

(Percentage annual changes)				
Commodity	**2000**	**2001**	**2002**	**2003**
Wheat	1.9	11.1	2.3	5.3
Maize	-1.9	1.2	5.1	9.4
Rice	-18.5	-14.6	12.0	10.5
Cocoa	-20.2	18.0	40.3	8.3
Coffee	-16.2	-28.5	-2.0	5.1
Tea	2.0	-14.8	-4.3	2.6
Cotton	11.2	-18.7	-11.0	10.0
Sisal	-8.6	10.6	5.2	13.0
Oil	58.7	-13.9	4.0	4.0

Source: World Economic Outlook

Outlook

1.34. Table 1.3 shows percentage price changes for some selected commodities. Coffee and tea prices dropped in 2002 compared to 2001. On the other hand, cocoa prices rose by 40 per cent in the same period, probably reflecting a shift in consumer preference from coffee and tea to cocoa.

1.35. Increasing global uncertainty associated with the fight against terrorism and political developments in the midddle east, will largely determine trends in world oil prices, which in turn will be a key factor in global economic recovery. Global recovery, which is currently weak and fragile, will also depend on developments in the USA. Effects of the war in Iraq have already been felt in air transport and tourism. It resulted to low air travel demand in the first quarter of the year.

1.36. USA's real GDP is projected to grow at 2.6 per cent in 2003 underpinned by monetary policy and the ongoing improvements in corporate balance sheets. Household spending is likely to decline due to low equity prices and poor performance in the labour market. Growth is expected to be sluggish in the first half of 2003 but rise rapidly thereafter as investments improve and exports strengthen. Recovery in investments will depend on recent gains in productivity and profits.

1.37. After two years consecutive contraction the Japanese economy is likely to reverse the trend and grow by 0.8 per cent in 2003. Export growth is expected to be modest while unemployment is likely to remain high at 5.6 per cent. Private investment is likely to be low as a result of continuing corporate restructuring and low profitability.

1.38. In the Euro area, a major determinant of the global economic performance, private consumption and improved export are expected to spur growth. However, the level of activity is likely to be uneven within the region with Germany, France and Italy expected to record moderate growths while Ireland and Greece are likely to have significant expansions in 2003.

1.39. In Germany, exports are expected to rise in 2003 thereby improving the growth. Real GDP is projected to grow at 1.5 per cent in 2003 from 0.4 per cent in 2002. Inflation is anticipated to go down in the same period due to appreciation of the euro. Exports are expected to increase as a result of expansion in world trade. Investments and employment are likely to rise as external demand improves.

1.40. In UK, growth is likely to pick as public expenditure increases. Other factors that may contribute positively are revival of investments and expansion of external demand. Current account deficit is expected to widen because of faster growth in total expenditure. Inflation is likely to rise but remain within the targeted level. In the meantime, growth in France is projected to be moderate in early 2003 before picking later due to increase in external demand.

1.41. In Canada, growth may temporarily be slowed down by global uncertainty and subdued export demand particularly from USA. Business investment is likely to grow further as profit margins are still high. Meanwhile, employment is probably going to keep growing but at a slower pace. Headline inflation, which rose significantly in the second half of 2002, is likely to rise further if energy prices rise.

1.42. In Russia, real GDP growth in 2003 is projected at 4.5 per cent but may be boosted further by recovery of world trade. However, maintaining a budget surplus may be more difficult in 2003 than in the past two years due to the run up to parliament and presidential elections.

1.43. Mexico's economy is likely to grow more rapidly in 2003. However, external factors are expected to continue playing a key role in its growth. These factors include world oil prices, financial markets and recovery of USA economy.

1.44. China's growth momentum is likely to be maintained and real GDP growth is projected at 7.5 per cent in 2003. Despite impressive performance in 2002, domestic demand in the DAE's is likely to be vulnerable as a result of financial strains.

1.45. Brazil's performance will most probably depend on the transition of government and the maintenance of prudent macroeconomic policies.

1.46. In Africa, GDP growth is projected to accelerate to 4.2 per cent in 2003. This growth is expected to be supported by stronger external demand resulting from global recovery and rising non-oil commodity prices. However, activity will also depend on political stability as well as presence or absence of natural disasters like drought.

1.47. The Highly Indebted Poor Countries (HIPC) initiatives are likely to reduce external debt-servicing costs. In the meantime, commitments by the international community to increase aid inflows and raise proportion provided as grants will go a long way in relaxing the financial constraints in Africa.

1.48. World economic prospects are also pegged on the restoration of healthy financial fundamentals, the ability of stabilisation policies to provide a cushion to economic activities and, if sufficient structural reforms have been undertaken, to strengthen growth particularly in North America.

1.49. A sluggish business and household spending in most OECD countries is expected to continue until mid 2003 before turning around to a progressive growth in 2004. World trade is expected to have a rapid expansion of 7.7 per cent in 2003.

1.50. A fallback into recession is improbable due to resilient growth in most Asian countries with an exception of Japan and Russia and recovery of the information and communication technology sector.

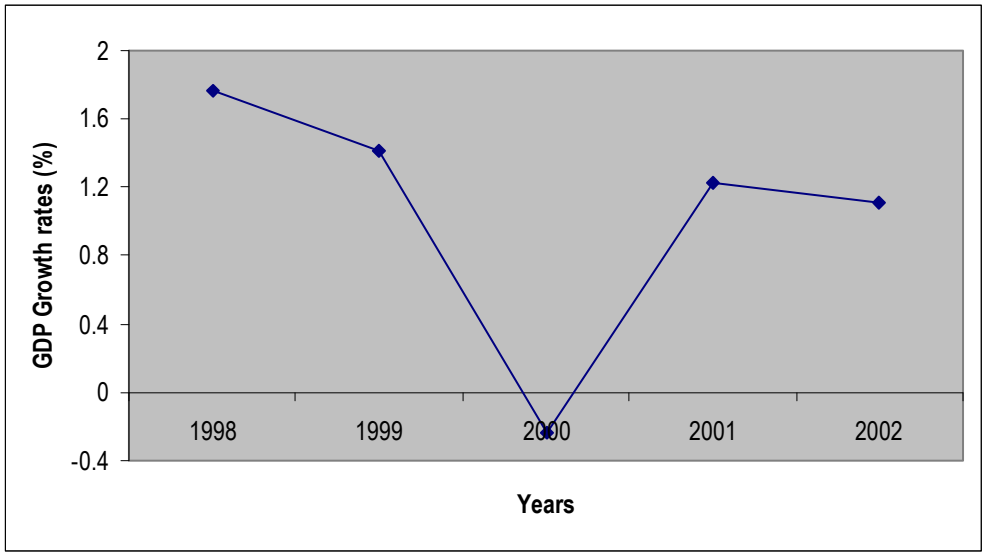
Chapter 2 Domestic Economy

Overview Kenya's economy has remained in recession over the last five years. After posing a positive growth of 1.2 per cent in 2001, from negative 0.2 per cent in 2000, the economy grew by 1.1 per cent in 2002 as shown in Fig 1. Several factors contributed to this performance, low external inflows to finance capital formation, poor infrastructure, low domestic credit , low output and prices of major agricultural exports and uncertainties associated with the general election. On the other hand, reduced tarriffs on raw materials and other intermediate inputs, more reliable electricity supply, stable macro-economic environment and moderate weather conditions buoyed the economy.

2.1. Agricultural sector growth slowed down to 0.7 per cent in 2002 from 1.3 per cent in 2001, while the manufacturing sector grew by 1.2 per cent in the year 2002 compared to a lower growth of 0.8 per cent recorded in 2001. Apart from Manufacturing, Building and Construction, Trade, Restaurants and Hotels, all other sectors recorded lower real GDP growth rates in the year 2002 compared to 2001.

2.2. The overall inflation rate declined from 5.8 per cent in 2001 to 2.0 per cent in 2002. Tight fiscal and prudent monetary policies, stable exchange rates, low demand for imports, low food prices and stable world petroleum prices were among the factors that contributed to the low inflation.

Fig 1. Per Centage GDP Growth from 1998 – 2002



2.3. In the financial year 2002/03, the current revenue is expected to grow at a lower rate than the current expenditure. As a result, the current deficit is expected to rise from Ksh. 10,308 million in 2001/02 to Ksh. 16,646 million in 2002/03, an increase of 61.5 per cent. Similarly, the capital revenue is expected to decline while capital expenditure will almost double during the same period. Consequently, the overall expected deficit will more than double from Ksh. 28,448 million in 2001/02 to KSh. 45,722 million in 2002/03.

2.4. During the calendar year 2002, the trade volume declined by 2.4 per cent compared to a growth of 16.2 per cent in 2001. The decline is attributable to a significant fall in imports as a result of low aggregate demand as the economy remained in recession. Subsequently, the trade deficit narrowed from Ksh. 142,518 in 2001 million to Ksh. 88,427 million in 2002, while the overall current account balance recorded a surplus of Ksh. 4,727 million compared to a deficit of Ksh. 43,795 million in 2001. However, net transfers increased from Ksh. 4,043 million to Ksh. 6,393 million in the same period. The capital and financial accounts dropped from a surplus of Ksh. 28,023 million to a deficit of Ksh. 4,544, largely due to low capital inflows and large outflows occassioned by continued external debt service obligations.

Agriculture

2.5. In the year 2002, the sector recorded a slow growth of 0.7 per cent compared to a revised growth of 1.3 per cent in 2001. Major factors responsible for to this modest growth were high inputs prices, low global prices of major crops and mixed weather conditions which led to low production of major crops during the year.

2.6. **Maize:** Production of Maize went down from 30 million bags in 2001 to 26 million bags in 2002. This can be attributed to low rainfall in major maize growing areas and poor quality seeds supplied to the farmers. However, due to high level of maize stocks carried over from 2001 plus the 2002 output resulted in excess maize surplus in the market. As a result, National Cereals and Produce Board (NCPB) purchased 3 million bags from the domestic market to stabilize the prices and rebuild the strategic reserves.

2.7. **Wheat:** There was significant decline in the production of wheat from 81.5 thousand tonnes in 2001 to 60.1 thousand tonnes in 2002, a decline of 35.6 per cent. Some 515.2 thousand tonnes of wheat was therefore imported to cater for the deficit. The low domestic production can be attributed to low wheat acreage and insufficient rainfall in the wheat growing regions in the country during the year.

2.8. **Coffee:** The declining trend of coffee production which started in 2000/01 crop year continued in 2001/02 crop year. Coffee production declined from 100.7 thousand tonnes in 2000/01 to 48.0 thousand tonnes in the 2001/02 crop year. About Ksh. 5,441.1 million worth of coffee was marketed in 2002 compared to Ksh. 6,424.2 million in 2001, a decline of 15.3 per cent. This poor performance can be attributed to low international prices of coffee and management problems that has faced the sector over the years.

2.9. **Tea**: Unfavourable weather conditions the tea producing zones and low global prices of tea contributed to low output in 2002. The output of tea declined to 287.1 thousand tonnes in 2002 from 294.6 thousand tonnes in 2001, a fall of 2.6 per cent.

2.10. **Sugarcane:** The output recovered from a decline of 6.3 per cent in 2001 to record a commendable increase of 26.8 per cent in 2002, mainly due to favourable weather conditions in the sugar growing zone, increased area of cane harvested which increased from 47.8 thousand hectares in 2001 to 53.9 thousand hectares in 2002, and low import of refined sugar. Stiff competition from low priced imported sugar and, administrative and managerial problems that have faced the industry over the years continued to be experienced.

2.11. **Cotton:** The sub-sector continued to recover, mainly due to the opportunities availed by the African Growth and Opportunity Act (AGOA) and the support provided to the sector by the government. The ginneries intake of cotton more than doubled in the year under review, from 500 tonnes in 2001 to 1,113 tonnes.

2.12. **Horticulture**: In the last decade, the sector has achieved tremendous growth. In the year 2002, the volume of horticultural exports went up from 98.9 thousand tonnes in 2001 to 121.1 thousand tonnes. The value of exports also rose from Ksh. 20.2 billion in 2001 to Ksh. 26.7 billion in 2002 with the cut flowers being the dorminant horticultural export.

Trade, Restaurants and Hotels

2.13. In the last two years, key tourism indicators show that the sector is on the path of recovery. Factors that account for this include, continued aggressive marketing by Kenya Tourism Board (KTB) and improved security within the tourism sites in the country. During 2002, the total number of visitor arrivals increased slightly to reach just over one million. However, tourism earnings dropped by 10.4 per cent from Ksh. 24,256 million in 2001 to Ksh 21,734 million in 2002. This is due to the currently preferred prepaid packaged tours that significantly reduce cash transactions by the visitors when they are in the country. In real terms, the trade, restaurants and hotels sector grew by 1.6 per cent in 2002 compared to 1.3 per cent in 2001.

Producer of Government Services

2.14. The sector's real output grew by 0.9 per cent in 2002 compared to 0.7 per cent registered in 2001. This increase can be attributed to new recruitment in the civil service especially in health and education sectors. In real terms, the sector grew by 0.9 per cent, higher than that achieved in 2001. Much of the expenditure allocations main services continue to be in the social sector with education and Health absorbing 19.9 per cent and 5.6 per cent of the total public expenditure on services respectively.

Building and Construction

2.15. This sector is mainly driven by infrastructural development. Activities in this sector improved slightly in the year 2002. Cement consumption went up by 7.7 per cent largely due to improved activities in the private sector including on-going construction work and maintenance of already completed buildings. In real terms the sector grew by 0.3 per cent in 2002 compared to a growth of negative -0.5 in 2001.

2.16. There was a significant increase of 27.6 per cent in the value of private building works completed in 2002 over those reported in 2001. The value of those completed in Nairobi almost doubled from Ksh 656.2 million in 2001 to Ksh 1,185.0 million in 2002 on account of renovation works completed on the Co-operative Building.

2.17. On the other hand, there were no major building activities undertaken in the public sector. Inadequate budgetary allocation continued to hamper completion of housing projects in Nairobi, Kapsabet, Kericho and Voi. National Housing Corporation (NHC) managed to complete two housing projects and embarked on construction of a housing scheme during the year. No major road construction work took place apart from resealing and reconstruction of some roads both in rural and urban roads especially those under the *El-Nino* Project Fund and road maintenance levy.

Energy

2.18. Oil remains the major source of commercial energy in the country accounting for over 70 per cent of the total formal energy used. All the oil consumed in the country is imported as Kenya has no known commercial deposits. During 2002, the prices of Murban Benchmark crude oil which constitute a large proportion of total crude oil imported and processed in the country went up from US$ 19.70 per barrel in January 2002 to stand at US$27.70 per barrel in September 2002. The increase in the world prices translated to increased prices of petroleum products in the domestic economy. As a result, domestic consumption declined by 3.3 per cent in the year 2002.

2.19. Electricity is the second major source of energy produced mainly from hydropower, thermal and geothermal plants in the country. During the year under review the total installed capacity remained at the same level of 1,142 MW. Total electricity generated increased by 5.2 per cent. This is attributed to optimal operation of hydro-generation plants after the country received adequate rains in the water catchment areas. Thermal generation however, declined further by 40.6 per cent in 2002 compared to a marginal decline of 2.6 per cent recorded in 2001. This was mainly due to increased power generation by hydro-power plants. Demand for electricity increased by 7.2 per cent to 3,742 million KWH from 3,489.8 million KWH in 2001.

Finance, Insurance, Real Estate and Business Services

2.20. The Government through the Central Bank of Kenya continued to pursue prudent monetary policy, started five years ago with the aim of containing the overall inflation rate within the 5.0 per cent target.

2.21. Narrow money supply (M2) and Broad Money Supply (M3) grew by 9.6 per cent and 8.6 per cent, respectively. Broad Money Supply (M3X) registered a growth of 10.0 per cent on account of increases in net foreign and domestic assets of the banking sector. Tight monetary policy coupled with fairly stable exchange rate contained the overall inflation rate to only 2.0 per cent in 2002.

2.22. The effects of withholding donor funds in early 2001 continued to be felt through the year 2002. Consequently, Government domestic borrowing increased by 13.0 per cent to Ksh. 113,384 million in 2002 from Ksh. 100,383 million in 2001. Domestic credit to the private and other public sector including local authorities and parastatals rose by 6.0 per cent as opposed to a decline of the similar magnitude in 2001.

2.23. The principal interest rates continue to decline in 2002. The 91-day Treasury Bill rate dropped further to 8.38 per cent by December 2002 compared to 10.81 per cent recorded in the same month of 2001. Several factors contributed to this downward trend in interest rates including, low demand for investment funds due to the prevailing low economic activities and change in the government policy in 2001 to reduce volume of short maturity domestic debt instruments in preference for the relatively longer maturity Treasury bonds.

2.24. The banking sector remained relatively stable with the number of commercial banks dropping only from 48 to 44 while non-banking finance institutions remained at 3. The number of mortgage finance companies and building societies stood at 2 and 4, respectively.

2.25. The issues of Non-performing Loans (NPLs) and the Central Bank's Amendment Act 2000 remained the main challenges facing the banking sector. The NPLs accounted for 30.2 per cent of the total loans. The sector's profitability declined in the year 2002 due to the economic recession.

2.26. The main indicators in the capital market points to a recovery from low activities in 2001. The volume of shares transacted increased by 24.3 per cent, from 109.2 million shares to 135.8 million shares in 2002. However, shares turnover decreased from Ksh. 3.12 billion to Ksh. 2.88 billion, a decrease of 7.7 per cent during the same period. On the other hand, market capitalization went up from Ksh. 86.1 billion to Ksh. 112.3 billion in 2002, while NSE index closed at 1363 in 2002 from 1355 level in 2001.

Table 2.1 Gross Domestic Product, 1998 - 2002 (KSh. million)

	Current Prices					Constant (1982) Prices			
	1998	**1999**	**2000**	**2001**	**2002***	**1998**	**1999**	**2000**	**2001***
A. NON-MONETARY ECONOMY									
Forestry	1,801.50	1,871.90	2,158.30	2,357.60	2,709.58	751.8	762.3	770.7	788.5
Fishing	139.40	148.60	155.40	172.30	225.59	29.6	29.7	29.5	32.5
Building and Construction	2,528.00	2,599.80	2,667.40	3,136.22	3,765.09	1,619.0	1,620.4	1,628.5	1,642.6
Water Collection	1,518.40	1,612.00	1,830.00	1,955.10	2,284.40	619.0	634.4	650.3	668.5
Ownership of Dwellings	8,261.00	9,022.00	9,522.73	9,718.85	9,884.13	2,656.8	2,710.0	2,747.0	2,791.1
TOTAL NON-MONETARY ECONOMY	**14,248.3**	**15,254.3**	**16,333.8**	**17,340.1**	**18,868.8**	**5,676.2**	**5,756.9**	**5,826.0**	**5,923.3**
MONETARY ECONOMY									
1. Enterprises and Non-Profit Institutions									
Agriculture	148,018.0	139,936.0	124,253.0	131,298.0	125,764.0	25,121.6	25,425.0	24,896.0	25,221.0
Forestry	5,361.6	5,759.8	6,830.0	7,630.0	8,768.2	1,380.8	1,415.4	1,387.6	1,400.2
Fishing	1,700.6	1,790.2	1,871.8	2,075.8	2,314.9	309.0	312.4	305.8	308.2
Mining and Quarrying	823.2	993.8	1,142.9	1,260.2	1,441.7	246.8	252.0	254.2	256.8
Manufacturing	66,006.1	79,121.0	88,714.6	96,968.5	110,853.3	13,596.6	13,732.5	13,540.2	13,648.5
Building and Construction	21,404.8	24,470.0	26,466.2	30,024.6	34,228.0	2,507.7	2,530.3	2,492.0	2,479.2
Electricity and Water	5,443.6	5,822.0	6,332.0	6,937.5	8,943.2	1,038.8	1,054.4	1,011.2	1,026.0
Trade, Restaurants and Hotels	123,452.6	138,030.8	162,391.0	193,782.6	224,276.0	12,693.4	12,947.2	13,077.4	13,247.4
Transport, Storage& Communications	43,255.2	45,616.8	50,338.5	57,972.0	69,506.0	6,118.0	6,202.0	6,328.6	6,531.1
Finance, Insurance, Real Estate and Business Services	78,093.0	76,078.0	69,750.0	74,174.0	70,099.0	10,690.3	10,904.1	10,945.0	11,054.5
Ownership of Dwellings	22,352.6	24,368.8	27,263.6	29,596.4	32,260.1	5,705.6	5,796.6	5,877.8	5,983.0
Other Services	23,721.2	27,790.4	31,986.4	36,773.9	42,906.2	3,499.6	3,569.6	3,587.8	3,623.8
Less:Imputed Bank Service Charges	(47,126.6)	(42,178.0)	(30,758.0)	(28,433.0)	(26,776.0)	(4,099.2)	(4,195.1)	(4,245.6)	(4,326.2)
TOTAL	**492,506.0**	**527,599.6**	**566,582.0**	**640,060.6**	**704,584.7**	**78,809.0**	**79,946.4**	**79,457.9**	**80,453.5**
2. PRIVATE HOUSEHOLDS (DOMESTIC SERVICES)	6,710.2	7,293.6	8,099.4	8,932.4	9,222.8	2,793.0	2,920.4	2,990.0	3,067.8
3. Producers of Government Services									
Public Administration	17,897.6	14,792.6	17,190.1	24,902.6	27,597.7	. .	. .	. .	. .
Defence	1,395.4	1,718.3	2,289.9	2,757.0	3,111.4	. .	. .	. .	. .
Education	50,264.2	56,532.3	57,195.1	57,789.7	67,083.4	. .	. .	. .	. .
Health	6,493.8	7,465.6	8,242.7	8,668.4	10,313.1	. .	. .	. .	. .
Agricultural Services	2,026.8	2,950.6	3,828.0	4,030.0	4,356.3	. .	. .	. .	. .
Other Services	4,997.0	5,449.3	5,675.2	5,546.9	5,771.9	. .	. .	. .	. .
TOTAL	**83,074.8**	**88,908.7**	**94,421.0**	**103,694.7**	**118,233.8**	**14,974.5**	**15,077.9**	**15,181.9**	**15,286.7**
TOTAL MONETARY ECONOMY	**582,291.0**	**623,801.9**	**669,102.4**	**752,687.7**	**832,041.3**	**96,576.5**	**97,944.6**	**97,629.8**	**98,807.9**
TOTAL NON-MONETARY AND MONETARY ECONOMY	**596,539.3**	**639,056.2**	**685,436.2**	**770,027.7**	**850,910.1**	**102,252.7**	**103,701.5**	**103,455.8**	**104,731.2**
ESTIMATED POPULATION (million)	**28.8**	**29.4**	**30.2**	**30.8**	**31.5**	**28.8**	**29.4**	**30.2**	**30.8**
GROSS DOMESTIC PRODUCT PER CAPITA KSh.	**20,747.7**	**21,736.6**	**22,690.6**	**24,987.9**	**26,998.4**	**3,556.4**	**3,527.3**	**3,424.8**	**3,398.6**

* Revised

** Provisional

Table 2.2 Growth of Gross Domestic Product, 1998 - 2002

	Current Prices						Constant (1982) Prices				
A. NON-MONETARY ECONOMY	**1997-98**	**1998-99**	**1999-00**	**2000-01***	**2001-02****	**1998-02*****	**1997-98**	**1998-99**	**1999-00**	**2000-01***	**2001-**
Forestry	4.5	3.9	15.3	9.2	14.9	10.7	1.3	1.4	1.1	2.3	
Fishing	2.0	6.6	4.6	10.9	30.9	12.8	0.7	0.5	-0.9	10.2	
Building and Construction	1.4	2.8	2.6	17.6	20.1	10.5	0.1	0.1	0.5	0.9	
Water Collection	5.6	6.2	13.5	6.8	16.8	10.8	4.1	2.5	2.5	2.8	
Ownership of Dwellings	2.1	9.2	5.6	2.1	1.7	4.6	3.0	2.0	1.4	1.6	
TOTAL NON-MONETARY ECONOMY	**2.7**	**7.1**	**7.1**	**6.2**	**8.8**	**7.3**	**2.0**	**1.4**	**1.2**	**1.7**	
B. MONETARY ECONOMY											
1.Enterprises and Non-Profit Institutions											
Agriculture	7.3	-5.5	-11.2	5.7	-4.2	-4.0	1.5	1.2	(2.1)	1.3	
Forestry	5.3	7.4	18.6	11.7	14.9	13.1	3.1	2.5	(2.0)	0.9	
Fishing	0.7	5.3	4.6	10.9	11.5	8.0	1.6	1.1	(2.1)	0.8	
Mining and Quarrying	1.0	20.7	15.0	10.3	14.4	15.0	1.4	2.1	0.9	1.0	
Manufacturing	20.9	19.9	12.1	9.3	14.3	13.8	1.4	1.0	(1.4)	0.8	
Building and Construction	14.0	14.3	8.2	13.4	14.0	12.5	1.3	0.9	(1.5)	(0.5)	
Electricity and Water	12.5	7.0	8.8	9.6	28.9	13.2	2.5	1.5	(4.1)	1.5	
Trade, Restaurants and Hotels	12.4	11.8	17.6	19.3	15.7	16.1	2.3	2.0	1.0	1.3	
Transport, Storage and Communications	3.4	5.5	10.4	15.2	19.9	12.6	1.2	1.4	2.0	3.2	
Finance, Insurance, Real Estate and											
Business Services	13.6	-2.6	-8.3	6.3	-5.5	-2.7	3.2	2.0	0.4	1.0	
Ownership of Dwellings	6.6	9.0	11.9	8.6	9.0	9.6	2.0	1.6	1.4	1.8	
Other Services	18.8	17.2	15.1	15.0	16.7	16.0	1.8	2.0	0.5	1.0	
Less:Imputed bank service charges.	19.9	-10.5	-27.1	-7.6	-5.8	-13.2	3.2	2.3	1.2	1.9	
TOTAL	**10.5**	**7.1**	**7.4**	**13.0**	**10.1**	**9.4**	**1.8**	**1.4**	**(0.6)**	**1.3**	
2.Private Households (Domestic Services)	**8.7**	**8.7**	**11.0**	**10.3**	**3.3**	**8.3**	**5.7**	**4.6**	**2.4**	**2.6**	
3.Producers of Government Services							**..**	**..**	**..**		**..**
Public Administration	14.5	-17.3	16.2	44.9	10.8	11.4	..	..	..		..
Defence	1.1	23.1	33.3	20.4	12.9	22.2	..	..	..		..
Education	23.8	12.5	1.2	1.0	16.1	7.5	..	..	..		..
Health	5.0	15.0	10.4	5.2	19.0	12.3	..	..	..		..
Agricutural Services	-9.4	45.6	29.7	5.3	8.1	21.1	..	..	..	..	..
Other Services	15.0	9.1	4.1	-2.3	4.1	3.7					
TOTAL	**18.0**	**7.0**	**6.2**	**9.8**	**14.0**	**9.2**	**0.8**	**0.7**	**0.7**	**0.7**	
TOTAL MONETARY ECONOMY	**11.5**	**7.1**	**7.3**	**12.5**	**10.5**	**9.3**	**1.8**	**1.4**	**(0.3)**	**1.2**	
TOTAL NON-MONETARY AND MONETARY ECONOMY	**11.2**	**7.1**	**7.3**	**12.3**	**10.5**	**9.3**	**1.8**	**1.4**	**(0.2)**	**1.2**	
GROSS DOMESTIC PRODUCT PER CAPITA	**8.6**	**4.8**	**4.4**	**10.1**	**8.0**	**6.8**	**(0.6)**	**(0.8)**	**(2.9)**	**(0.8)**	**(**

* Revised

** Provisional

*** Average annual change

Chapter 3 Social Scene

Overview

During the year 2002/2003, public expenditure in the social sector increased by 18.3 per cent from KSh 79,415.92 million to KSh 93,975.46 million. The increase in expenditure was mainly due to the implementation of the Free Primary Education policy initiated to achieve universal access to basic education. In 2002, the highest enrolment increase was reported in the tertiary institutions at 10.8 per cent followed by secondary education at 5.8 per cent. Total national Primary and secondary schools enrolment was 6,371,200 and 847,287 with private schools accounting for 9.3 per cent and 10.7 per cent respectively. The primary schools gross enrolment and net enrolment ratios were 90.8 per cent and 74.6 per cent. In 2002, the pupil/ teacher ratio for both primary and secondary was 33.1 : 1 and 17.5 : 1 respectively.

3.2. The number of the health facilities increased by 4.4 per cent to stand at 60,657 while the total registered medical personnel was 59,049 in 2002. The national HIV prevalence rate declined from 13.9 per ecnt in 2001 to 10.2 per cent as a result of vigorous advocacy and awareness creation by the government and partners in development. Grants to women group community activities more than doubled to KSh 20 million.

3.3. Crime statistics reported at police stations declined by 6.5 per cent to stand at 70,423 cases in 2002. The reported cases on domestic violence against women was 984 reflecting an increase by 5.5 per cent from 933 cases in 2001 to 984 cases in 2002. The increase in cases of assault and battering of women was 18.8 per cent while that of rape and attempted rape was 5.5 per cent.

Social Sector Expenditure

3.4. Table 3.1 shows that the Central Government expenditure on social services increased by 18.3 per cent from KSh 79,415.92 million in 2001/2002 to KSh 93,975.46 million in 2002/2003. The Ministry of Education, Science and Technology recorded the highest expenditure in 2002/2003, constituting 70.7 per cent of the total central government social sector expenditure, followed by the Ministry of Health with 20.6 per cent. The tremendous increase in the social sector's recurrent expenditure from KSh 71,895.54 million in 2001/2002 to KSh 82,751.47 million in 2002/2003 is mainly attributed to the implementation of the Free Primary Education Programme. Similarly, the development expenditure which constituted only 11.9 per cent of the total Central Government expenditure in the social sector, also increased substantially by 49.2 per cent from KSh 7,520.38 million in 2001/2002 to KSh 11,223.99 million in 2002/2003.

Table 3.1: Central Government Expenditure on Social Services, 1998/99 - 2002/2003 (Ksh Million)

		1998/1999	1999/2000	2000/2001*	2001/2002*	2002/2003**
RECURRENT EXPENDITURE-						
	Ministry of Education Science & Technology***. ..	43,233.60	45,896.00	47,740.77	53,738.39	61,603.48
	Ministry of Health+	11,911.60	9,335.80	14,870.25	10,527.39	14,448.49
	Ministry of Labour and Human Resource Development	212.80	678.40	825.00	1,048.19	1,464.76
	Ministry of Home Affairs, National Heritage and Sports	5,954.40	3,220.40	3,882.26	6,581.57	5,234.74
	TOTAL	**61,312.40**	**59,130.60**	**67,318.28**	**71,895.54**	**82,751.47**
DEVELOPMENT EXPENDITURE-						
	Ministry of Education Science & Technology***.. ..	1,525.00	660.20	758.67	2,597.32	4,814.44
	Ministry of Health+	1,253.00	865.40	759.11	3,539.54	4,893.66
	Ministry of Labour and Human Resource Development	1.20	147.00	334.38	493.26	389.23
	Ministry of Home Affairs, National Heritage and Sports	167.40	83.60	356.04	890.26	1,126.66
	TOTAL	**2,946.60**	**1,756.20**	**2,208.20**	**7,520.38**	**11,223.99**
TOTAL EXPENDITURE		**64,259.00**	**60,886.80**	**69,526.48**	**79,415.92**	**93,975.46**

* Provisional.

** Estimates including supplementaries.

*** Expenditure on the Ministry of Education Science and Technology includes expenditure on Harambee Institutes of technology and Youth polytechnics currently under the Ministry of labour.

\+ Expenditure on the Ministry of Health includes expenditure on KETRI currently in the Ministry of Agriculture.

3.5. Table 3.2 shows that the Local Government's expenditure on social services has been increasing since the 1999/2000 fiscal year. The total expenditure increased by 22.1 per cent from KSh 1872.30 million in the 2001/2002 fiscal year to KSh 2,286.48 million in the 2002/2003 fiscal year. Expenditure on health services constituted 48.4 per cent of total Local Government expenditure on social services in 2002/2003, while expenditure on education accounted for 36.0 per cent during the same period. The Local Government also provided budgetary support towards the provision of health, education and other social services for the disadvantaged population in the major urban areas including street children. This expenditure trend reflects the governments priority attached to education and health as components of core poverty programs since the introduction of the Poverty Reduction Stratregy (PRS).

Table 3.2: Local Government Expenditure on Social Services, 1998/99- 2002/2003 (KSh million)

	1998/99	1999/2000*	2000/2001*	2001/2002*	2002/2003**
Education	642.80	631.10	693.70	718.20	822.40
Health	762.90	786.20	858.60	922.90	1,107.30
Other Social Services	124.30	100.20	253.60	231.20	356.78
TOTAL EXPENDITURE	**1,530.00**	**1,517.50**	**1,805.90**	**1,872.30**	**2,286.48**

* Provisional.

** Estimates including supplementaries.

Education 3.6 Table 3.3 provides the recurrent and development expenditure pattern for the Ministry of Education, Science and Technology for the fiscal years 1998/1999 to 2002/2003. The budget estimates increased tremendously by 17.9 per cent, from KSh 56,335.71 million in 2001/2002 to KSh 66,417.93 million in 2002/2003. Development expenditure rose by 85.4 per cent from KSh 2,597.32 million in 2001/2002 to KSh 4,814.44 million in 2002/2003. General administration and planning whose budget was KSh 2,077.16 million accounted for 43.1 per cent of the development expenditure, followed by Higher education KSh 1,128.86 million (23.4 per cent), while Pre-Primary education and Primary education took KSh 796.04 million (18.9 per cent) and KSh 679.53 million (14.1 per cent) respectively.

Table 3.3: Expenditure of the Ministry of Education, Science and Technology, 1998/99 – 2002/2003 (KSh Million)

	1998/99	1999/2000*	2000/2001*	2001/2002*	2002/2003**
RECURRENT EXPENDITURE-					
General Administration and Planning	37,303.81	39,611.80	39,760.76	44,521.94	49,051.57
Pre-Primary Education	3.78	6.20	5.94	6.69	7.15
Primary Education	360.23	483.40	816.16	741.98	3,321.65
Secondary Education	308.68	595.80	697.69	667.31	667.88
Technical Education+	613.60	726.00	875.18	865.77	865.72
Teacher Training	190.20	185.80	129.64	177.08	155.91
Special Education	73.00	81.60	103.19	54.49	120.41
Polytechnic Education	201.60	195.40	252.09	320.84	342.73
Higher Education***	5,094.71	5,449.80	5,862.89	6,382.29	6,808.94
Miscellaneous	184.40	263.80	264.89	-	261.52
SUB-TOTAL	**44,334.01**	**47,599.60**	**48,768.43**	**53,738.39**	**61,603.48**
DEVELOPMENT EXPENDITURE-					
General Administration and Planning	170.00	27.20	461.56	1,004.09	2,077.16
Pre-Primary Education	104.00	268.40	271.88	278.20	679.53
Primary Education	160.80	284.80	235.86	150.20	796.04
Secondary Education	14.00	2.40	9.30	3.10	52.19
Technical Education+.	0.60	-	13.33	9.63	5.00
Teacher Training	208.20	2.80	33.00	608.10	74.66
Special Education	0.20	-	-	-	-
Polytechnic Education	-	-	-	-	-
Higher Education***	1,509.00	74.60	68.43	544.00	1,128.86
Miscellaneous	-	-	-	-	1.00
TOTAL	**2,166.80**	**660.20**	**1,093.36**	**2,597.32**	**4,814.44**
GROSS TOTAL EXPENDITURE	**46,500.81**	**48,259.80**	**49,861.79**	**56,335.71**	**66,417.93**

* 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.

3.7. The recurrent expenditure estimates increased by 14.6 per cent from KSh 53,738.4 million in 2001/2002 to KSh 66,417.93 million in 2002/2003. The largest portion of the recurrent expenditure by the Ministry of Education went to General Administration and Planning (KSh 49,051.57 million or 79.6 per cent), followed by the Higher Education with KSh 6,808.94 million (11.1 per cent). In order to meet the expected costs of the Free Primary Education policy main objective of which is to increase access to basic education, a supplementary budget of KSh 2,469.85 million was approved by the Parliament in 2003. This resulted in a phenomenal increase in primary education recurrent expenditure from KSh 742.0 million in 2001/2002 to KSh 3,321.65 million in 2002/2003. Recurrent expenditure on Higher Education increased from KSh 6,382.9 million to KSh 6,808.94 million, while that of Polytechnic Education increased from KSh 320.8 million in 2001/2002 to KSh 342.73 million in 2002/2003. However, recurrent expenditure on Technical Education declined marginally from KSh 865.77 million in 2001/2002 to KSh 865.72 million in 2002/2003.

3.8. Table 3.4 shows the number of non-university educational institutions by category for the period 1998 to 2002. The total number of educational institutions increased marginally by 1.9 per cent from 50,127 in 2001 to 51,085 in 2002. In the category of pre-primary schools, the number of institutions increased by 2.6 per cent from 27,573 in 2001 to 28,300 in 2002. The majority (55.4 per cent) of the institutions in 2002 were pre-primary schools, followed by primary schools(37.4

per cent), while the total number of private primary and secondary schools totalled 1,861 schools.

Table 3.4: Number of Educational Institutions*, 1998 – 2002 (Numbers)

Category	1998	1999	2000	2001	2002**
Schools:					
Pre-Primary	23,977	25,429	26,294	27,573	28,300
Primary:					
Public	16,971	17,054	17,381	17,544	17,683
Private	385	569	1,236	1,357	1,441
Total	17,356	17,623	18,617	18,901	19,124
Secondary:					
Public	2,762	2,785	2,888	3,242	3,247
Private	319	412	357	389	420
Total	3,057	3,197	3,207	3,621	3,667
Training Colleges:					
Primary	28	29	29	29	29
Secondary+	3	3	3	3	3
TOTAL	**44,421**	**46,281**	**48,150**	**50,127**	**51,085**

* Excluding universities
** Provisional.
\+ Includes Kenya Technical Teachers College
Source : Ministry of Education, Science and Technology

3.9. **Pre-Primary Education:** Pre-primary schools enrolment increased marginally by 1.0 per cent from 1,163,532 in 2001 to 1,175,225 in 2002, while the number of trained teachers increased slightly by 1.6 per cent from 47,119 to 47,889 over the same period. Most of these Early Childhood Education Centres are managed by the parents who support feeding programmes as well as teachers' salaries. However, training of teachers was also supported by the Government Thus, the pupil/teacher ratio improved from 24.7:1 in 2001 to 24.5 in 2002.

3.10. **Primary Education:** Table 3.5 indicates that gross enrolment in primary schools increased marginally by 0.9 per cent from 6,314,600 in 2001 to 6,371,200 in 2002, translating into gross enrolment rate of 91.2 per cent and 90.8 per cent respectively. In 2002, 76.4 per cent of those aged 6-13 years were attending primary school. Enrolment in standard one increased by 2.4 per cent from 970,900 in 2001 to 994,500 in 2002. In 2002, the enrolment across the classes shows some gender imbalance, the highest discrepancy being in standard 8. The transition of boys from standard 4 in 1998 to standard 8 in 2002 was 79.4 per cent while that of girls was 75.0 per cent. Conversely, the survival rates for the girls who joined standard 1 in 1998 to class 5 is 81.1 per cent while that of boys is 77.2 per cent. A total of 514,350 candidates sat for the Kenya Certificate of Primary Education (KCPE) in 2002 with 47.5 per cent being girls, compared to the 480,996 registered in 2001. Evidence also indicates that only 55.8 per cent of the 2002 Kenya Certificate of Primary Education (KCPE) candidates were admitted to Form 1 in 2003, giving a transition rate of 46.2 per cent.

Table 3.5: Primary School Enrolment by Standard and Gender, 1998 - 2002 ('000)**

	1998		1999		2000		2001		2002*	
Class	Boys	Girls	Boys	Girls	Boys	Girls	Boys	Girls	Boys	Girls
Standard 1	503.1	473.0	509.9	477.0	519.1	505.1	499.4	471.5	510.4	484.1
Standard 2	460.4	431.1	462.3	434.8	482.8	447.7	475.2	451.0	454.7	431.1
Standard 3	428.2	405.8	438.5	415.2	437.6	391.1	451.2	429.9	434.3	411.1
Standard 4	397.1	390.3	418.5	403.6	415.9	420.3	439.8	427.5	428.3	413.8
Standard 5	351.3	352.3	362.1	364.5	358.9	368.9	392.0	388.2	388.9	388.5
Standard 6	316.2	326.0	333.6	337.2	339.9	347.6	351.1	355.6	357.5	364.5
Standard 7	317.2	331.3	310.6	321.7	330.4	334.7	329.6	341.9	347.8	348.0
Standard 8	221.0	215.3	246.6	228.0	243.0	232.6	262.4	248.3	315.4	292.7
TOTAL ..	**2,994.5**	**2,925.1**	**3,082.1**	**2,982.0**	**3,127.6**	**3,048.0**	**3,200.7**	**3,113.9**	**3,237.3**	**3,133.9**
GRAND TOTAL	**5,919.6**		**6,064.1**		**6,175.6**		**6,314.6**		**6,371.2**	

* Provisional

** Data includes private schools enrolment

Source : Ministry of Education, Science and Technology

3.11. The number of public primary school teachers by qualification and gender is shown in Table 3.6. There was a decrease in their overall number by 1.6 per cent from 180,860 in 2001 to 178,037 in 2002. During the year 2002, an additional 2,234 primary school teachers were recruited to fill in for the deficits in various districts. Despite this, the overall number of teachers still dropped due to natural attrition. Trained teachers constituted an impressive 98.3 per cent of the total teaching force, while the pupil/trained teacher ratio in public schools stood at 33.1:1.

Table 3.6: Number of Primary Teachers by Qualification and Gender, 1998 – 2002**

	1998			1999			2000			2001			2002*	
	Male	**Female**	**Total**	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**	**Male**	**F**
TRAINED														
Graduate	-	-	-	97	67	164	130	63	193	122	54	176	168	
Approved	924	727	1,651	1,674	920	2,594	1,733	902	2,635	12,625	6,598	19,223	12,549	
S1/Diploma	12,363	7,381	19,744	11,550	7,392	18,942	11,335	6,635	17,970	316	375	691	288	
P1	73,311	54,299	127,610	71,147	54,343	125,490	69,338	51,662	121,000	74,288	53,250	127,538	74,076	
P2	16,544	12,541	29,085	15,502	12,171	27,673	14,683	11,579	26,262	14,721	10,975	25,696	14,081	
P3	3,866	3,780	7,646	2,513	2,788	5,301	2,261	2,685	4,946	2,027	2,401	4,428	1,859	
TOTAL	**107,008**	**78,728**	**185,736**	**102,483**	**77,681**	**180,164**	**99,480**	**73,526**	**173,006**	**104,099**	**73,653**	**177,752**	**103,020**	
UNTRAINED														
K.A.C.E.	246	71	317	-	-	-	-	-	-	-	-	-	-	
K.C.E./K.C.S.E.	3,501	1,848	5,349	3,511	1,785	5,296	3,350	1,719	5,069	1,313	492	1,805	911	
K.J.S.E	490	156	646	614	239	853	609	216	825	826	265	1,091	611	
C.P.E./Others	162	96	258	184	115	299	-	-	-	131	81	212	114	
TOTAL	**4,399**	**2,171**	**6,570**	**4,309**	**2,139**	**6,448**	**3,959**	**1,935**	**5,894**	**2,270**	**838**	**3,108**	**1,637**	
GRANDTOTAL	**111,407**	**80,899**	**192,306**	**106,792**	**79,820**	**186,612**	**103,439**	**75,461**	**178,900**	**106,369**	**74,491**	**180,860**	**104,658**	
*Provisional														

**Data exclusively for public schools and does not include teachers on study leave, disciplinary cases and those performing non-teaching duties.

Source: Ministry of Education, Science and Technology

3.12. **Secondary Education:** Table 3.7 shows the enrolment distribution in secondary schools by Form and gender for the years 1998 to 2002. Total enrolment in public and private went up by 5.3 per cent from 804,510 in 2001 to 847,287 in 2002. Public secondary schools enrolled 756,804 students in 2002, accounting for 89.3 per cent of the total enrolment. Girls comprised 47.2 per cent of total enrolment in 2002, while the completion rate was 94.8 per cent for girls and 98.1 per cent for boys. A total of 195,694 candidates were registered for Kenya Certificate of Secondary Education (KCSE) in 2002 of whom 36.9 per cent were girls, representing a 7.0 per cent increase as compared to 182,863 registered in 2001

Table 3.7: Enrolment in Secondary Schools by Form and Gender, 1998 - 2002 (Numbers)**

Form	1998		1999		2000		2001**		2002*	
	Boys	Girls	Boys	Girls	Boys	Girls	Boys	Girls	Boys	Girls
Form 1	102,449	92,813	105,231	95,773	108,116	97,196	116,174	106,425	140,145	127,367
Form 2	98,066	86,922	102,042	91,578	104,078	93,550	106,725	95,589	108,576	97,470
Form 3	90,293	77,871	92,003	81,666	98,610	87,346	103,339	90,351	99,179	89,366
Form 4	82,632	69,492	84,233	72,232	91,700	78,371	98,920	86,987	99,303	85,881
TOTAL	**373,440**	**327,098**	**383,509**	**341,249**	**402,504**	**356,463**	**425,158**	**379,352**	**447,203**	**400,084**
GRAND TOTAL	**700,538**		**724,758**		**758,967**		**804,510**		**847,287**	

* Provisional.

** Revised data includes Private schools enrolment

Source : Ministry of Education, Science and Technology

3.13. Table 3.8 shows the number of secondary school teachers in public schools by qualification and gender. The number increased by 2.3 per cent from 44,943 teachers in 2001 to 45,991 teachers in 2002. During the year 2002, the Teachers Service Commission recruited 1,532 teachers in areas identified to have staff shortages for English, Mathematics and Science subjects. Overall, trained teachers constituted 95.9 per cent of the total teaching force. Female teachers constituted 35.0 per cent, while graduates accounted for 66.5 per cent. Technical teachers accounted for only 2.0 per cent of the total teaching force.

Table 3.8: Number of Secondary Teachers by Qualification and Gender, 1998 - 2002**

	1998			1999			2000			2001			20	
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Fe
TRAINED														
Graduate	18,326	11,062	29,388	15,271	9,148	24,419	15,211	8,942	24,153	18,105	10,523	28,628	18,527	1
Approved	-		-	3,585	1,637	5,222	3,545	1,616	5,161	8,283	4,125	12,408	8,476	
S1/Diploma	6,644	3,490	10,134	5,690	2,977	8,667	5,612	2,967	8,579	1,067	629	1,696	1,092	
TECHNICAL	575	203	778	810	305	1,115	805	299	1,104	185	85	270	189	
P1	107	30	137	-	-	-	-	-	-	74	14	88	76	
TOTAL	**25,652**	**14,785**	**40,437**	**25,356**	**14,067**	**39,423**	**25,173**	**13,824**	**38,997**	**27,714**	**15,376**	**43,090**	**28,360**	**1**
UNTRAINED									-					
Graduate	2,032	497	2,529	925	225	1,050	734	136	870	1,052	192	1,244	1,077	
Dip/Technical	439	152	591	206	103	309	166	57	223	452	157	609	463	
K.A.C.E.	58	18	76	-	-	-	-	-	-	-	-	-	-	
K.C.E./K.C.S.E.	37	5	42	-	-	-	-	-	-	-	-	-	-	
Other	13	6	19	-	-	-	-	-	-	-	-	-	-	
TOTAL	**2,579**	**678**	**3,257**	**1,131**	**328**	**1,359**	**900**	**193**	**1,093**	**1,504**	**349**	**1,853**	**1,539**	
GRANDTOTAL	**28,231**	**15,463**	**43,694**	**26,487**	**14,395**	**40,782**	**26,073**	**14,017**	**40,090**	**29,218**	**15,725**	**44,943**	**29,899**	**1**

*Provisional

**Data is of public schools and does not include teachers on study leave, disciplinary cases and those performing non-teaching duties

Source: Ministry of Education, Science and Technology

3.14. **Teacher Training Institutions:** Table 3.9 shows that enrolment in the public teacher training colleges increased from 17,838 students in 1998/1999 to 17,955 students in 2002/2003. In the 2002/2003 academic year, the public Primary Teacher Training Colleges had a total student enrolment of 15,730 trainees, with females constituting 47.4 per cent. During the 2002/2003 primary schools intake the Ministry of Education raised the minimum qualification for P1 to C plain, in order to attract trainees who can improve on the level of performance in Primary Education especially in English, Science and Mathematics subjects. Also, the private colleges that offer training of P1's had a total enrolment of 4,720 students. In the diploma cadre, Kagumo Teachers College, the Kenya Science Teachers College and Kenya Technical Teachers' Training College (KTTC) had a total enrolment of 2,225 students of whom 42.9 per cent were females. Kagumo accounted for 41.0 per cent of the total diploma trainees, followed by KTTC with 31.1 per cent.

Table 3.9: Teacher Trainees Enrolment in Public Institutions by Year and Gender, 1998 - 2002

CERTIFICATION	1998		1999		2000		2001		2002*	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Primary Teachers (P 1)										
1st Year	2,297	2,470	1,827	1,735	3,796	3,842	4,358	4,018	4,269	4,122
2nd Year	2,083	2,079	1,657	1,459	3,194	3,484	3,952	3,381	3,871	3,468
Diploma Teachers										
1st Year	568	409	590	370	590	425	643	438	670	447
2nd Year	446	425	523	418	614	392	570	478	643	465
TOTAL	**5,394**	**5,383**	**4,597**	**3,982**	**8,194**	**8,143**	**9,523**	**8,315**	**9,453**	**8,502**
GRAND TOTAL	**10,777**		**8,579**		**16,337**		**17,838**		**17,955**	

*Provisional

Source: Ministry of Education, Science and Technology

3.15. **National Polytechnics:** The four national polytechnics (Kenya, Mombasa, Kisumu and Eldoret) enrolled 13,759 students in 2002, up from 10,272 in 2001. However, the female enrolment that constituted 30.2 per cent of total enrolment registered only a marginal increase of 1.1 per cent between 2001/2002 and 2002/2003. Kenya Polytechnic enrolled 6,570 students with the female students accounting for 34.7 per cent. Mombasa Polytechnic enrolled 3,681 students, Eldoret Polytechnic 2,187 students and Kisumu Polytechnic 1,357 students. Over the years it has become apparent that the main challenge facing the national polytechnics relates to developing programmes that take into consideration the evolving technologies while optimally utilising the available resources.

3.16. **Technical Training Institutes:** The student enrolment in the technical training institutes and institutes of technology rose by 6.7 per cent from 17,801 in 2001 to 18,991 in 2002. Female students constituted 45.0 per cent of the total enrolment compared to 44.0 per cent in 2001. It should be noted that the technical training institutes are now focussing their programmes towards meeting the market demands, including the introduction of popular paramedical courses that include pharmacology and laboratory technology.

Table 3.10: Student Enrolment in Tertiary Institutions by Gender, 1998/1999 - 2002/2003

INSTITUTION	1998/1999		1999/2000		2000/2001		2001/2002		2002/2003*	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Primary Teacher Training Colleges										
Public ...	4,549	4,380	3,484	3,194	7,326	6,990	7,739	7,399	8,140	7,590
Private	1,723	2,380	1,826	2,144	2,065	2,150	1,890	2,610	2,106	2,574
Total	**6,272**	**6,760**	**5,310**	**5,338**	**9,391**	**9,140**	**9,629**	**10,009**	**10,246**	**10,164**
Diploma Teachers Training Colleges	1,005	764	1,079	833	1,129	822	1,213	916	1,313	960
Technical Training Institutes	7,820	5,434	8,294	5,764	8,790	6,365	9,969	7,832	10,445	8,546
National Polytechnics	6,533	1,468	7,183	2,891	6,399	2,643	7,283	2,989	9,604	4,155
Universities										
Public Universities	28,231	12,339	28,498	12,770	29,027	13,481	35,870	17,036	42,172	20,703
Private Universities	3,609	3,382	3,963	4,162	4,111	4,101	4,224	4,905	4,390	5,025
Total	31,840	15,721	32,461	16,932	33,138	17,582	40,094	21,941	46,562	25,728
TOTAL	**53,470**	**30,147**	**54,327**	**31,758**	**58,847**	**36,552**	**68,188**	**43,687**	**78,170**	**49,553**
GRAND TOTAL		**83,617**		**86,085**		**95,399**		**111,875**		**127,723**

Source: Ministry of Education, Science and Technology

* Provision

3.17. **University Education:** The six public universities (Nairobi, Kenyatta, Moi, Egerton, Jomo Kenyatta and Maseno) recorded a significant increase in enrolment of 18.8 per cent from 52,906 students during the 2001/2002 academic year to 62,875 students in 2001/2002. The undergraduates formed 94.9 per cent of the total student population while female students comprised 32.9 per cent, representing an increase of 1.2 per cent compared to the 2001/2002 academic year. The students in the regular programmes constituted 94.0 per cent of the total undergraduate population, while postgraduate programmes enrolled 4,600 students.

3.18. The University of Nairobi registered a phenomenal increase of 46.0 per cent in enrolment from 16,583 during the 2001/2002 academic year to 24,209 in 2002/2003. The female students, comprising 31.2 per cent of total enrolment, showed a 6.2 per cent increment in 2002/2003 as compared to 2001/2002. The undergraduate programme enrolled 22,589 students, 38.2 per cent of whom pursued parallel degree programmes while those who undertook postgraduate programmes totalled 1,620, accounting for 9.6 per cent of the total student population.

3.19. Enrolment in Kenyatta University rose by 18.5 per cent from 10,252 in 2001/2002 to 12,058 in 2002/2003, with female students accounting for 42.7 per cent. Undergraduate enrolment was 8,277 for full time students and 2,027 for part time students, while the postgraduate programmes enrolment was 1,754, constituting 14.4 per cent of the total student enrolment. Female students enrolment for postgraduate programmes dropped by 4.7 points to stand at 29.3 per cent. The teaching force consisted of 646 full-time teaching staff and 203 part-time teaching staff for both undergraduate and postgraduate programmes. Female lecturers constituted only 28.0 per cent of the teaching staff.

3.20. Jomo Kenyatta University of Agriculture and Technology (JKUAT) registered a significant increase in student enrolment of 23.6 per cent from 3,667 to 4,534 in 2001/2002 to 2002/2003. The male students comprised 64.0 per cent, representing a drop of 5.4 per cent when compared to 2001/2002. The university had 155 postgraduate students in the academic year 2001/2002, 29.5 per cent of whom were female. The teaching staff comprised 283 full-time and 71 part-time lecturers.

3.21. Enrolment in Moi University increased by 1.8 per cent from 8,754 in 2001/2002 to 8,913 in 2002/2003 academic year, with females accounting for 30.2 per cent of the student population. The university had 320 postgraduate students enrolled with, 26.2 per cent being females.

3.22. Egerton University student enrolment also increased by 2.9 per cent from 8,857 in 2001/2002 to 9,112 students in 2002/2003. The female students constituted of 27.3 per cent of the total enrolment, while undergraduate students constituted 97.3 per cent. During the 2002/2003 academic year, the total teaching force of the university was 265 lecturers.

3.23. Maseno University enrolled 5,115 students during the 2002/2003 academic year, representing an increase of 4.4 per cent when compared to the 2001/2002 enrolment level of 4,900 students. The female students constituted 40.2 per cent of the total student enrolment while 195 students pursued postgraduate programmes.

3.24. Private accredited universities increased from 6 to 10 with a total enrolment of 8,750. Female students constituted 52.5 per cent of the total enrolment, which represents a decrease of 2.5 per cent compared to 2001/2002. The United States International University had the largest share of total enrolment (33.5 per cent) followed by Daystar University (24.4 per cent), Catholic University of Eastern Africa (20.6 per cent) and Baraton (17.5 per cent). Other Universities included, Aga Khan, Kabarak, Kiriri Womens University for Science and Technology, Methodist, Strathmore and Nazarene.

3.25. There were six private unaccredited universities in the year 2002L: St Paul's United Theological College, Kenya Highlands Bible College, East Africa School of Theology, Pan African Christian College, Nairobi International School of Theology and Nairobi Evangelical School of Theology had a total enrolment of 1,560 depicting an increase of 4.6 per cent compared to 2001. Overall, the female composition was 48.7 per cent of their total enrolment.

Developments in the Education Sector

3.26. **Free Primary Education:** The Government of Kenya is a signatory to the recommendations of the Jomtien World Conference on Education for All (1990) and the World Forum in Dakar (2000) towards achievement of Universal Primary Education. The Children's Act (2001) also recognizes that education is a basic human right that every child must enjoy and therefore has to be protected. To this end, the Government has abolished levies and extra tuition met by parents and implemented a free primary education programme in public schools in order to guarantee increased access to education services countrywide. During the current financial year, therefore, the Government at a cost of Ksh 3.6 billion and the DFID at a cost of KSh 1.2 billion, have planned to meet the basic cost of teaching and learning materials, wages of critical non-teaching staff and co-curricular activities at a cost of Ksh 647 for each pupil. Also, World Bank has committed to disburse grants during the year 2003, totalling KSh 3.8 billion in support of the teaching and learning materials in public primary schools. Parents and communities, on the other hand, are expected to meet the cost of the pupils clothing, food and health care. The Ministry of Education, Science and Technology is to provide guidelines on the participatory roles in primary schools development for the government, parents, teachers, communities, political leaders, private sector and the development partners.

Health

3.27. Health constitutes the physical, mental and social well-being of the people and not merely the absence of disease or infirmity. A healthy population is capable of actively participating in economic, social and political development and is, thus, a great asset to the country. The Government, therefore, has continued to put in place plans and programmes to reduce disease incidence, including the spread of the HIV / AIDS epidemic. This is in line with the Government's policy to provide sustainable health care that is acceptable, affordable and accessible to all Kenyans, under the framework of using a preventive rather than a curative approach in the management of health.

3.28. Table 3.11 shows the distribution of the health institutions and hospital beds and cots by Province for the years 2001 and 2002. Evidence indicates a marginal increase of 1.8 per cent in the number of health facilities, from 4,421 health institutions in 2001 to 4,499 in 2002. The table also shows that Rift Valley Province had the highest number of health facilities with a total of 1,259 (28.3 per cent), followed by Eastern Province with a total 831 (18.5 per cent). North Eastern Province had the least number of health facilities, standing at only 83 (1.9 per cent) in spite of its vastness.

3.29. The total number of hospital beds and cots also rose from 58,080 in 2001 to 60,657 in 2002, representing a marginal increase of 4.4 per cent. The majority of these beds and cots (20.4 per cent) were located in the health facilities within the Rift Valley Province health facilities while Nyanza Province had the second largest share (19.7 per cent). North Eastern Province had the least number of beds and cots (1,707) during the period. A more appropriate picture of the adequacy or otherwise of beds and cots is summarised by their number per 100,000 population. As shown in Table 3.11, Coast Province had the highest ratio of 30.6, followed by Nyanza with 23.1 and Central with 22.4. In contrast, North Eastern Province had the least ratio of 14.0. Overall, the ratio of beds and cots per 100,000 population improved in all Provinces, albeit marginally.

Table 3.11: Health Institutions **and Hospital Beds and Cots by Province, 2001-2002**

Province	Number of Health Institutions						Total Facilities		Hospital Beds and Cots			
	2001			2002*					2001		2002*	
	Hospi-tals	Health Centres	HealthSub-Centre&Dispen-sary	Hospit-als	Health Centres	HealthSub-Centre&Dispen-sary	2001	2002*	Number	No.Per100,000 Population	Number	No.Per100,000f Populatio
Nairobi	55	51	375	56	53	376	481	485	4,703	20.0	4,891	21
Central	60	82	362	63	86	368	504	517	7,936	20.6	8,191	22
Coast	63	38	326	64	40	331	427	435	7,421	28.1	7,687	30
Eastern	62	77	686	63	79	689	825	831	7,112	14.7	7,412	15
N/Eastern	6	9	61	7	11	65	76	83	1,610	13.6	1,707	14
Nyanza	95	111	324	97	114	328	530	539	11,041	22.6	11,922	23
R/Valley	94	155	989	98	159	1,002	1,283	1,259	11,921	15.9	12,390	16
Western	65	88	187	66	92	192	340	350	6336	18.0	6,457	19
Total	**500**	**611**	**3310**	**514**	**634**	**3,351**	**4,466**	**4,499**	**58,080**	**18.9**	**60,657**	**19**

Source : Health Management Information System, Ministry of Health (MoH)
* Provisional

Table 3.12: Registered Medical Personnel, 2001-2002

Type of Personnel	2001*		2002*		In Training(Number)	
	Number	No. Per 100,000 Population	Number	No. Per 100,000 Population	2001 /2002	2002 /2003
Doctors	4,630	15.2	4,740	15.1	829	848
Dentists	763	2.5	761	2.6	165	169
Pharmacists	1,758	5.8	1,866	5.9	212	221
Pharmaceutical Technologists	1321	4.3	1,399	4.3	152	155
Registered Nurses	9,392	30.9	9,753	31.0	1,223	1,267
Enrolled Nurses	28,420	93.5	29,094	94.6	3,840	3,882
Clinical Officers	4,610	15.2	4,778	15.2	862	878
Public Health Officers	1,042	3.4	1,174	3.3	184	194
Public Health Technicians	5,272	17.3	5,484	17.3	445	461
Total	**57,208**	**188.2**	**59,049**	**189.1**	**7,912**	**8,075**

Source : Health Management Information System, Ministry of Health (MoH)

* Provisional

3.30. Despite the reported brain drain affecting the health sector as a result of some of the medical personnel, especially nurses and doctors, leaving Kenya to work in the United States of America, Britain and South Africa, the Government, through the Ministry of Health is still committed to training of medical personnel. As shown in Table 3.12, the number of registered medical personnel increased by 3.2 per cent from 57,208 in 2001 to 59,049 in 2002. Majority of these medical personnel were enrolled nurses who constituted 49.3 per cent, followed by registered nurses who accounted for 16.5 per cent. However, Public Health Officers and Public Health Technicians, who are supposed to spearhead the crusade of preventive as opposed to curative medical care, only constituted 2.0 and 9.3 per cent of the medical cadre respectively. The ratio of medical personnel to 100,000 population, was almost at the same levels of last year. Similarly, the number of medical personnel in the training institutions has also not changed much, only edging slightly upwards by 2.1 per cent between 2001 and 2002.

3.31. The Government has recently intensified its efforts to reduce the spread of HIV/AIDS epidemic through a host of programmes including collaboration with NGOs to set up Voluntary Counselling and Testing Centres (VCTs) across the country, and creating awareness about the dangers of the epidemic. The most positive recent development in this area in 2003, perhaps, is the President's direct involvement in the fight against the spread of HIV/AIDS and the formation of the Cabinet Committee on HIV/AIDS, which he chairs himself. This has gone a long way to demonstrate the Government's holistic approach to tackling the menace. Table 3.13 shows the prevalence rates by urban/rural classification according to the latest statistics from the National Aids and Sexually Transmitted Infections Control Programme (NASCOP). The HIV prevalence rate has continued to slow down nationally from 13.4 per cent in 2000 through 13.0 per cent in 2001 to 10.2 per cent in 2002. A similar declining trend has also been witnessed in both rural and urban areas, this being from 13.0 per cent and 17.0 per cent in 2001 to 12.5 per cent and 16.5 per cent in 2002 respectively. However, the urban prevalence rates still remain way above the rural ones. The downturn is attributed to the numerous HIV/AIDS programmes, which include vigorous advocacy and awareness creation, initiated by the Government and its development partners participating in this area. The declining trend is likely to continue until the epidemic is brought under control.

Table 3.13: Estimated HIV Prevalence, 1998 – 2002 (Per cent)

Prevalence (per cent)	1998	1999	2000	2001	2002
Urban	18.1	17.8	17.5	17.0	16.5
Rural	13.0	13.0	13.0	13.0	12.5
Total	12.5	13.0	13.4	13.0	10.2

Source: National AIDS/ STI Control Programme (NASCOP)

3.32. Table 3.14 shows the prevalence rates among STI Sentinel Surveillance patients by year and marital status from 1990 to 2001. The prevalence rate has been rising over the years in all the categories of marital status, but is highest among the widowed, implying that their spouses were likely to have died from AIDS related ailments. Prevalence is also relatively high among clients who are separated, and partners in polygamous unions as well.

Table 3.14: HIV prevalence rates (per cent) among STI patients by sentinel year and marital status, Kenya

Year	Monogamous per cent (No.)	Polygamous per cent (No.)	Separated per cent (No.)	Single per cent (No.)	Widowed per cent (No.)
1990	13.9 (134)	0.0 (0)	34.5 (10)	15.3 (199)	16.7 (1)
1991	22.0 (272)	0.0 (0)	40.9 (9)	20.9 (254)	16.7 (1)
1992	28.9 (193)	0.0 (0)	41.7 (5)	29.8 (171)	50.0 (1)
1993	21.8 (96)	25.0 (9)	35.7 (5)	25.4 (105)	37.5 (3)
1994	25.7 (174)	13.9 (9)	28.6 (8)	28.4 (177)	42.9 (3)
1995	25.8 (8)	0.0 (0)	0.0 (0)	25.0 (5)	0.0 (0)
1996	21.5 (87)	30.9 (17)	20.7 (6)	20.2 (60)	50.0 (3)
1997	39.2 (231)	54.5 (61)	65.7 (23)	38.1 (137)	73.9 (17)
1998	30.9 (117)	48.8 (42)	68.8 (22)	23.0 (52)	50.0 (6)
1999	28.6 (24)	66.7 (12)	25.0 (1)	23.4 (11)	33.3 (1)
2000	31.2 (162)	54.0 (34)	40.0 (20)	30.1 (107)	68.2 (15)
2001	25.5 (472)	37.1 (130)	40.2 (51)	20.3 (193)	66.7 (50)

Source: National AIDS/ STI Control Programme (NASCOP)

( ) Numbers in parentheses represent cases testing positive

3.33. Table 3.15, which shows the prevalence of HIV by Province, indicates that there were an estimated 2 million Kenyans infected by HIV by 2002. Among the urban population, Nairobi Province had the highest prevalence rate of 36 per cent followed by Rift Valley with 17 per cent. In the rural areas, Nyanza Province had the highest rate of 26 per cent followed by Eastern Province with 23 per cent. The least affected province is North-Eastern, whereby both urban and rural rates stood at only 1 per cent. Note, however, that the very small number of cases means that the estimates must be treated with caution. On average 26.7 per cent of the STI patients are HIV positive. The fact that this rate is higher than the overall estimated HIV prevalence (10.2 per cent) indicate that sexually transmitted infections enhance the HIV transmission.

Table 3.15: HIV prevalence by Province, 2002

Province	Urban		Rural		Total	
	Number	per cent	Number	per cent	Number	per cent
Central	32,113	7	204,383	14	236,496	12
Coast	61,509	13	71,771	5	133,281	7
Eastern	47,823	10	330,316	23	378,139	19
Nairobi	174,747	36	-	-	174,747	9
North-Eastern	2,620	1	12,188	1	14,808	1
Nyanza	63,681	13	382,712	26	446,393	23
Rift Valley	80,989	17	285,431	19	366,419	19
Western	16,194	3	178,884	12	195,080	10
Total	**481,364**	**100**	**1,465,685**	**100**	**1,945,363**	**100**

Source: National AIDS/ STI Control Programme (NASCOP)

3.34. **National Hospital Insurance Fund**: The Government, through the National Hospital Insurance Fund (NHIF), administers a health insurance scheme to members who contribute a predetermined amount of money depending on their yearly income. Table 3.16 presents the receipts from the members and their benefits from 1997/1998 to 2001/2002 financial years. The contributions and receipts have been increasing over the years, although the former decreased very slightly by 0.1 per cent from KSh 2,145.67 million in 2000/2001 to KSh 2,143.95 million in 2001/2002. The members' benefits, on the other hand, increased tremendously by 47.7 per cent from KSh 400.28 million in 2000/2001 to KSh 591.38 million in 2001/2002.

Table 3.16: National Hospital Insurance Fund, 1997/1998 –2001/2002 (KSh million)

Year	Receipts	Benefits	Contributions net of Benefits
1997/1998	1.35	443.00	904.53
1998/1999	1,725.58	382.64	1,342.93
1999/2000	1,684.35	407.89	1,276.46
2000/2001	2,145.67	400.28	1,745.39
2001/2002	2,143.95	591.38	1,552.57

Source : National Hospital Insurance Fund (NHIF)

Other Social Services

3.35. **National Youth Services**: Table 3.17 gives details of National Youth Services (NYS) recruitment and income from 1998 to 2002. There was no recruitment in 1998 and 1999. The year 2002 witnessed the recruitment of 2,483 servicemen and 760 servicewomen representing a decrease of 16.2 per cent and 3.6 per cent respectively compared to the year 2001. Generally, the recruitment went down by 13.6 per cent from 3,752 to 3,243 in 2002. The decrease was due financial constraint required to sustain the recruited personnel. The income earned in the year 2002 was Ksh.0.58 million compared to Ksh.0.67 million in 2001. There was also a decrease of 9 per cent as a result of reduced participation in income generating activities.

Table 3.17: National Youth Services Recruitment and Income, 1998-2002

Year	Recruitment (Numbers)			Income Earned (KSh million)
	Service Men	Service Women	Total	
1998	-	-	-	20
1999	-	-	-	18.6
2000	2719	782	3,501	0.63
2001	2964	788	3,752	0.67
2002*	2483	760	3,243	0.58

Source: National Youth Service

*Provisional

3.36. **National Social Security Fund** : The National Social Security Fund ((NSSF) provides social and financial security to workers in Kenya. The details of registered employers, employees, annual contributions and annual benefits paid to members are shown in Table 3.2 for the period spanning 1998 to 2002. The number of registered employers and employees increased by 2.3 per cent and 3.3 per cent respectively from 51,500 in 2001 to 52,700 in 2002. Annual contributions almost doubled from Ksh.1,736.9 million in 2001 to Ksh.3,33.2 million in 2002. The increase in annual contributions is attributed to positive response by employers in remitting employees' contributions promptly, mainly arising from the sensitisation campaigns mounted by the NSSF inspectors. Annual benefits also went up slightly by 1.9 per cent from and KSh.2223.1 millions in 2001 to KSh.2,264.2 million in 2002.

Table 3.18: National Social Security Fund, 1998 – 2002

	1998	1999	2000	2001	2002*
Registered Employers ('000)	48	49.6	50.6	51.5	52.7
Registered Employees ('000)	2,546.50	2,637.10	2735.4	2832.5	2926.8
Annual contribution KSh (million)	1,540.00	1,570.00	1612.9	1736.9	3394.2
Annual benefits paid KSh (million)	520	1,974.00	1991.6	2223.1	2264.3

Source: National Social Security Fund

* Provisional

3.37. Adult Education: Table 3.19 gives details of enrolment in adult education classes by gender from 1998 to 2002. Male and female enrolment went up by 56.1 per cent and 10.4 per cent respectively, while total enrolment increased by 23.4 per cent in the year 2002. The increase in enrolment is attributed to the sudden interest people are showing in improving their factual or speculation literacy status, particularly to meet the basic requirements for participation in social, administrative and political activities. The percentage share of female enrolment went down from 72 per cent in 2001 to 64 per cent in 2002 as a consequence of the massive acceleration in male involvement.

Table 3.19 Adult Education Enrolment by Gender, 1998 – 2002

Year	Male	Female	Total	Per cent Female Enrolment
1998	26,180	74,081	100,261	3.9
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
2002*	41,341	73,524	114,865	64
Source: Department of Adult Education				
*Provisional				

3.38. The details of adults who passed proficiency tests and those registered for KCPE are shown in Table 3.20 and Figure 3.1. The results indicate poor performance as only 4,500 people passed proficiency test in 2002 compared to 10,856 in 2001, reflecting a decrease of 58.5per cent. At the same time, the number of those who registered for KCPE went down by 75.2 per cent in the year 2002. Rift Valley Province had the highest number who passed proficiency test in 2002 with 1,150, followed by Eastern with 840, while Nairobi and North Eastern Provinces had the lowest of 100 and 150 respectively. Concerning registration for KCPE by Province, Rift Valley still had the highest number of 602, followed closely by Coast with 601, while Western had the least of 43.

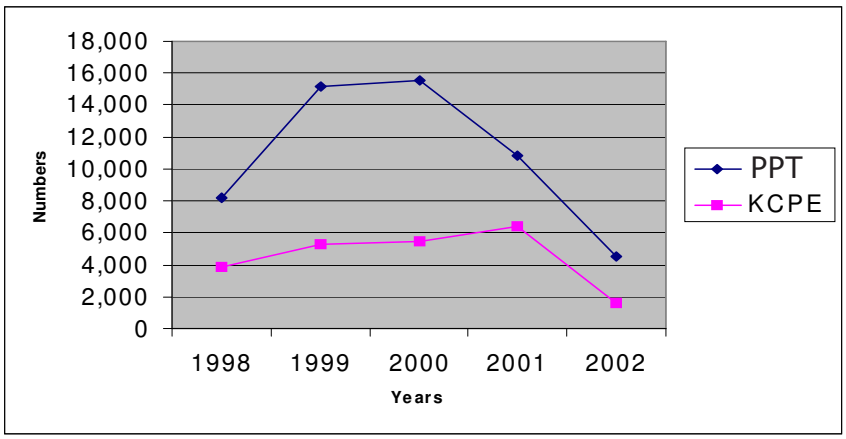
Table 3.20 Adults who Passed Proficiency Tests and those Registered for KCPE by Province, 1998-2002

	1998		1999		2000		2001		2002*	
Province	**PPT**	**KCPE**	**PPT**	**KCPE**	**PPT**	**KCPE**	**PPT**	**KCPE**	**PPT**	**KCPE**
Nairobi	110	908	400	997	346	1,296	426	1,607	100	
Central	877	139	1,543	111	1,812	160	1,141	149	610	105
Coast	495	212	1,305	480	1,205	368	1,042	342	430	601
Eastern	1,595	7	3,408	244	3,368	62	2,499	636	840	65
N/Eastern	2,096	52	532	231	634	536	394	636	150	60
Nyanza	667	146	3,046	227	3,987	100	2,803	101	730	114
Rift Valley	1,538	2,377	3,314	2,987	2,436	2,934	1,372	2,722	1,150	602
Western	861	42	1,611	46	1,720	43	1,179	213	490	43
Total	**8,239**	**3,883**	**15,159**	**5,323**	**15,508**	**5,499**	**10,856**	**6,406**	**4,500**	**1,590**

Source: Department of Adult Education

*provisional

Figure 3.1: Adults who Passed Proficiency Tests and those Registered for KCPE, 1998-2002



Source: Constructed based on numbers in Table 3.20

3.40. Over the years grass-root mobilisation of women has been achieved mostly through the various women groups scattered all over the country. The women groups play a key role in the improvement of their status and their economic empowerment as well. They mainly aim at building capacity to help women undertake programmes that have a direct positive impact on their welfare.

3.41. The women groups receive assistance for community development activities through the Department of Social Services. Table 3.21 shows the number of registered women groups as well as their membership, group contribution and grants by the Government. The number of registered women groups increased modestly by 5.7 per cent from 115,884 in 2001 to 122,441 in 2002. At the same time, membership increased by 5.5 per cent in 2002 compared to 2.3 per cent in 2001, while group contributions went up by 5.8 per cent from Ksh.457.9 millions in 2001 to Ksh.484.5 million in 2002. Government grants more than doubled during the same period from Ksh.9 million in 2001 to Ksh.20 million in 2002.

Table 3.21: Registered Women Groups, Membership, Contribution and Government Grants, 1998 – 2002

Year	No. of Women Groups	Membership	Group Contribution (KSh million)	Grants by Government (KSh million)
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
2002*	122,441	4,766,625	484.5	20

Source: Women's Bureau

*Provisional

3.42. Women and Political Empowerment: Women's participation in politics, though still dismal, has increased significantly in recent years. During the just concluded general elections, there were only 44 (4.2 per cent) women contestants out of 1,037 parliamentary candidates, as compared to 50 (5.7 per cent) women contestants out of 882 Parliamentary candidates in 1997. Table 3.22 shows that the percentage of elected and nominated women Members of Parliament increased significantly during the 2002 general elections. In all, there are 17 women Members of Parliament - 9 elected while 8 are nominated - representing 7.7 per cent of the total membership of the National Assembly, compared to only 4.1 per cent in 1997. This is a great improvement towards gender mainstreaming in decision making and is mainly attributed to the efforts made in creating awareness at the grassroots level as well as a general change of attitude among the populace.

Table 3.22: Distribution of National Assembly Members by Gender, 1969-2002

Year	Elected Members			Nominated Members			National Assembly Members		
	Men	Women	per cent Women	Men	Women	per cent Women	Men	Women	per cent Women
1969	154	1	0.7	11	1	8.3	165	2	1.2
1974	152	5	3.2	10	2	16.7	162	7	4.1
1979	155	3	1.9	11	1	8.3	166	4	2.4
1983	157	1	0.6	10	2	16.7	167	3	1.8
1988	186	2	1.1	11	1	8.3	197	3	1.5
1992	182	6	3.2	11	1	8.3	193	7	3.5
1997	206	4	1.9	7	5	41.7	213	9	4.1
2002	201	9	4.3	4	8	66.7	205	17	7.7

Source: Electoral Commission

3.43. Domestic Violence Against Women: Domestic violence is a pervasive problem in Kenya which cuts across class, culture and religion, and is mainly manifested in physical, psychological and sexual abuse of women. It is difficult to make a realistic assessment of the extent of violence against women, as most cases are not reported. However, available data compiled by the Kenya Police show that in the last decade the number of reported cases of violence against women has increased significantly.

3.44. Table 3.23 shows details of reported rape and attempted rape by province. Rift Valley exhibited the highest number with 229 cases followed by Central, Eastern and Nyanza with 194,142 and 131 cases respectively. North Eastern Province recorded the lowest with 23 cases, while Western Province was the second lowest with 78 cases and Coast Province the third lowest with 87 cases.

Table 3.23: Reported Rape, Attempted Rape and Allied Offences Against Women by Province, 1998-2002

Province	1998	1999	2000	2001	2002*
Nairobi	86	83	89	95	102
Central	164	179	181	186	194
Coast	79	75	77	82	87
Eastern	105	123	128	135	142
North-Eastern	14	12	13	17	23
Nyanza	102	114	117	124	131
Rift Valley	176	207	215	223	229
Western	49	56	63	71	76
Total	**775**	**849**	**883**	**933**	**984**

Source: Kenya Police

*Provisional

3.45. Table 3.24 shows reported cases of rape and attempted rape, including defilement and incest, assault and battering, against women. These criminal acts against women have been on the rise. Incidence of rape and attempted rape increased by 5.7 per cent and 5.5 per cent in 2001 and 2002 respectively, while defilement/incest cases declined by 3.1 per cent from 1,054 in 2001 to 1,021 in 2002. Reported assault and battering of women has also assumed an upward trend, increasing by 18.8 per cent from 6,648 in 2001 to 7,896 in 2002. Overall, the number of reported rape, assault and related cases against women increased by 14.7 per cent from 8,635 in 2001 to 9,901 in 2002, compared to a rise of 9.4 per cent between 2000 and 2001. In part, these data are indicative of a positive change in attitude to reporting such crimes.

Table 3.24: Reported Rape, Attempted Rape, Assault and Battering cases 1998-2002

Offence	1998	1999	2000	2001	2002*
Rape and Attempted Rape	775	849	883	933	984
Defilement/Incest	554	616	752	1,094	1,021
Assault and battering	5,866	5,918	6,255	6,648	7,896
Total	**7,195**	**7,383**	**7,890**	**8,635**	**9,901**

Source: Kenya Police
*Provisional

Crime Statistics

3.46. Internationally, crime and violence are increasingly becoming recognised as development problems. The incidence of crime especially undermines both macro and micro- economic growth and productivity of a country's development and the societal and individual well-being as well, thereby eroding social capital. Adequate awareness and knowledge of the status of crime in a country is, therefore, useful, more so for policy makers to formulate appropriate policies and strategies that will minimise crime rates and reinstate investment confidence in the country.

3.47. Table 3.25 presents in detail the crimes reported at the various police stations across the country. The total number of crimes reported declined by 6.5 per cent from 75,352 in the year 2001 to 70,423 in 2002 slightly better than the previous year when crimes reported declined by 6 per cent. The Table also depicts a general decline in most of the cases reported in 2002 as compared to 2001, attributed to the continued efforts of the police force to eradicate crime in the society. However, rape and assault cases still went up, albeit marginally, from 1,987 and 12,611 in 2001 to 2,005 and 12,689 in the year 2002 Theft of motor vehicles went up by 8.6 per cent from 960 cases in 2001 to 1,043 in 2002. The most notable one was corruption where cases more than trippled from 23 in 2001 to 76 in 2002. The tremendous rise in reported cases of corruption perhaps reflects the Government's recent explicit commitment to fighting official corruption, which also saw the creation of an Anti- Corruption Unit within the Police Force. The overall decline in crimes reported demonstrate the deliberate effort by the government to contain crime and improve governance.

3.48. The table 3.25 further shows that assault cases led the pack of cases reported at the Police stations in 2001, representing 18.0 per cent of all the cases reported as opposed to 16.7 per cent reported in 2002. Robbery and allied offences, breakings and general stealing cases represented 12.1, 11.8 and 11.8 per cent respectively. On the other hand, murder including attempt and causing death by dangerous driving offences reduced from 1,688 and 301 in the year 2001 to 1,661 and 298 in 2002 representing 1.6 and 1.0 per cent respectively. Although there was a drop in the use of dangerous drugs from 5,300 in the year 2001 to

Table3.26 Annual Crime Statistics by Province, 2000 – 2002

Table 3.25: Annual Crime Statistics, 1998 – 2002

Cases reported at Police Stations	Year				
	1998	1999	2000	2001	2002
Murder (including attempt)	1,637	1,625	1,807	1,688	1,661
Rape (including attempt)	1,329	1,465	1,675	1,987	2,005
Manslaughter	5	16	18	8	3
Assault	10,847	11,891	13,035	12,611	12,689
Other offences against the person	2,920	3,173	3,563	3,020	3,006
Robbery and Allied offences	8,303	8,612	8,923	9,180	8,504
Breakings	11,382	9,940	10,712	10,363	8,338
Theft of Stock	2,333	2,278	2,906	2,327	2,087
General stealing	9,899	9,591	10,129	8,919	8,340
Theft of V/vehicle	1,081	1,004	896	960	1,043
Theft of M/vehicles parts	934	770	748	753	587
Theft from m/ vehicles	624	526	569	558	420
Theft of bicycles	596	652	836	565	448
Theft by servant	3,230	3,075	3,221	2,757	2,371
Dangerous drugs	5,171	5,912	5,481	5,300	4,467
Handling stolen property	347	384	361	347	299
Corruption	145	43	42	23	76
Causing death by dangerous driving	304	259	346	301	298
Other offences against property	3,168	3,359	3,555	3,073	3,363
All other penal code offences	9,418	10,415	11,320	10,612	10,418
Total	**73,673**	**74,990**	**80,143**	**75,352**	**70,423**

Source : Kenya Police

Note: Rape cases include attempted rape and incest.

Prison Population

3.49. Table 3.26 shows that the number of offenders committed to prison increased by 36.5 per cent from 208,192 in 1998 to 284,160 in 2002, and by 4.4 per cent between 2001 and 2002. The number of offenders committed to jail for at least two years increased by 9.0 per cent from 9,998 in 2001 to 10,900 in 2002, while those serving jail terms ranging from one month to two years increased by 2.8 per cent from 49,254 in 2001 to 50,645 in 2002. However, the number of persons committed to jail for petty crimes and jailed for less than one month almost doubled from 9,861 in 2001 to 18,589 in 2002.

Table 3.26: Prison Population, 1998 – 2002

Category	Year				
	1998	1999	2000	2001	2002
Total prison population	**208,192**	**225,776**	**252,365**	**272,275**	**284,160**
2 years or more	10,111	10,449	10,304	9,998	10,900
1 month – 2 years	37,102	44,665	45,759	49,254	50,645
Less than 1 month	2,845	7,710	9,305	9,861	18,589
Total	**50,058**	**62,824**	**65,368**	**69,113**	**80,134**
For debt	485	617	742	892	1,386
For safe custody	157,649	162,335	186,255	202,270	202,640
Total	**158,134**	**162,952**	**186,997**	**203,162**	**204,026**
Previously convicted	15,268	16,955	20,573	20,991	20,179
Daily average in prison	29,443	36,243	38,231	36,692	38,931
Deaths (excluding executions)	**943**	**987**	**769**	**728**	**594**

Source: Kenya Prisons Department, 2003

3.50. Table 3.27 further indicates that the number of persons committed to civil jail for debts also increased during the period under review from 892 in 2001 to 1,386 in 2002, while those jailed for safe custody increased from 202,270 to 202,640 over the same period. The number of prisoners who were previously

convicted reduced by 3.9 from 20,991 in 2001 to 20,179 in 2002. On the other hand, the daily average of convicts in prisons rose by 6.1 per cent from 36,692 in 2001 to 38,931 in 2002, while those who died in prisons for causes other than execution declined by 18.4 per cent from 728 in 2001 to 594 in 2002.

Chapter 4 Employment, Earnings and Consumer Prices

Overview

Employment in Kenya is predominantly rural and the majority employed is engaged in small scale or subsistence farming and pastoralist activities. However, the employment data analyzed in this chapter, excludes employment in these typically rural activities. The poor performance of the Kenyan economy in the recent past has adversely affected employment creation. Total persons employed in both the modern and informal sector in 2002 was 6,851.6 thousand, with the informal sector accounting for 74.2 per cent. Annual inflation rate maintained its single digit level but improved from 5.8 per cent in 2001 to 2.0 per cent in 2002. Nominal average earnings in the modern sector per person increased from Kshs 198,841.7 per annum in 2001 to Kshs 228,540.4 per annum in 2002. Real average earnings in the modern sector rose by 12.7 per cent to Kshs 171,114.4 per annum in 2002.

Employment

4.2. The number of persons employed outside small-scale agriculture and pastoralists activities rose by 7.6 per cent to 6,851.6 thousand persons in 2002. Table 4.1 shows that employment in the informal sector rose by 10.0 per cent to 5,086.4 thousand persons and accounted for 74.2 per cent of the total persons engaged in 2002. Employment in the modern sector expanded by only 1.3 per cent in 2002. Non wage employment in the form of self employed and unpaid family workers stood at 65.5 thousand persons and accounted for only 3.7 percent of the total modern sector employment in 2002. This means that the economy has returned to the 2000 level of formal sector employment mainly because of the increased employment opportunities in the Export Processing Zone (EPZ) firms.

Table 4.1: Total Recorded Employment: June 1998 – June 2002 ('000')

	1998	1999	2000	2001	2002*
Modern Establishments - Urban and Rural Areas:					
Wage Employees	1,678.4	1,688.7	1,695.4	1,677.1	1,699.7
Self-employed and unpaid family workers	64.8	65.1	65.3	65.4	65.5
Informal Sector	3,353.5	3,738.8	4,150.9	4,624.4	5,086.4
**TOTAL .. ..

Table 4.2: Wage Employment by Industry and Sector, 1998 – 2002* ('000's)

	1998	1999	2000	2001	2002*	% change
PRIVATE SECTOR:						
Agriculture and Forestry	245.2	249.6	251.3	254.7	256.3	0.6
Mining and Quarrying	4.3	4.5	4.6	4.6	4.6	0.0
Manufacturing	180.8	183.6	182.9	183.1	196.4	7.3
Electricity and Water	1.5	1.5	1.5	1.6	1.7	6.3
Building and Construction	51.9	52.2	52.3	52.4	52.5	0.2
Wholesale and Retail Trade, Restaurants and Hotels	144.3	147.3	149.1	150.8	151.4	0.4
Transport and Communications	43.1	43.7	44.5	46.2	47.7	3.2
Finance,Insurance, Real Estate and Business services	66.8	68.1	68.8	68.8	68.6	-0.3
Community, Social and Personal Services	229.3	239.4	247.8	256.5	261.5	1.9
TOTAL PRIVATE SECTOR	**967.2**	**989.9**	**1,002.9**	**1,018.7**	**1,041.0**	**2.2**
PUBLIC SECTOR						
Agriculture and Forestry	64.6	62.9	60.9	57.8	57.3	-1.0
Mining and Quarrying	0.7	0.7	0.7	0.6	0.6	-0.2
Manufacturing	36.7	36.3	35.8	33.5	33.4	-0.4
Electricity and Water	22.0	21.6	21.2	19.8	19.6	-0.9
Building and Construction	27.8	27.0	26.3	24.4	24.0	-1.3
Wholesale and Retail Trade, Restaurants and Hotels	6.5	6.4	6.4	6.1	6.1	-0.8
Transport and Communications	42.6	40.9	39.7	38.1	37.8	-0.9
Finance, Insurance, Real Estate and Business services	17.5	16.7	16.2	15.0	14.6	-2.3
Community, Social and Personal Services	492.8	486.3	485.3	463.1	465.5	0.5
TOTAL PUBLIC SECTOR	**711.2**	**698.8**	**692.5**	**658.5**	**658.8**	**0.1**

* Provisional

4.4. Of the industries in the private sector, wage employment in community, social and personal services grew by 1.9 per cent in 2002 translating to about 5,000 new jobs. Wage employment in agriculture and forestry rose by 0.6 per cent representing about 1.6 thousand new jobs in 2002. There was a notable increase of 1.5 thousand jobs in the transport and communications industry. Major changes in employment within the private sector were in the manufacturing activities which expanded at a high rate of 7.3 per cent compared with 0.1 per cent recorded in 2001. The rate of growth of employment in the manufacturing sector was largely driven by near double growth of employment in the EPZ. This rate of growth in job creation has arisen from the successful exploitation of the African Growth Opportunity Act (AGOA) opportunities. New firms and higher levels of capacity utilization have therefore raised the vibrancy of the EPZs in the globalised economy. Figure 1 below presents the Employment in the EPZ sector over the last five years.

Chapter 5

Money, Banking and Finance

Overall Trends

The prudent monetary policy pursued by the Government over the last five years was maintained in 2002. The monetary policy pursued aimed at achieving and maintaining stability in the general price level . To achieve this, money supply and inflation were to be kept within the targeted level of 6.5 and 5.0 per cent, respectively. In the implementation of the monetary policy, the Central Bank of Kenya relied on the use of customary monetary policy instruments namely, Open Market Operations (OMO) including Repurchase Agreements (REPO) and reserve ratios and discounts facilities. Commercial Banks and Non-Bank Financial Institutions (NBFIs) were required to observe the statutory cash and liquidity ratio of 10.0 per cent and 20.0 per cent respectively.

5.2. As a result of the sustained implementation of the stringent monetary policy and the stability in the shilling exchange rate, an overall inflation rate of 2.0 per cent was realised. The broad money supply (M3X) that is used by the Central Bank for the monetary policy formulation, and implementation, grew by 10.0 per cent. In general, there was a decline in the interest rates, which reflected the trend in the 91-day Treasury bill rate. The 91-day Treasury bill rate dropped from 11.01 per cent in December 2001 to 8.38 per cent in December 2002. Net Foreign Assets (NFA) of the banking sector grew by 13.7 per cent in 2002, an increase of Ksh. 12,602 million as compared to 9.8 per cent recorded in the previous year. Domestic Credit expanded by 7.9 per ecnt during the year under review.

5.3. Table 5.1 presents key monetary indicators for the period 1998 – 2002. Broad Money Supply (M3) grew from Ksh. 322,923 million in December 2001 to Ksh. 350,733 million in December 2002, an increase of 8.6 per cent. The total domestic credit grew by 7.9 per cent from Ksh. 380,210 million in 2001 to Ksh. 410,232 million in 2002. Credit extension, to the Government and the private sector recorded significant increases. Domestic credit to both the private and other public sector reversed its decline of 6.0 per cent in 2001, to record a growth of 6.0 per cent in 2002. Credit to the government rose by 13.0 per cent from Ksh. 100,383 million in 2001 to Ksh. 113,384 million in 2002. The increased borrowing from the domestic market was attributed to a budget deficit occasioned by withholding of programmed foreign donor funds. Banking institutions continued to hold liquid assets largely in the form of cash balances at the Central Bank and securities in both Treasury bills and bonds hence maintaining more than the required minimum statutory liquidity ratio of 20.0 per cent. The quarterly average liquidity ratio for commercial banks ranged between 43.0 per cent and 47.0 per cent during the year and stood at 44.0 per cent by December. The highest average of 47.0 per cent was recorded in March 2002. Advances and deposits ratios remained steady in the first half of 2002 at 85.0 per cent before declining to record the lowest ratio of 82.0 per cent in December 2002. The decline was due to pre-election uncertainties that led to cautious behavior on the part of the banks and investors.

Table 5.1: Monetary Indicators, 1998 - 2002

As at end of		Net Foreign Assets KSh.M	DOMESTIC CREDIT KSh.M			Money** Supply(M3) KSh.M	Commercial Bank Liquidity Ratio per cent	Advances/ Deposits Ratio per cent
			Private*	Government	Total			
1998	December	42,501	260,562	90,067	350,629	303,750	38	83
1999	December	53,169	284,707	86,656	371,363	312,116	40	89
2000	December	83,616	297,401	81,758	379,159	314,686	43	90
2001	December	91,775	279,827	100,383	380,210	322,923	46	84
2002	March	91,849	277,156	104,308	381,464	320,948	47	85
	June	99,022	284,815	106,250	391,065	331,633	44	85
	September	99,544	292,748	111,823	404,571	335,873	41	83
	Dec.	104,377	296,847	113,384	410,231	350,733	44	82

Source: Central Bank of Kenya.

* Includes other public sectors.

** See Table 5.2 for Coverage.

5.4. As indicated in Table 5.2, which presents various aggregates of money supply, all the monetary aggregates registered positive growth rates except for the quasi money of NBFIs, which registered a decline of 6.3 per cent. Most of the monetary aggregates registered double-digit growths reflecting on many activities in the economy that were a result of the high expenditure by the Government and the private sector in preparation for the 2002 General Elections. Money supply (M1) grew by 15.4 per cent over the year to stand at Ksh. 150,082 million. Narrow Money supply (M2) and Broad Money supply (M3) grew by 9.6 per cent and 8.6 per cent, respectively in 2002. Broad Money supply (M3X) that includes foreign currency deposits with local banks grew by 10.0 per cent compared to the targeted 6.5 per cent, increasing from Ksh. 368,132 million in 2001 to Ksh. 404,784 million in 2002. The expansion in Broad Money supply (M3X) during the period under review was due to increases in both net foreign assets (NFA) and net domestic assets (NDA) of the banking sector. The NFA rose by 13.7 per cent, reflecting an increase in the foreign exchange holdings of the Central Bank and commercial banks. Broad Money supply M3XT that includes foreign currency deposits, and treasury-bill holdings, rose by 14.4 per cent, partly reflecting 34.4 per cent increase in Treasury bill holding by the non-bank public.

Table 5.2: Money and Quasi-Money Supply, 1998 – 2002 (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
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	December	130,026	178,709	308,735	14,258	322,923	368,132	449,304
2002	January	128,378	174,827	303,205	13,914	316,575	360,407	441,289
	February	128,874	177,981	306,855	13,791	320,222	366,014	448,232
	March	125,314	182,452	307,766	13,638	311,222	365,508	448,999
	April	134,367	178,260	312,627	13,279	325,451	370,986	463,713
	May	133,212	179,415	312,627	13,613	325,741	372,868	463,994
	June	136,844	181,614	318,458	13,777	331,633	378,128	470,873
	July	135,016	184,923	319,939	13,994	333,268	380,981	475,013
	August	137,696	188,225	325,921	13,866	338,704	389,540	487,702
	September	136,077	186,956	323,033	13,660	335,873	387,365	487,972
	October	141,131	184,939	326,070	13,472	338,115	387,309	489,539
	November	145,541	185,773	331,314	13,683	344,554	396,368	500,554
	December	150,082	188,162	338,244	13,364	350,733	404,784	513,863

Source: :Central Bank of Kenya.

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

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

*** See Table 5.3 for details

Consolidated Accounts of Banking System

5.5. Table 5.3 summarises the consolidated accounts of the banking system during the period 1998–2002. Both assets and liabilities of the banking systems grew by 9.0 per cent, from Ksh. 471,985 million in 2001 to Ksh. 514,608 million in 2002. On the liabilities side, currency outside banks also defined as narrow money supply (MO) grew by 18.9 per cent. Quasi money deposits for Non-bank Financial Institutions (NFBIs) continued a downward trend by registering a decline of 6.3 per cent. Residents' foreign currency deposits and Treasury bill holding by non bank public increased by 19.6 per cent and 34.4 per cent, respectively. Increases in Broad Money supply (M3X) and Broadest money supply (M3XT) can be attributed to the rise in foreign currency deposits and treasury bill holdings respectively.

5.6. Net foreign assets grew by 13.7 per cent in 2002 compared to 9.8 per cent in 2001. Domestic credit grew by 7.9 per cent from Ksh. 380,210 million in 2001 to Ksh. 410,231 million in 2002. The increase in private sector credit in the year may be partly explained by the lending to the telecommunications sub-sector in respect of commercial papers floated by a mobile phone company in August 2002

Table 5.3: Consolidated Accounts of the Banking System, 1998 – 2002 (Ksh Million)

	LIABILITIES-	1998	1999	2000	2001	2002			
						1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
1.	Money (M1):								
	1.1 Demand Deposits	56,005	67,117	75,927	84,681	79,240	89,874	89,693	96,187
	1.2 Currency outside banks	38,713	42,963	43,466	45,345	46,074	46,970	46,384	53,895
2. :	Sub-Total	94,718	110,081	119,393	130,026	125,314	136,844	136,077	150,082
	Quasi-Money(MS):								
	2.1Call + 7 days Notice								
	Deposits	18,453	19,581	18,456	19,658	20,070	19,978	20,565	20,698
	2.2 Savings Deposits	65,866	69,344	68,314	66,122	67,507	67,197	69,174	69,620
	2.3 Time Deposits	105,474	96,508	91,710	92,929	94,875	94,439	97,217	97,844
	Sub-Total	189,792	185,433	178,479	178,709	182,452	181,614	186,956	188,162
3	Money Supply(M2)	284,510	295,513	297,872	308,735	307,766	318,458	323,033	338,244
	Quasi-Money (NBFIs)	22,002	19,428	18,562	14,258	13,638	13,777	13,660	13,364
	Adjustments for Cross Bal.	-2,763	-2,825	-1,748	-70	-456	-602	-820	-875
4	Broad Money Supply(M3)	303,750	312,116	314,686	322,923	320,948	331,633	335,873	350,733
	Foreign Currency Deposits	24,571	32,921	44,961	45,209	44,560	46,495	51,492	54,051
5	Broad Money Supply(M3X)	328,321	345,037	359,647	368,132	365,508	378,128	387,365	404,784
	Treasury Bill Holdings	53,035	64,901	64,780	81,172	83,492	92,745	100,607	109,079
6	Broad Money Supply(M3XT)	381,356	409,938	424,427	449,304	449,000	470,873	487,972	513,863
	Other Items (Net)	64,816	79,484	105,156	103,852	107,805	111,958	116,655	109,824
	TOTAL	393,137	424,521	464,803	471,984	473,313	490,086	504,020	514,608
7	ASSETS-								
8	Net Foreign Assets	42,508	53,155	83,478	91,775	91,849	99,022	99,544	104,377
	Domestic Credit:								
	8.1 Central Govt. (Net)	90,067	86,656	83,789	100,383	104,308	106,250	111,823	113,384
	8.2 Other Public Bodies	6,261	7,304	8,058	8,027	6,938	6,630	9,671	8,016
	8.3 Private Sector	254,302	277,407	289,478	271,800	270,218	278,185	282,982	288,831
		350,629	371,366	381,325	380,210	381,464	391,065	404,476	410,231
Notes:	TOTAL	393,137	424,521	464,803	471,985	473,313	490,087	504,020	514,608

(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.

Sources of changes in Money Supply and Financial Aggregates real values

5.7. Table 5.4 presents sources of change in money supply. Broad Money Supply (M3X) grew by Ksh. 36,652 million, a 10.0 per cent growth. This growth was as a result of positive increases in currency plus demand deposits, Quasi-money (MS) and foreign currency deposit. The changes in M3X were occasioned by substantial increases in net foreign assets, domestic credit to government and private sector as noted earlier. The growth in domestic credit to Government was due to continued budgetary constraints following delays in the restoration of external financial assistance domestic borrowing was the alternative source of funding. For the Government to meet its budgetary obligations.

Table 5.4: Changes in Money Supply and Sources of Changes, 1998 - 2002

(comparing year-end values) (KSh Million)

		1998	1999	2000	2001	2002
MONEY SUPPLY---						
1.	Currency plus demand deposits	3,657	15,363	9,312	10,633	20,056
2.	Quasi-money(MS)	3,043	-4,360	-6,954	230	9,453
3.	Quasi-money(NBFIs)	2,998	-2,597	212	-2,626	-1,699
4.	Foreign Currency Deposits	1,309	8,350	12,039	248	8,842
5	Money supply (**M3X**)	11,007	16,756	14,610	8,485	36,652
SOURCES OF CHANGES---						
6.	Net foreign assets	-3,989	10,647	30,323	8,297	12,602
7	Domestic credit ---					
	(a) to Central Government(net)	7,402	-3,411	-2,867	16,594	13,001
	(b) to other public sector	-1,612	1,043	754	-31	-12
	(c) to private sector	17,427	23,105	12,071	-17,678	17,045
	(d) all domestic credit	23,217	20,737	9,959	-1,115	30,035
8	Other Items (Net)	-8,221	-14,628	-25,672	1,303	-5,985
9	Total sources of changes	11,007	16,756	14,610	8,485	36,652

5.8. Table 5.5 gives trends observed in real terms (1997 constant prices) for selected financial aggregates for the period 1998 – 2002. In real terms, money supply (M3) and Broad Money Supply (M3XT) increased by 6.5 per cent and 12.2 per cent, respectively in 2002. Commercial banks credit to the private sector declined by 0.8 per cent in 2002 while total credit grew by 4.6 per cent in real terms over the same period. Commercial banks deposit liability and total liabilities of the banking system in real terms increased by 7.5 per cent and 8.5 per cent, respectively in 2002. Total NBFIs credit to the economy declined by 43.3 per cent in real terms. The ratio of NBFIs liabilities to the overall banking system liabilities remained at 5.0 per cent for the second consecutive year. The share of Commercial banks deposit liabilities in the overall banking system liabilities rose by one percentage point from 64.0 per cent in 2001 to 65.0 per cent in 2002.

Table 5.5: Trends in the Real Value of Certain Financial Aggregates*,1998 - 2002

AT CONSTANT (1997) PRICES (KSh Million)**

		1998	1999	2000	2001	2002
1	Money Supply(M3)	285,131	277,067	254,066	246,525	262,603
2	Money Supply(M3XT)	357,980	363,904	342,667	343,006	384,743
3	Commercial bank credit to private sector	193,971	191,092	181,532	158,293	157,067
4	Total commercial bank credit	219,071	230,592	218,837	198,653	207,781
5	Commercial Banks' Deposit Liabilities	242,142	248,069	238,111	231,235	250,806
6	Total liabilities of banking system	369,039	376,849	375,265	360,321	385,301
7	NBFIs credit to private sector	27,059	21,729	20,963	19,822	12,546
8	Total NBFIs Credit	29,190	23,848	23,411	22,137	12,546
9	Total liabilities of non-bank					
	financial institutions(NBFIs)	39,931	32,101	30,258	28,611	18,251
Memorandum Item:						
10	Line 5 as per cent of line 6	66	66	63	64	65
11	Line 9 as per cent of line 6	11	9	8	8	5

* Deflated by average Consumer Price Indices.

** Series has been rebased from 1986 constant prices to 1997 the base period for the revised CPI

Interest rates

5.9. Principal interest rates for the period 1999–2002 are the presented in Table 5.6. Interest rates maintained their downward trend in the year to December 2002. The general decline in the rates reflected the trend in 91-day Treasury bill rate, which dropped from 10.81 per cent in 2001 to 8.38 per cent in December 2002. The downward trend in the 91 days Treasury bills rate was due to the excess liquidity in the domestic money market occasioned by limited demand for investment funds due to the prevailing low economic activities and uncertainity for general election. In addition, the government policy to reduce the volume of short maturity domestic debt in preference for the relatively longer maturity Treasury bonds that began in December 2000 and intensified from February 2002 also contributed to the decline in the short-term rate.

5.10. Kenya Post Office savings Bank (POSB) deposit rates dropped from 5.00 per cent, 2001 to 2.00 per cent, 2002. Agricultural Finance Corporation (AFC) lending rates remained at the same level for earlier loans, implying that no new loans were advanced during the period in review. Average lending rates by building societies dropped from 19.90 per cent in 2001 to 16.11 per cent, in 2002 a reduction by 9.0 per cent.

5.11. Bills and notes under the Crop Finance Scheme as well as other bills and notes dropped form 16.81 per cent in 2001 to 11.29 per cent in December 2002. Interest rates on commercial banks time deposits dropped on average by 0.8 percentage points. Interest rates on savings deposits dropped from 4.45 per cent in 2001, to 3.47 per cent in 2002.

Table 5.6: Principal Interest Rates, 1999-2002 (Percentage)

	1999	2000	2001	2002	
				June	December
CENTRAL BANK OF KENYA					
Average Interest Rate for 91 day Treasury Bills	20.47	13.47	10.81	7.34	8.38
Advances against Treasury Bills .	26.47	16.50	13.80	13.50	11.29
Bills and Notes under Crop Finance Scheme:					
Discounts	26.47	19.47	16.81	13.50	11.29
Advances	26.47	19.47	16.81		
Other Bills and Notes:					
Discounts	26.47	19.47	16.81	13.50	11.29
Advances	26.47	19.47	16.81		
Treasury Bonds (Coupon Rates, End Period):					
One Year					
Two Years					
Three Years	16.50				
Four Years					
Five Years	17.00	17.00			
COMMERCIAL BANKS					
Time Deposits:**					
0-3 Months	12.26	7.51	6.87	6.06	5.42
3-6 Months	10.27	6.29	6.13	5.59	5.13
6-9 Months	8.63	6.65	5.65	5.65	4.82
9-12 Months	9.25	5.91	5.70	5.23	5.10
over 12 Months	10.92	6.89	5.44	5.15	4.83
Savings Deposits	6.15	4.51	4.45	4.00	3.47
Loans and Advances(Maximum)* .	25.19	19.60	19.49	18.35	18.34
Inter-bank Rate	13.04	9.79	10.40	9.50	8.70
Overdraft	25.58	19.73	20.04	18.46	18.56
OTHER FINANCIAL INSTITUTIONS					
Kenya Post Office Savings Bank deposits	5.00	5.00	5.00	2.00	2.00
Agricultural Finance Corporations, Loans:					
(a) Land Purchase	20.00	20.00	20.00		
(b) Seasonal Crop Loan .	20.00	20.00	20.00		
(c) Other	20.00	20.00	20.00		
Hire Purchase Companies and					
Merchant Banks					
Deposits(time)	6.0-15.25	6.01-10.36	4.22 - 11.88	3.09-9.98	3.03-7.72
Loans	25.51	22.42	20.56	18.50	18.17
Building Societies:					
Deposits	5.94-12.00	5.63-11.50	5.63 - 11.16	3.09-7.50	2.59-8.71
Loans	21.47	19.90	19.90	19.90	16.11

Source: Central Bank of Kenya.

* Loans and advances for less than 3 years.

** For all commercial banks consolidated

5.12 The maximum interest rate on commercial banks loans and advances dropped from 19.49 per cent in 2001 to 18.34 per cent in December 2002. The average rate charged on bank overdrafts declined to 18.56 per cent in December 2002 from 20.04 per cent in December 2001. The inter-bank rate dropped by 1.7 percentage points from 10.40 per cent in December 2001. Hire purchase companies and merchant banks time deposits rate range narrowed by 3.08 percentage points from a range of 4.22–11.88 per cent in 2001 to a range of 3.03–7.72 per cent in December 2002, while their lending rates on loans dropped from 20.56 per cent in 2001 to 18.17 per cent in 2002.

5.13 Trends in selected real interest rates are presented in Table 5.7. All the real interest rates were positive, reflecting the low inflation rate achieved in the period under review. Real interest rate on the 91-day Treasury bill rose from 5.0 per cent in 2001 to 6.4 per cent in 2002, while interest rates on advances against Treasury bills rose to 9.3 per cent in 2002 from 8.0 per cent in 2001. The maximum real interest rate on Commercial banks loans and advances registered an increase of 2.6 percentage points to close at 16.3 per cent in 2002. In real terms, the POSB deposits did not earn any return, however the real rate rose from negative 0.8 per cent in 2001 to zero in 2002.

Table 5.7: Trends in Selected Real Interest Rates, 1999 – 2002 (Percentage

			Nominal	Inflation	Real
		Year	Interest	Rate*	Interest**
1	Average Interest Rate for 91-dayTreasury Bills	1999	20.5	5.8	14.7
		2000	13.5	10.0	3.5
		2001	10.8	5.8	5.0
		2002	8.4	2.0	6.4
2	Advances against Treasury Bills				
		1999	26.5	5.8	20.7
		2000	16.5	10.0	6.5
		2001	13.8	5.8	8.0
		2002	11.3	2.0	9.3
3	Commercial bank savings deposits (ave) .. .				
		1999	6.2	5.8	0.4
		2000	4.5	10.0	-5.5
		2001	4.4	5.8	-1.4
		2002	3.5	2.0	1.5
4	Commercial bank loans and advances (max)				
		1999	25.2	5.8	19.4
		2000	19.6	10.0	9.6
		2001	19.5	5.8	13.7
		2002	18.3	2.0	16.3
5	Inter-Bank Rate				
		1999	13.0	5.8	7.2
		2000	9.8	10.0	-0.2
		2001	10.4	5.8	4.6
		2002	8.7	2.0	6.7
6	POSB deposits***				
		1999	5.0	5.8	-0.8
		2000	5.0	10.0	-5.0
		2001	5.0	5.8	-0.8
		2002	2.0	2.0	0.0
7	Building society loans (max)				
		1999	21.5	5.8	15.7
		2000	19.9	10.0	9.9
		2001	19.9	5.8	14.1
		2002	16.1	2.0	14.1

* *Taken from Table 4.18. The revised CPI and new base period 1997*

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

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

Central Bank Assets and Liabilities

5.14. Table 5.8 presents Central Bank of Kenya's assets and liabilities. Both assets and liabilities of the Central Bank grew by 2.5 per cent from Ksh. 150,671 million in 2001 to Ksh. 154,389 million in December 2002. The growth in assets could be attributed to increases in advances and discounts to banks, direct advances and overdrafts to the Government. However, this was offset by 1.5 per cent decline in balances with external banks, and other assets including Treasury bills and bonds, which declined by 9.1 per cent. The declining trend of other assets including Treasury bills and bonds continued for the sixth consecutive year. Advances and discounts to banks, which recorded a decline in 2001, reversed the trend to record a five-fold increase from Ksh. 1,362 million in 2001 to Ksh. 7,484 million in December 2002.

Table 5.8: Central Bank Of Kenya Assets and Liabilities 1998 – 2002 (Ksh Million

	1998	1999	2000	2001	2002			
ASSETS					1st Qr	2nd Qr	3rd Qr	4th Qr
1. Foreign Exchange:-								
1.1 Balances with								
External Banks	45,702	55,971	69,162	81,899	82,688	88,149	86,932	80,673
1.2 Treasury Bills	-	64	-	-	-	-	-	-
1.3 Other Investments	251	338	750	259	234	243	220	218
1.4 Special Drawing Rights	36	177	22	80	57	71	54	320
TOTAL	45,989	56,550	69,934	82,238	82,979	88,463	87,206	81,211
2. Advances & Disc. to Banks	1,140	904	4,884	1,362	2,440	2,313	5,794	7,484
3. Direct Advances & Overdraft								
to Kenya Government	6,609	6,664	8,595	42,853	39,842	44,665	45,041	43,867
4. Other Assets including Kenya								
Treasury Bills & Bonds	71,240	62,110	57,642	24,023	24,119	22,123	21,825	21,827
TOTAL ASSETS	124,978	126,228	141,055	150,671	149,380	157,564	159,866	154,389
LIABILITIES :								
1. Capital and General								
Reserve Fund	3,837	4,877	5,341	5,748	5,748	5,748	9,478	9,452
2. Currency in Circulation-								
2.1 Notes	43,358	48,347	49,692	50,892	48,525	49,612	49,639	59,916
2.2 Coins	1,128	1,810	2,222	2,188	2,193	2,255	2,299	2,609
TOTAL CURRENCY	44,486	50,157	51,914	53,080	50,718	51,867	51,938	62,525
3 REPO SECURITIES**								
3.1 OMO-repo sales	-	-	-	15,815	19,895	27,127	22,379	6,979
3.2 Repo-tap sales	-	-	-	-	-	-	-	-
TOTAL	-	-	-	15,815	19,895	27,127	22,379	6,979
Deposits								
4.1 Kenya Government	17,172	18,922	26,526	28,537	29,115	24,946	27,491	25,886
4.2 Kenya Banks *	29,349	27,790	25,075	25,629	24,691	24,594	26,211	25,704
4.3 External Banks	12,882	11,292	12,151	9,783	9,696	9,595	9,611	9,157
4.4 Other	10,440	11,400	11,773	9,154	8,630	8,191	9,051	10,086
TOTAL	69,843	69,404	75,525	73,103	72,132	67,326	72,364	70,833
5. Other Liabilities	6,812	1,790	8,275	2,925	887	5,496	3,707	4,600
TOTAL LIABILITIES	124,978	126,228	141,055	150,671	149,380	157,564	159,866	154,389

Source: Central Bank of Kenya

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

***-REPOs securities included in the breakdown from January 2001.*

5.15. The increasing trend of direct advances and overdraft to the Government continued for the fourth year. The direct advances and overdraft increased steadily to Ksh. 45,041 million in the third quarter of 2002. By October 2002, the Government had run down its overdraft facility at the Central Bank by Ksh. 1,070 million. The increases were necessitated to bridge the budget deficit since the expected donor support for the Poverty Reduction Growth Facility (PRGF) did not materialise. Delays in the programmed privatisation of Telkom Kenya limited and Kenya Re-insurance Corporation also affected the ability of the Government to bridge the budget deficit.

5.16. Liabilities of the Central Bank of Kenya grew mainly due to increases in currency in circulation and deposits from commercial banks excluding non-bank financial institutions, which grew by 17.8 per cent and 0.3 per cent respectively. The growth in liabilities was partially offset by a 9.3 per cent decline in deposits by the Government. Other deposit liabilities grew by 10.2 per cent, increasing from Ksh. 9,154 million in December 2001 to Ksh. 10,086 million in December 2002.

Commercial Banks' Credit

5.17. Table 5.9 summarises the commercial banks' bills, loans and advances for the period 1998 – 2002. In general, total bills, loans and advances grew by 6.6 per cent in 2002 compared to a drop of 4.0 per cent in the previous year. This increase was experienced in all the sectors except in mining and quarrying, and other business categories, which dropped by 8.6 per cent and 5.3 per cent, respectively.

Table 5.9: Commercial Banks - Bills, Loans and Advances*, 1998 – 2002 (Ksh Million)

	1998	1999	2000	2001	2002
	Dec.	Dec.	Dec.	Dec.	Dec.
PUBLIC SECTOR:					
Central Government	2,779	2,900	2,432	2,431	3,122
Local Government .	595	895	1,143	659	687
Enterprises, Parastatal bodies and other					
Public entities	6,907	6,455	6,959	6,601	7,824
TOTAL PUBLIC SECTOR	10,281	10,249	10,534	9,691	11,633
PRIVATE ENTERPRISES:					
Agriculture	21,933	23,426	24,399	23,795	25,304
Mining and Quarrying	2,617	2,975	2,810	2,169	1,982
Manufacturing	49,635	54,936	59,426	49,597	50,331
Building and Construction .	14,962	18,363	16,850	17,288	17,427
Transport, Storage and Communication	10,309	9,723	9,608	9,901	16,705
Trade	36,752	49,962	51,138	45,989	40,837
Financial Institutions	6,472	6,876	5,324	5,391	6,788
Other Business	63,959	49,004	55,291	53,218	50,405
TOTAL PRIVATE ENTERPRISES	206,638	215,265	224,846	207,349	209,779
COMMUNITY AND PERSONAL SERVICES					
(including non-profit making institutions) .	6,178	7,088	8,103	8,732	16,446
Other Activities (Nes)	10,281	27,159	27,568	34,445	39,654
TOTAL BILLS, LOANS AND ADVANCES	233,377	259,762	271,051	260,216	277,512

Source: Central Bank of Kenya.

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

5.18. Bills, loans and advances to the transport, storage and communication sector increased by 68.7 per cent, from Ksh. 9,901 million in 2001 to Ksh. 16,705 million in 2002. The large increase to the sector was due to a mobile phone company floating of commercial paper in August 2002. The expansion in credit to the private sector by 1.2 per cent in 2002 was below the set target of 4.4 per cent. The set target could not be achieved due to the persistent low business confidence and the associated slack in economic activities as well as reduced lending by banks due to uncertainties created by the Central Bank of Kenya (Amendment) Act, 2000 which was to fixed interest rates.

5.19. A sectoral analysis of the distribution of commercial banks' credit to the private and public sectors in 2002 shows that agriculture, manufacturing, trade, business and other activities received 74.5 per cent of the total loans dispersed to the economy.

Commercial Banks' Deposit Liabilities and Liquid Assets

5.20. Table 5.10 summarises commercial banks deposits liabilities and liquid assets for the period 1998-2002. The deposit liabilities of commercial banks grew by 10.6 per cent from Ksh 302,895 million to Ksh 334,976 million. Liquid assets on the other hand increased from Ksh 137,885 million in 2001 to Ksh 147,786 million in December 2002, a 7.2 per cent increase. Commercial banks continued to meet the 20.0 per cent minimum liquidity ratio requirements in the whole period. The banking institution held liquid assets largely in the form of cash balances at the Central Bank and government securities in both Treasury bills and bonds. The average liquidity ratio decreased to 44.0 per cent recorded in December 2002 after having registered 47 per cent in March 2002. The 2.0 percentage drop in liquidity ratio can be reflected in the increase of 1.2 per cent in demand for credit by the private sector in 2002.

Table 5.10: Commercial Banks - Deposit Liabilities and Liquid Assets*, 1998 - 2002

				Current
		Deposit	Liquid	Liquidity
		Liabilities	Assets**	Ratio***
		KShs.million	KShs.million	per cent
1998	December	257,954	99,113	38
1999	December	279,450	111,245	40
2000	December	294,924	125,721	43
2001	December	302,895	137,855	46
2002 -				
	January	299,036	136,173	46
	February	263,577	121,063	46
	March	303,385	141,600	47
	April	303,154	139,180	46
	May	312,440	136,598	44
	June	315,322	137,369	44
	July	319,338	139,426	44
	August	324,993	131,669	41
	September	325,982	135,241	41
	October	321,029	133,376	42
	November	324,396	148,398	46
	December	334,976	147,786	44

Source: Central Bank of Kenya.

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

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

*** The ratios given in this column are not quite consistent with figures in the other two columns because of the inclusion of certain other minor items in the denominator.

Non-Bank Financial Institution (NBFIs)

5.21. Table 5.11 outlines the assets and liabilities of the NBFIs for the period 1998–2002. Both assets and liabilities dropped by 35.0 per cent from Ksh. 37,478 million in 2001 to Ksh. 24,376 million in 2002. The drop was due to a 31.1 per cent decline in deposits of Government including other depositors and a 33.3 percent decline in other liabilities. On the other hand, the declines in liabilities were supported by similar declines on the assets side. Cash in hand and Banks declined by 61.0 per cent while assets of Associated Companies and investments increased by 91.7 per cent. Loans and advances declined by 42.2 per cent.

Table 5.11: Assets and Liabilities of Non-Bank Financial Institutions, 1998 – 2002 (Kshs.Million

					AS AT THE END OF			
	1998	1999	2000	2001	2002			
LIABILITIES:					1st Qr	2nd Qr	3rd Qr	4th Qr
Deposits-								
Central & Local Government..	710	801	785	785	330	256	253	258
Other Public Sector ..	4,635	3,821	3,049	3,049	2,548	2,506	2,601	2,700
Other Depositors ..	18,025	15,906	15,995	15,995	11,145	11,247	11,059	10,664
Other Liabilities	19,170	15,635	17,648	17,648	9,527	9,751	11,079	10,754
TOTAL LIABILITIES	42,539	36,162	37,478	37,478	23,550	23,760	24,992	24,376
ASSETS:								
Cash and Banks	6,899	4,920	4,453	4,453	2,077	2,095	1,508	1,738
Other Financial Institutions ..	157	286	50	50				
Associated Companies ..	1,904	1,426	1,597	1,597	2,541	2,857	3,502	3,061
Investments, Bills,								
Loans & Advances:-								
Public Sector	2,270	2,387	3,032	3,032				
Private Sector	28,826	24,478	25,965	25,965	15,940	15,778	16,686	16,756
Other Assets	2,483	2,665	2,381	2,381	2,992	3,030	3296	2,821
TOTAL ASSETS ..	42,539	36,162	37,478	37,478	23,550	23,760	24,992	24,376

Source: Central Bank of Kenya

Developments in the Banking Sector

Development in the financial sector

5.22. The banking sector was relatively stable during the year 2002. The number of commercial banks dropped from 48 to 44 while the number of NBFIs remained at 3. There were 2 mortgage finance companies and 4 building societies. This represents a decline in the total number of banking institution from 57 in December 2001 to 53 in December 2002. The decline in the number of commercial banks was due to the mergers involving eight banks and the resumption of operations in December 2002 of a bank that had been under statutory management of the Central Bank. In addition, there were 48 foreign exchange Bureaus. The market shares of the banking institutions continued to be dominated by the ten largest commercial banks, which accounted for 77.3 per cent of all deposits held by the banking institutions in 2002 compared with 72.0 per cent in 2001.

5.23. In 2002, the Central Bank set requirements for all banking institutions and building societies to disclose their un-audited financial results on quarterly basis by publishing them in the print media. The objective of the disclosures was to enable bank customers to make informed decisions about the general soundness of banks, particularly when placing large deposits. This requirement commenced with the June 2002 financial statements.

5.24. At the end of December, 2002 the banks continued to struggle with challenges of non-performing loans (NPLs), which were estimated, to be 30.2 per cent of the total loans. The NPLs were mainly concentrated in ten institutions, whose NPLs accounted for 58.0 per cent of the banking sector's total loan portfolio. However, the banking sector was well cushioned against the NPLs as the estimated value of securities was increased. The high levels of non-performing loans and the uncertainty relating to Central Banks' Amendment Act 2000, continued to adversely affect the sector's performance. This was reflected in the deterioration in profitability of the banking sector. The decline in profitability was also attributed to a reduction in interest income from advances.

5.25. During the period under review, the Central Bank reviewed its reporting systems on loans and advances, and non-performing loans to include interest in suspense account so as to be in line with the International Accounting Standards as well as practices widely used in other countries. The new reporting system began with data on loans and advances for April 2002.

Capital Markets Developments

5.26. During the year under review the capital markets authority continued with implementation of its strategic plan for the period 2002 to 2005 that involved fundamental re-organization of the stock market operations. The stock market operated in three segments namely the main investment market, the alternative investments market and the fixed income securities market.

5.27. Key improvements include the implementation of a central depository and automated trading systems (CDS). The systems are intended to improve and enhance trading, delivery, registration, settlement and depository formations in the market. Secondly it will enhance the liquidity of the market, thus increasing the turnover of securities. It is also intended to improve the transparency of transactions in the market, thereby minimizing instances of fraud as well as reducing systematic risks. The CDS will further increase efficiency, achieve reduced transaction and operational costs thus attracting more investors and issuers. It will improve the timeliness of communication and information flows between issuers and investors. The ultimate objective will be to position the Kenyan capital market competitiveness in line with international practices and trends, thus further enhancing the regional markets integration.

5.28. Corporate tax for newly listed companies was reduced from 30 per cent to 25 per cent for a period of 5 years from the date of listing. Withholding tax on dividend was also reduced from 15 per cent to 7.5 per cent for foreign investors and 5 per cent for local investors and made a final tax. Other incentives include, the concession that foreign investors can now acquire shares in the stock market subject to a minimum reserved ratio of 25 per cent of the share capital of the listed company for domestic investors. The 75 per cent portion is considered as a 'free float' available to local, foreign and regional investors without restrictions on the level of holding.

5.29. The stock market shares volume transacted increased from 109.2 million shares to 135.8 million shares in 2002, a growth of 24.3 per cent. The shares turnover decreased from Ksh. 3.12 billion to 2.88 billion a 7.7 per cent drop. Market capitalization increased from Ksh. 86.1 billion in 2001 to Ksh 112.3 billion in 2002, a growth of 30.4 per cent. The 20-share NSE index closed at 1363 in 2002 up from 1355 in 2001 representing 8 points increase. The increase in shares volume and the NSE index indicate recovery trend from the low activities recorded in 2001. However, the value of

share prices remained low thus leading to the fall in shares turnover, a trend that has been experienced since 1999. Part of the declining trends in turnover can be explained by the low foreign investors turnover valued at Ksh. 0.42 billion that has started reversing trend after being on a downward trend over the period 1997 – 2001. However, the net foreign inflows in the stocks markets recorded a net outflow position of Ksh. 0.06 billion. This is the first net outflow (capital flight) recorded in seven years.

5.30. The bonds market turnover expanded in 2002 to Ksh 34.2 billion up from Ksh 9.5 billion in 2001. This was due to the Governments' effort to convert short-term domestic debt (treasury bills) into long-term domestic debt instruments (treasury bonds).

Insurance Sector Developments

5.31. There were no new Initial Public offering (IPO) in the market in 2002. Total number of listed companies dropped from 54 to 51. The number of stockbrokers remained at 18, other market players were 25 investment advisors, 5 authorized depositories, 1 dealer. During the year 2002, 2 investments banks participated in the market and 2 collective investment schemes (CIS).

5.32. In 2002, there were 40 licensed insurance companies in operation and 2 local reinsurers. On insurance intermediaries, there were 197 insurance brokers, 1074 agents and 2 claims settling agents. Other auxiliary service providers included 7 risk managers, 184 loss assessors, and 19 loss adjustors and 22 insurance surveyors.

5.33. The insurers were to raise their capitalization to the revised requirements by 1st July 2002 , however by this deadline most of insurers had not complied. During the year the office of the Commissioner issued various guidelines to harmonise the operations of the Insurance Act and the Retirement Benefits Authority Act. The commissioner required the insurers to set up separate statutory retirement benefits funds. Another requirement was that insurers be settling claims promptly and not to use credit notes in settlement of claims through interrmediaries. The office further rejected the practice by insurers of settling claims through issuance of postdated cheques and instalments. In addition the office issued guidelines on treatment of unrealised reserves after revaluation of investment property and other assets in relation to the International Acccounting Standards (IAS 40).

5.34. The insurance industry remained stable during the year with only one insurer being placed under statutory management. The Ksh. 65 billion industry grapled with problems ranging from reduced investment income , under-cutting of premium rates, fraudulent practices and narrow investment porfolio. To counter these problems various proposals were made, such as the implementation of structured compensation and the two cheque system. Other solutions proposed include cash and carry system of premium payment. This system has been supported by the emergence of premium finance ventures initiated by various banks.

5.35. During the year life business contributed an estimated 25 percent of the Ksh 20 billion raised in gross premium while general business accounted for 75 percent. Of the premiums paid 70 per cent is estimated to have been channelled through brokerage firms and 25 per cent through agents as the remaining was directly underwritten by the insurers.

5.36. Training for the subsector was enhanced following the introduction of a local insurance diploma by the College of Insurance in conjunction with the Insurance Institute of Kenya. This was part of the Governments' effort to increase the number of insurance professionals available in the market.

Chapter 6 Public Finance

Overview

In the past few years, the Government has focused on efficient revenue collection,eliminating unnecessary expenditures and targeting expenditures to the highest priority activities aimed at poverty reduction. During the 2002/03 financial year, the Government embarked on Public Expenditure Review in a number of key ministries, aimed at evaluating budgetary institutions to identify weaknesses, make recommendations for improvements and evaluate whether resource allocations are consistent with the policy objectives and priorities.

6.2. To finance the execution of its budgeted activities during the 2002/03 fiscal year, the Government expected to receive KSh 218.9 billion with a contribution of Kshs 198.6 billion from ordinary revenue. To achieve food security, the Government set aside one billion shilling for maintenance of strategic grain reserve. In it's efforts to further restructure the civil service, KSh 1,600 million was budgeted for the early retirement scheme. During the fiscal year, over KSh 4,000 million was spent on voter registration and support of other general elections related activities. Some KSh 8,400 million was disbursed by the Kenya Roads Board for development and rehabilitation of road network throughout the country.

Overall Results

6.3. Table 6.1 depicts the budget out-turn from 1998/99 to 2002/03. The current revenue increased by 20.0 per cent in 2002/03 compared with a 3.1per cent drop in the previous fiscal year. The current deficit widened further to KSh 16,646.4 million, as compared to KSh 10,308.4 million after a high growth of current expenditure in relation to the current revenue during the year. This is in contrast to the Government policy to achieve a balanced budget.

6.4 . The external financing from the development partners rose with both external grants and external loans rising significantly. While the capital expenditure more than doubled, the current expenditure rose by only 22.2 per cent. Also, though the total domestic borrowing went down by 16.4 per cent, the short-term domestic borrowing declined as the Government shifted its financing from treasury bills to reletively long maturity bonds. The Government through the Consolidated Fund Service account financed the public debt redemption amounting KSh 58,784.0 million, of which KSh 38,059.2 million was domestic debt.

6.5. Trends of key fiscal indicators for the last five financial years are presented in Table 6.2. The current deficit as a percentage of current revenue increased from 5.6 per cent to 7.5 per cent in 2002/03. With the Governments efforts to reduce the current expenditure and increase the capital expenditure, the percentage of capital expenditure to current expenditure increased from 13.3 to 18.4 per cent over the same period. The overall deficit as a percentage of current revenue and total expenditure increased marginally.

6.6. Comparison between the budget estimates and the actual out-turns are presented in Table 6.3. Over the years, there has been consistent variance between the budgeted estimates and the actual out-turns. The resource allocated to the spending units has had severe cuts, making it difficult for them to execute the planned activities in the budget. During the budget, the recurrent and development expenditure were estimated at Ksh 277,716.4 million and KSh 46,487.5 million respectively, while the revised estimates had additional KSh 14,999.2 million and KSh 3,266.2 million in that order. The increase is attributed to the implementation of the free primary education, increased allocation to the TSC and increased remuneration of the parliamentarians.

Table 6.1: Central Government out-turn of revenue and expenditure* 1998/99 - 2002/03 (KSh million)

						Percentage Increases
	1998/99	1999/00	2000/01**	2001/02**	2002/03+	2001/02 to 2002/03
Current Revenue	179,837.55	181,042.40	191,274.29	185,325.53	222,319.53	19.96
Current Expenditure***	165,525.32	154,755.52	181,087.59	195,633.89	238,965.92	22.15
Current Surplus/ Deficit	14,312.23	26,286.88	10,186.70	-10,308.36	-16,646.39	-61.48
Capital Revenue	489.20	3,508.37	946.72	2,538.26	736.51	-70.98
Capital Expenditure***	12,344.32	19,417.66	30,816.68	26,065.14	44,027.26	68.91
Net Lending***	3,058.35	1,599.23	2,372.48	-20.54	31.11	251.46
External Grants	4,920.00	4,247.00	9,229.00	5,366.68	14,245.44	165.44
OVERALL DEFICIT/ SURPLUS	4,318.76	13,025.36	-12,826.74	-28,448.02	-45,722.81	60.72
FINANCING OF DEFICIT:						
External Loans (Net)	-16,523.40	-8,858.00	-15,733.24	-10,030.77	-15,169.09	51.23
Total Domestic Borrowing (Net)	11,144.00	11,878.00	624.00	39,703.00	33,180.00	-16.43
Long-term(net)	27,500.00	-22,590.00	-3,892.00	62,073.00	29,804.00	-51.99
Short-term(net)	-16,356.00	34,468.00	4,516.00	-22,370.00	3,376.00	115.09
CHANGES IN CASH BALANCES:						
Increase = (-)	1,060.64	-16,045.36	27,935.98	-1,224.21	27,711.90	
MEMORANDUM ITEMS:						
Public Debt Redemption	62,080.74	49,931.80	55,409.35	85,407.22	58,784.00	-31.17
(a) External	23,028.24	26,471.50	12,199.42	22,313.24	20,724.79	-7.12
(b) Internal	39,052.50	23,460.30	43,209.93	63,093.98	38,059.21	-39.68

Source: CBS and MoF

* This Table details Kenya Government's deficit and its financing.

Basic aggregates in the Table can be reconciled as follows:

1. Current Revenue plus Capital Revenue shown in the Table equals Revenue on Recurrent Account as shown in Table 6.4.
2. The sum of Current Expenditure, Capital Expenditure, Net Lending and memorandum items equals Total Expenditure in Table 6.9.

** Provisional.

*** For details, see Table 6.9.

+ Revised Estimates

6.7. Central Government recurrent revenue is shown on Table 6.4. In the financial year 2002/03, recurrent revenue is expected to increase by 18.7 per cent from Ksh 187,863.8 million to Ksh 223,056.0 million. Receipts from income taxes are expected to register a 20.9 per cent increase in 2002/03, those from import duties are expected to decline for the second year running. The decline may be attributed to zero rating of import duty for all capital equipment, imported raw materials, fertilizers and agro-chemicals.

Table 6.2: Analysis of key fiscal trends, 1998/99 - 2002/03

	1998/99	1999/00	2000/01*	2001/02*	2002/03**
1. Current Surplus/Deficit as % of Current Revenue	7.96	14.52	5.33	-5.56	-7.49
2. Current Surplus/Deficit as % of Capital Expenditure plus Net Lending	92.92	125.08	30.69	-39.58	-37.78
3. Ratio of Capital Expenditure to Current Expenditure	7.46	12.55	17.02	13.32	18.42
4. Overall Deficit as % of Current Revenue ..	2.40	7.19	-6.71	-15.35	-20.57
5. Overall Deficit as % of Total Expenditure ..	1.78	5.77	-4.76	-9.26	-13.38
6. External Grants and Loans as % of Capital Expenditure plus Net Lending	-75.33	-21.94	-19.60	-17.91	-2.10
7. Net Short-Term Borrowing as % of Capital Expenditure plus Net Lending	-106.19	164.00	13.61	-85.89	7.66
8. Current Revenue as % of GDP at Current Market Prices	26.03	24.45	24.02	20.99	22.93
9. Total Government Expenditure as % of GDP at Current Market Prices	35.18	30.49	33.87	34.79	35.26
10. Overall Deficit as % of GDP at Current Market Prices	0.63	1.76	-1.61	-3.22	-4.72

* Provisional

** Revised Estimates

Table 6.3: Comparison of Central Government budget estimates with actual out-turns, 1999/00 -2002/03 (Ksh million)

	1999/00			2000/01*		
	Budget	Actual	Difference	Budget	Actual	Difference
Recurrent Revenue	188,846.40	184,550.77	-4,295.63	198,772.47	192,221.01	-6,551.46
Recurrent Expenditure	244,141.80	206,571.40	-37,570.40	267,639.04	237,012.51	-30,626.53
Recurrent Balance	-55,295.40	-22,020.63	33,274.77	-68,866.57	-44,791.50	24,075.07
Development Expenditure + Net Lending	53,329.20	21,182.93	-32,146.27	38,420.82	35,428.18	-2,992.64
External Financing (Net)**	-9,130.00	-4,611.00	4,519.00	-29,845.00	-6,504.24	23,340.76
Balance for Domestic Financing (Net)	-117,754.60	-47,814.56	69,940.04	-137,132.39	-86,723.92	50,408.47
	2001/02*			**2002/03*****		
	Budget	Actual	Difference	Budget	Actual	Difference
Recurrent Revenue	215,470.92	187,863.79	-27,607.13	218,930.04	223,056.04	4,126.00
Recurrent Expenditure	264,904.62	283,484.56	18,579.94	277,716.36	292,715.54	14,999.19
Recurrent Balance	-49,433.70	-95,620.77	-46,187.07	-58,786.32	-69,659.50	-10,873.19
Development Expenditure + Net Lending	33,054.53	24,209.62	-8,844.91	46,487.51	49,753.66	3,266.16
External Financing (Net)**	-8,673.00	-4,664.09	4,008.91	-923.65	-923.65	0.00
Balance for Domestic Financing (Net)	-91,161.23	-124,494.48	-33,333.25	-106,197.47	-120,336.81	-14,139.34

** Includes external grants.

*** Revised Estimates

\+ Recurrent Revenue = Current Revenue + Capital Revenue

++ Recurrent expenditure consists of current expenditure , capital expenditure and Consolidated Fund Service from the Rec- Estimates

Table 6.4: Central Government gross receipts on recurrent account* 1998/99 - 2002/03 (Ksh million)

		1998/99	1999/00	2000/01**	2001/02**	2002/2003+
DIRECT TAXATION:						
	Income Tax	55,234.80	53,316.99	53,428.93	55,861.95	67,529.00
	**TOTAL .. ..

Table 6.6: Central Government excise revenue by commodities, 1998 – 2002 (Ksh million)**

	1998	1999	2000	2001	2002*
Beer and spirits	8,034.38	7,161.14	7,580.83	7,540.36	8,024.73
Sugar	3.58	0.00	1.00	39.43	0.00
Cigarettes	4,806.26	4,804.00	4,697.59	3,830.87	3,578.56
Other commodities***	987.74	1,313.78	1,326.00	1,035.52	1,321.76
TOTAL	13,831.96	13,278.92	13,605.43	12,446.18	12,925.05

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

6.9. Table 6.6 gives the receipts from excise duties by some locally manufactured commodities between 1998 and 2002. The total excise receipts grew marginally from Ksh 12,446.2 million in 2001 to Ksh 12,925.1 million in 2002. Beer and spirits continued to be a major source of excise revenue, contributing more than half of the total excise duty. In an effort to widen the tax base, an additional 10 per cent excise duty on all motor vehicles except commercial vehicles, tractors and passenger vehicles and buses was introduced, thus raising the excise revenue from other commodities category.

Table 6.7: Central Government Financing of Capital Expenditure and Net Lending, 1998/99 - 2002/03 (Kshs million)

	1998/99	1999/00	2000/01*	2001/02*	2002/03**
EXPENDITURE:					
Capital Expenditure	12,344.32	19,417.66	30,816.68	26,065.14	44,027.26
Net Lending	3,058.35	1,599.23	2,372.48	-20.54	31.11
TOTAL	15,402.67	21,016.89	33,189.16	26,044.60	44,058.37
FINANCING:					
Surplus on Current Account ..	14,312.23	26,286.88	10,186.70	-8,784.98	-16,646.39
Capital Revenue	489.20	3,508.37	946.72	1,014.88	736.51
External Loans (Net)	-16,523.40	-8,858.00	-15,733.24	-10,030.77	-15,169.09
External Grants	4,920.00	4,247.00	9,229.00	5,366.68	14,245.44
Long-Term Domestic Borrowing (Net)	27,500.00	-22,590.00	-3,892.00	62,073.00	29,804.00
SHORT TERM BORROWING:					
Treasury Bills (Net)	-13,166.00	28,316.00	6,352.00	-18,205.00	-8,277.00
Other Short-Term Borrowing (Net) ..	-3,190.00	6,152.00	-1,836.00	-4,165.00	11,653.00
Change in Cash Balances(decrease =+)	1,060.64	-16,045.36	27,935.98	-1,224.21	27,711.90
TOTAL	15,402.67	21,016.89	33,189.16	26,044.60	44,058.36

* Provisional.

** Estimates

6.10. Central Government financing of capital expenditure and net lending for the period 1998/99 to 2002/03 is given in Table 6.7. In 2002/03, the capital expenditure and net lending amounted to Ksh 44,058.4 million, as compared to Ksh 26,044.6 million in 2001/02, a 69.2 per cent rise. To finance the capital expenditure and the deficit on the current account, the Government borrowed, both locally and externally. The loans and grants disbursed by the developing partners increased by Ksh 5,138.3 million and Ksh 8,878.8 million respectively as the financing by short-term borrowing declined.

6.11. Expenditure by Central Government on main services for 1999/00 to 2002/03 is given in Table 6.8 as shown in fig. 6.1. The overall Government expenditure increased by 11.3 per cent from Ksh 307,714.7 million in 2001/02 to Ksh 342,450.7 million in 2002/03. This constituted of Ksh 292,715.5 million and Ksh 49,735.1 million sourced from the recurrent and development votes respectively. With a view to strengthening the human resource sector, the allocation to the social sector continued to take a significant share of resources, taking 27.1 per cent of the total expenditure, compared to 23.01 per cent allocation on public administration and 13.3 per cent economic services respectively. With the provision of free education for all implemented during this financial year, the expenditure on education rose by 24.9 per cent.

6.12. In its effort to sustain growth in agriculture and improve the lives of the majority of Kenyans, the resource allocation to agriculture and rural development rose from Ksh 7,850.1 million in 2001/02 to Ksh 11,931.9 million. The development allocation to electricity, gas, steam and water recorded some growth due to activities such as sinking of additional boreholes, construction of dams, and protection of water catchment areas in an effort to alleviate water problems during the year.

Figure 6.1: Government Expenditure by main services

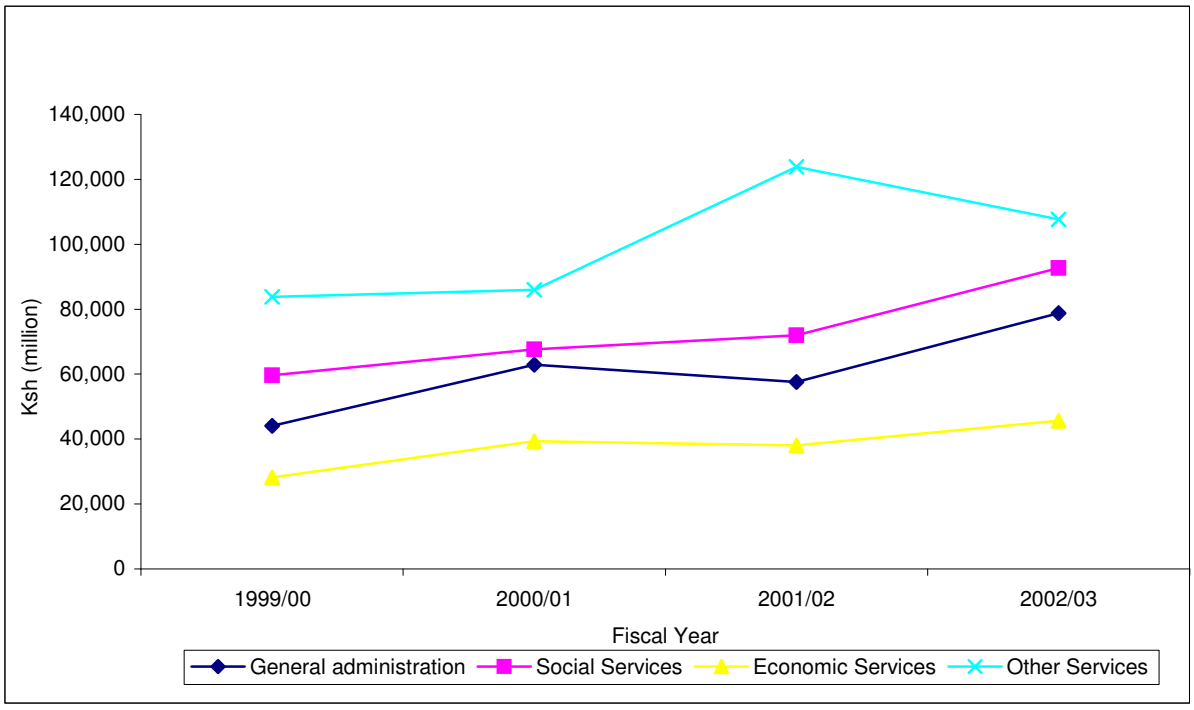


Table 6.8: Central Government Expenditure on Main Services, 1999/2000 - 2002/03 (Kshs million)

		1999/00			2000/01*			2001/02*			20
	Recur-rent Account	Deve-lopment Account	Total	Recur-rent Account	Deve-lopment Account	Total	Recur-rent Account	Deve-lopment Account	Total	Recur-rent Account	
GENERAL PUBLIC ADMINISTRATION:											
General Administration	18,811.9	9,081.0	27,892.9	31,031.2	12,617.2	43,648.4	26,496.8	7,533.7	34,030.5	33,911.9	1
External Affairs	3,075.0	24.2	3,099.2	3,306.9	6.8	3,313.7	4,480.7	1.2	4,481.9	4,636.5	
Public Order and Safety	12,950.7	137.9	13,088.6	15,692.3	288.9	15,981.2	18,414.8	657.3	19,072.1	20,910.2	
TOTAL	34,837.6	9,243.1	44,080.7	50,030.4	12,912.8	62,943.3	49,392.3	8,192.2	57,584.5	59,458.6	1
Defense	10,346.9	80.4	10,427.3	14,202.8	0.0	14,202.8	16,268.2	0.0	16,268.2	17,630.3	
SOCIAL SERVICES											
Education	47,033.4	703.4	47,736.8	48,840.8	770.5	49,611.3	54,211.0	442.0	54,653.0	63,400.3	
Health	9,188.6	0.0	9,188.6	14,870.3	759.1	15,629.4	12,603.2	1,733.3	14,336.5	14,448.5	
Housing and Community Welfare	2,024.3	696.9	2,721.2	1,975.9	374.8	2,350.7	2,617.7	323.8	2,941.6	3,768.9	
Social Welfare	23.8	0.0	23.8	19.7	0.0	19.7	22.0	0.0	22.0	80.0	
TOTAL..	58,270.1	1,400.3	59,670.4	65,706.7	1,904.4	67,611.0	69,454.0	2,499.1	71,953.1	81,697.7	1
ECONOMIC SERVICES:											
General Administration	2,331.3	2,770.0	5,101.3	2,974.1	11,111.5	14,085.6	3,902.8	8,793.4	12,696.2	2,777.0	
Agriculture, Forestry and Fishing	5,594.3	2,521.1	8,115.4	5,906.6	2,363.0	8,269.6	7,359.8	490.3	7,850.1	7,819.3	
Mining, Manufacturing & Construction	1,714.8	568.5	2,283.3	2,166.3	848.9	3,015.2	1,793.2	1,201.7	2,994.9	2,334.6	
Electricity, Gas, Steam and Water	1,065.6	347.7	1,413.3	1,198.7	1,279.7	2,478.5	1,071.2	1,310.4	2,381.6	1,320.0	
Roads	6,207.3	2,641.2	8,848.5	6,834.1	2,624.3	9,458.4	7,376.1	1,480.6	8,856.7	8,638.3	
Other Transport & Communications	994.6	9.7	1,004.3	783.7	0.0	783.7	757.5	11.7	769.1	818.9	
Other Economic Services	1,413.3	1.7	1,415.0	1,261.0	11.0	1,272.0	2,270.0	250.8	2,520.8	2,604.9	
TOTAL ECONOMIC SERVICES	19,321.2	8,859.9	28,181.1	21,124.6	18,238.5	39,363.1	24,530.4	13,538.8	38,069.3	26,313.0	1
OTHER SERVICES; INCLUDING											
PUBLIC DEBT	83,795.6	0.0	83,795.6	85,947.9	0.0	85,947.9	123,839.6	0.0	123,839.6	107,615.9	
TOTAL**	206,571.4	19,583.7	226,155.1	237,012.5	33,055.7	270,068.2	283,484.6	24,230.2	307,714.7	292,715.5	4

* Provisional.

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

\+ Revised Estimates

Table 6.9: Central Government Economic Analysis of Expenditure, 1998/99 - 2002/03 (Kshs million)

		1998/99	1999/00	2000/01*	2001/02*	2002/03**
CURRENT EXPENDITURE:						
	CONSUMPTION EXPENDITURE ON GOODS					
	AND SERVICES:					
	Labour Costs	30,970.85	35,391.60	36,553.35	39,928.13	40,741.80
	Other Goods and Services	41,860.40	30,055.77	42,722.32	44,818.95	69,005.23
	TOTAL	72,831.25	65,447.37	79,275.67	84,747.08	109,747.02
SUBSIDIES		38.50	200.14	200.00	200.02	200.00
INTEREST:						
	Foreign	8,186.41	7,508.43	3,848.58	6,948.21	8,459.25
	Domestic	27,903.20	21,409.41	20,576.91	22,902.76	30,302.38
TRANSFERS TO:						
	Households and Unincorp. Enterprises					
	including Private Non-profit Institutions	5,863.23	6,529.84	13,747.83	10,522.11	
	Financial and Non-Financial Enterprises					
	General Government	49,050.25	50,442.46	60,420.52	69,176.83	90,257.27
	Rest of the World	342.40	700.78	810.41	880.72	
	Funds	1,310.08	2,517.09	2,207.67	256.15	
	TOTAL TRANSFERS	56,565.96	60,190.17	77,186.43	80,835.82	90,257.27
OTHERS						
1.	TOTAL CURRENT EXPENDITURE	165,525.32	154,755.52	181,087.59	195,633.89	238,965.92
2.	CAPITAL EXPENDITURE:					
	Gross Fixed Capital Formation	12,099.28	17,008.19	28,475.11	23,928.74	33,024.97
	Capital Transfers	245.04	2,409.48	2,341.58	2,136.40	11,002.29
	TOTAL	12,344.32	19,417.66	30,816.68	26,065.14	44,027.26
3.	NET LENDING:					
	Purchase of Equity in Enterprises	0.00	0.58	0.00	0.00	0.00
	Loans to Households, Enterprises and					
	General Government Agencies	3,386.11	2,016.95	2,754.54	608.46	673.49
	Less Loan Repayments to Government ***	-327.76	-418.30	-382.06	-629.00	-642.38
	TOTAL	3,058.35	1,599.23	2,372.48	-20.54	31.11
4.	PUBLIC DEBT REDEMPTION	62,080.74	49,964.30	55,409.35	85,407.22	58,784.00
5.	Total Expenditure (1+2+3+4)	243,008.73	225,736.72	269,686.10	307,085.71	341,808.28

* Provisional.

** Revised Estimates

*** including interest

6.13. Table 6.9 gives the economic analysis of central Government expenditure and net lending from 1998/99 to 2002/03. The total expenditure is expected to grow by 11.3 per cent to Ksh 341,808.3 million in 2002/03 from Ksh 307,085.7 million in 2001/02. The current expenditure continued to take a large share of the resources, taking 69.9 per cent of the total expenditure. The consumption expenditure on goods and services is expected to rise, due to increased allocation of resources to operations and maintenance, in its objective to improve service delivery. The public debt redemption dropped from Ksh 85,407.2 million in 2001/02 to Ksh 58,784.0 million in 2002/03, a 31.2 per cent drop. Owing to the large share of current expenditure and public debt redemption on the total budget, there are few resources for gross fixed capital formation, which may generate wealth creation.

6.14. Summary of the outstanding public debt is given on Table 6.10. The Government public debt stands at Ksh 583, 712 .2 million, of which Ksh 345,643.4 million was sourced domestically while Ksh 238, 069.0 was from external sources. While the total debt, rose by 15.1 per cent in 2002 after a slight drop in 2001, the external debt and internal debt recorded growths of 17.9 and 11.4 per cent respectively.

Figure 6.2: Outstanding Public Debt by Source 2002

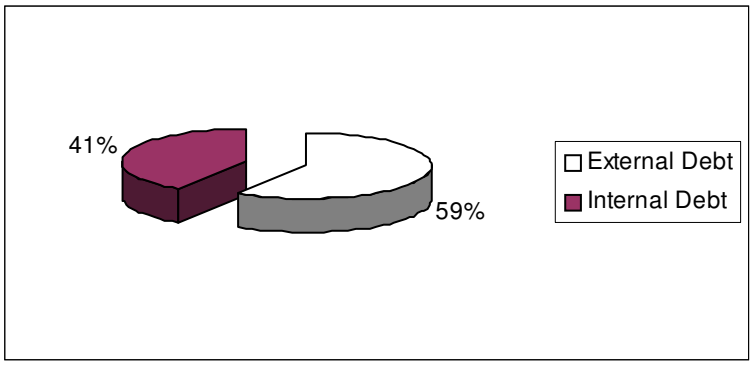


Table 6.10: Central Government public debt, 1998 – 2002 (Ksh million)

					Public Debt**				
As at 30th June		Funded			Unfunded			Total	
June					***			***	
	External	Internal	Total	External	Internal	Total	External	Internal	Total
1998	. .	3,743.80	3,743.80	254,388.00	165,000.00	419,388.00	254,388.00	168,743.80	423,131.80
1999	. .	3,430.00	3,430.00	325,261.15	170,875.00	496,136.15	325,261.15	174,305.00	499,566.15
2000	. .	3,005.69	3,005.69	302,608.72	203,121.00	505,729.72	302,608.72	206,126.69	508,735.41
2001	. .	1,467.83	1,467.83	293,264.20	212,313.00	505,577.20	293,264.20	213,780.83	507,045.03
2002*	. .	1,467.00	1,467.00	345,643.24	236,602.00	582,245.24	345,643.24	238,069.00	583,712.24

* Provisional

** Includes Short Term Borrowing.

*** Revised series

6.15. Details of the sources of the outstanding debt are given on Table 6.11 for the period between 1998 and 2002. The total amount of unfunded debt stood at Ksh 582,245.2 million as at June 2002, as compared to Ksh 505,577.2 million same time in. Amongst the externally sourced debts, which contribute 59.4 per cent of the total debt, the multilateral organisations continued to be the leading source, contributing over 62 per cent while the bilateral sources took 32.2 per cent. Japan and France remains the leading bilateral sources while IDA, a leading development partner for years continued to increase its lending. The total domestic debt excluding stocks stood at Ksh 236,602.0 million as at June 2002, as compared to Ksh 212,313.0 million a year earlier. As the Government shifted from the expensive short-term borrowing to cheaper long-term borrowing, the stock of treasury bills dropped to Ksh 82,050.0 million in 2002 from Ksh 116,440.0 million in 2001, while the stock of bonds more than doubled.

Table 6.11: Central Government sources of unfunded debt, 1998 – 2002 (Ksh million)

Outstanding as at 30th June	1998	1999	2000	2001	2002
EXTERNAL DEBT:					
Lending Countries:					
Germany	6,768.40	5,276.94	5,155.81	4,540.04	9,113.34
Japan	37,495.40	52,181.20	60,987.54	49,629.89	53,376.33
France	9,582.40	10,897.28	10,269.59	11,222.25	11,464.20
U.S.A.	597.00	4,009.32	4,099.57	4,070.43	4,430.20
Netherlands	6,468.20	7,955.94	4,930.96	7,594.67	4,203.18
Denmark	2,632.20	2,636.23	3,000.76	2,641.82	2,542.05
Finland	365.00	429.61	411.62	307.80	409.95
Other	22,047.00	32,947.48	28,817.01	25,804.11	25,675.99
Total	85,955.60	116,334.00	117,672.86	105,811.02	111,215.25
International Organisations:					
I.D.A	110,489.20	143,412.22	122,940.47	141,910.43	179,330.54
I.B.R.D	5,840.80	4,622.76	2,948.52	1,842.04	4.13
African Development Bank	6,278.40	8,147.82	4,507.08	5,010.47	9,259.64
O.P.E.C.	831.80	247.36	223.40	229.81	189.47
E.E.C.	5,431.20	4,858.86	5,173.08	4,454.46	4,581.06
I.M.F.					
Arab League	14.20	0.00	0.00	0.00	0.00
Badea	440.60	443.36	184.67	83.04	25.94
I.F.A.D.	2,369.40	1,561.03	1,388.81	1,557.15	1,969.18
C.D.C.	-	-	-	-	-
A.D.F.	13,387.60	30,599.94	24,041.17	17,204.60	19,245.46
Total	145,083.20	193,893.35	161,407.21	172,291.99	214,605.44
Others	23,350.00	15,033.80	23,528.66	15,161.19	19,822.56
Total External	254,388.80	325,261.15	302,608.72	293,264.20	345,643.24
INTERNAL DEBT:					
Treasury Bills	104,215.00	96,683.00	114,129.00	116,440.00	82,050.00
Treasury Bonds	34,687.00	28,186.00	36,851.00	44,499.00	106,333.00
Non Interest bearing debt	0.00	36,917.00	36,917.00	36,917.00	36,917.00
Others(excludes stocks)	29,098.00	9,089.00	15,224.00	14,457.00	11,302.00
TOTAL INTERNAL	168,000.00	170,875.00	203,121.00	212,313.00	236,602.00
TOTAL UNFUNDED DEBT	422,388.80	496,136.15	505,729.72	505,577.20	582,245.24

Table 6.12: Government stocks at book value by holders on local register as at 30th June, 1998 – 2002 (Ksh million)

	1998	1999	2000	2001	2002
PUBLIC BODIES:					
National Social Security Fund	2,525.20	2,306.18	1,936.39	758.80	758.80
Central Government	832.00	809.87	766.78	650.28	650.28
Local Government	1.20	1.00	1.00	1.00	1.00
Kenya Post Office Savings Bank	44.00	33.00	33.00	15.00	15.00
Former E.A.Community Institutions*	65.60	51.15	51.15	0.00	0.00
Central Bank	0.00	0.00	0.00	0.00	0.00
Other Public Sector	41.40	17.43	16.43	7.32	7.32
OTHER INTERNAL:					
Commercial Banks	113.20	105.37	94.97	30.70	30.70
Insurance Companies	61.00	46.20	46.20	3.70	3.70
Other Companies	59.40	59.35	59.35	1.00	1.00
Private Individuals	0.80	0.50	0.43	0.03	0.03
TOTAL	3,743.80	3,430.05	3,005.69	1,467.83	1,467.83

Source: Central Bank of Kenya.

* And their successors

6.16. Table 6.12 gives the Government stocks at book value as at end June from 1998 to 2002. The stocks which have been on the decrease over the years stagnated at Ksh 1,467.8 million, of which NSSF invested Ksh 758.8 million in the last fiscal year, due to non-maturing of stocks during this period.

Table 6.13: Central Government debt servicing charges*, 1998 – 2002 (Ksh million)

Year ending 30th June	ANNUAL DEBT SERVICING CHARGES External	Internal	Total	INTEREST AND LOAN REPAYMENT RECEIPTS External	Internal	Total	NET SERVICING CHARGES External	Internal	Total
1998	29,150.40	144,302.60	173,453.00	. .	101.43	101.43	29,150.40	144,201.17	173,351.57
1999.	31,214.60	66,955.60	98,170.20	. .	327.76	327.76	31,214.60	66,627.84	97,842.44
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
2002**	29,261.45	85,996.74	115,258.19	..	629.00	629.00	29,261.45	85,367.74	114,629.19

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

** Provisional

6.17. Over the years, the government budget has continuously faced increasing debt-servicing commitments. The high interest rates on domestic debt remains a major disincentive to the private sector, as a result of the crowding out effects. As shown on Table 6.13, the net servicing charges continued to rise in 2002, after continued drop up to 2000. The net domestic servicing charges, which has been growing faster than external charges has almost doubled in the last two years. The government receipts from loan repayments by households has been on the increase registering 64.7 per cent growth in 2002.

Table 6.14 Central Government debt service charges on external debt related exports of goods and services 1998-2002

	Debt Service Charges on External Debt** (Financial Year) Ksh million	Exports of Goods and Services (Calender Year) Ksh million	External Debt Service Charges as a Percentage of Exports of Goods and Services
1998	29,150.40	171,894.74	16.96
1999	31,214.60	189,264.97	16.49
2000	34,475.62	211,432.70	16.31
2001	16,047.99	234,294.00	6.85
2002*	29,261.45	257,074.00	11.38

* Provisional.

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

6.18. The relationship between the debt service charges on external debt and exports of goods and services is given in Table 6.14. The external debt servicing charges as a percentage of the exports of goods and services, after an improvement in 2001, worsened to 11.38 in 2002. This was occasioned by increased external loans and interest payments despite improved performance of exports during the year.

Local Authorities

6.19. Local Government reform programme has been put in place to address the issue of financial management, transparency, accountability and responsiveness of public demands for services. A new Bill under which local authorities are to operate was prepared, which promotes citizens participation in identifying local priorities and management of Local Authorities through the Local Authority Service Delivery Action Plan (LASDAP).

6.20. During 2002/03, Kshs 3.0 billion was disbursed to the 174 local authorities by the central Government through the LATF mechanism to facilitate improvement of local service delivery. To achieve this, priority has been to ensure proper management of Local Authority Transfer Funds and strict adherence of all conditions in the LATF programme. The Ministry of Local Government continued to conduct monitoring and evaluation of the LATF related reform process and ensure that the local authorities were using these resources along with their local sourced revenue in accordance with the related financial regulations. As shown on Table 6.15, the amount of resources transferred to the local authorities remained constant in the last fiscal year.

Table 6.15: Central Government transfer through L.A.T.F to local authorities, 1999/00 - 2002/03 (KSh million)

	1999/00	2000/01	2001/02	2002/03*
Nairobi City Council	89.50	485.32	607.06	607.06
Municipal Council	208.54	511.13	816.81	816.81
County Council	556.85	1,060.21	1,256.23	1,256.23
Town Councils	145.11	250.23	319.90	319.90
TOTAL	1,000.00	2,306.90	3,000.00	3,000.00

Source: Kenya Local Government Reform program

6.21. Summary of expenditure by all local authorities is given on Table 6.16. The total expenditure dropped marginally by 1.2 per cent from Ksh 12,3585.7 million in 2001/02 to Ksh 12,204.2 million in 2002/03. The expenditure by municipalities, towns and county councils recorded a growth of 10.2 per cent while that of Nairobi City Council recorded a 13.7 per cent decline.

Table 6.16: Expenditure by local authorities, 1998/99 - 2002/03 (KSh million)

	Local authorities				
		Other		Town	
	Nairobi City Council	Municipal Councils	Sub-Total	and County Councils	Total
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	4,047.91	3,369.67	7,417.58	2,648.33	10,065.91
2001/02*	4,919.41	4,112.88	9,032.29	3,326.37	12,358.66
2002/03**	4,243.47	4,532.41	8,775.88	3,428.36	12,204.24

* Provisional
** Estimates

Table 6.17: Municipal Councils: Current and capital expenditure on main services, 1998/99 - 2002/03 (Ksh million)

		1998/99	1999/00	2000/01	2001/02*	2002/03**
	ADMINISTRATION	2,236.9	2,145.8	2,226.2	2,794.5	2,594.9
COMMUNITY	Roads	354.3	347.3	405.3	623.5	587.3
SERVICES:	Sanitation	546.3	572.7	583.2	649.9	657.3
	Other	136.1	127.2	133.5	169.5	178.2
	Total	1,036.6	1,047.2	1,122.0	1,442.9	1,422.8
SOCIAL	Education	443.9	425.3	458.3	483.6	478.6
SERVICES	Health	750.6	774.3	746.6	903.5	879.3
	Other	98.7	84.1	121.4	198.5	213.7
	Total	1,293.1	1,283.7	1,326.2	1,585.6	1,571.6
ECONOMIC	General Administration	426.2	475.1	497.5	554.4	564.3
SERVICES:	Water Undertaking	1,198.3	1,025.9	1,208.9	1,254.7	1,359.3
	Housing Estates(including staff housing)..	655.8	662.4	578.7	822.7	756.6
	Other	637.4	627.6	458.0	577.5	506.4
	Total	2,917.7	2,791.0	2,743.1	3,209.2	3,186.6
	TOTAL EXPENDITURE	7,484.3	7,267.7	7,417.6	9,032.29	8,775.88

* Provisional

** Estimates

6.22. The expenditure of municipalities and cities by main services for the fiscal period 1998/99 and 2002/03 is presented on Table 6.17. The total expenditure went down by 2.8 per cent from Ksh 9,032.3 million in 2001/02 to Ksh 8,775.9 million in 2002/03. The economic services and administrative expenses continued to take the largest share of the expenditure, taking 36.3 per cent and 29.6 per cent respectively. In 2002/03, the amount spent on social services and community services had marginal drops of 0.9 and 1.4 percents respectively. This expenditure is also shown by economic classification on Table 6.18. While the current expenditure by the municipalities increased from Ksh 6,983.1 million to Ksh 7,240.0 million the capital expenditure recorded a 25.1 per cent decline.

6.23. Table 6.19 gives the economic analysis of revenue for the municipalities and cities. The total revenue raised by the local authorities amounted to Ksh 9,809.9 million in 2002/03 as compared with Ksh 8,216.3 million 2001/02, a 19.4 per cent rise. While current revenue rose by 20.6 per cent, the capital revenue dropped further by 17.4 per cent over the same period. Sale of goods and services, a major source of revenue for the local authorities contributed 41.0 per cent as direct taxes raised 27.3 per cent of the total revenue. Though the LATF allocation to the local authorities was constant, the current transfers rose from Ksh 1,426.2 million to Ksh 1,556.1 million during the reference period.

Table 6.18: Municipal Councils: Economic analysis of expenditure, 1998/99 - 2002/03 (Ksh million)

	1998/99	1999/00	2000/01	2001/02*	2002/03**
CURRENT EXPENDITURE:					
Labour Cost	3,268.4	3,853.4	3,618.2	4,270.1	4,251.7
Other Goods and Services	2,433.6	2,171.4	2,825.9	2,579.1	2,874.0
Transfer to Households & Enterprises	52.3	28.4	46.8	52.3	50.2
Transfer to Funds (Current) ..	61.3	57.7	62.5	72.7	58.5
Interest	12.4	10.4	7.2	8.9	5.5
Total	5,828.0	6,121.3	6,560.6	6,983.1	7,240.0
CAPITAL EXPENDITURE:					
Gross Fixed Capital Formation ..	1,565.8	1,052.4	755.4	1,536.9	1,321.1
Loan Repayment***	76.3	94.1	101.3	512.4	214.7
Transfer to Funds (capital)	14.3	..	..	..	..
Total	1,656.3	1,146.4	856.7	2,049.2	1,535.7
TOTAL EXPENDITURE	7,484.3	7,267.7	7,417.3	9,032.3	8,775.7

* Provisionals

** Estimates

*** Includes interest.

Table 6.19: Municipal Councils: Economic analysis of revenue, 1998/99-2002/03 (Ksh million)

	1998/99	1999/00	2000/01	2001/02*	2002/03+
CURRENT REVENUE:					
Direct Taxes (Rates**)	1,598.52	1,723.54	1,821.17	1,922.55	2,682.48
Indirect Taxes (Licences and cesses)	324.67	623.44	689.66	722.21	792.35
Income from Property	328.98	389.99	423.66	451.65	543.66
Current Transfers	1.39	299.86	1,449.41	1,426.22	1,556.13
Sale of Goods and Services***	3,267.28	3,103.19	2,756.73	3,438.48	4,024.34
TOTAL	5,520.84	6,140.02	7,140.62	7,961.12	9,598.96
CAPITAL REVENUE:					
Loans Raised	422.34	403.52	289.26	250.35	208.65
Loan Repayment	7.39	6.41	3.55	4.86	2.25
TOTAL	429.73	409.93	292.81	255.21	210.90
TOTAL REVENUE	5,950.57	6,549.95	7,433.42	8,216.32	9,809.86

* Provisional.

** Paid by households and enterprises.

*** Includes service charge.

\+ Estimates

6.24. Economic classification of expenditure and revenue for towns and county councils are presented on Table 6.20. Current expenditure registered a marginal increase in 2002/03, while the capital expenditure rose by 29.3 per cent. The gross fixed capital formation for the local authorities grew from Ksh 304.2 million to 440.9 million during this period. The total revenue realised grew by 38.7 per cent, due to increased income from sale of goods and services, which accounted for 35.2 per cent of the total revenue.

Table 6.20: Town and County Councils: Economic analysis of expenditure and revenue, 1998/99 - 2002/03 (Ksh million)

	1998/99	1999/00	2000/01	2001/02*	2002/03+
CURRENT EXPENDITURE:					
Labour Cost	1,423.75	1,496.66	1,401.00	1,906.97	1,921.82
Other Goods and Services	544.85	621.20	497.74	840.45	863.50
Transfer to households & Enterprises	146.43	164.74	70.90	175.65	186.11
Transfer to Funds (Current)	26.45	34.86	35.18	62.38	16.03
Interest	..	..	..	..	..
Total	2,141.48	2,317.45	2,004.82	2,985.45	2,987.46
CAPITAL EXPENDITURE:					
Gross Fixed Capital Formation	215.35	263.42	641.60	304.22	406.24
Loan Repayments**	16.84	28.70	1.92	36.71	34.66
Transfer to Funds (capital)	..	..	..	..	..
Total	232.19	292.12	643.52	340.93	440.90
TOTAL EXPENDITURE	2,373.67	2,609.57	2,648.33	3,326.37	3,428.36
CURRENT REVENUE:					
Direct Taxes (Rates***)	124.32	176.46	206.72	259.10	211.97
Indirect Taxes (Licences and cesses)	254.26	316.24	521.55	563.19	752.65
Income from Property	22.35	31.55	12.56	51.67	10.44
Current Transfers	2.36	704.62	1,315.07	1,583.78	1,601.26
Sale of Goods and Services++..	857.65	356.42	603.45	407.37	1,399.45
Total	1,260.94	1,585.29	2,659.35	2,865.11	3,975.76
CAPITAL REVENUE:					
Loans Raised	0.60	0.94	1.02	1.80	1.86
Loans Repayments	0.00	0.00	0.00	0.00	0.00
Total	0.60	0.94	1.02	1.80	1.86
TOTAL REVENUE	1,261.54	1,586.23	2,660.37	2,866.91	3,977.62

* Provisional.

** Includes Interest.

*** Paid by households and enterprises.

\+ Estimates

++ Includes service charge

Chapter 7 International Trade and Balance of Payments

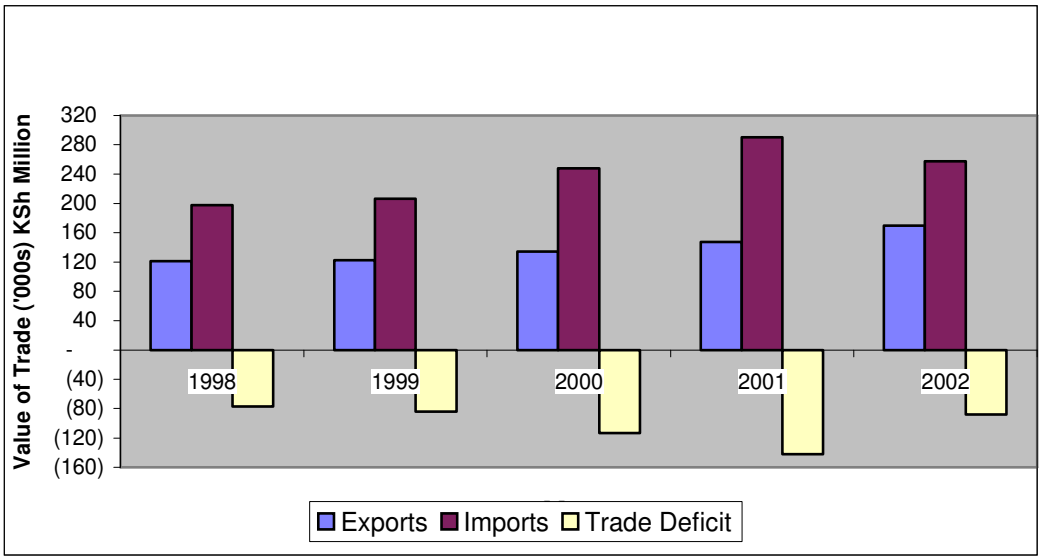
Overview

Major indicators of international trade and balance of payments in 2002 show contrasts compared with the previous years. The level of imports fell significantly while exports grew substantially after sluggish performance in the recent years. Consequently, the trade deficit which has been widening since 1996, narrowed by 38.0 per cent.

7.2. Total exports increased by 14.7 per cent while imports declined by 11.2 per cent. As a result, the volume of trade declined by 2.4 per cent in 2002 compared with growths of 16.2 per cent and 14.5 per cent registered in 2000 and 2001, respectively. The decline in imports mirrored the low domestic demand due to reduced economic activities during the year.

7.3. The current account balance improved from a deficit of KSh 43, 795 million in 2001 to a surplus of KSh 4, 727 million in 2002, primarily reflecting the narrowing of the trade deficit by KSh 54, 091 million. The capital and financial account balance fell from a surplus of KSh 35, 412 million in 2001 to a deficit KSh 4, 544 million in 2002. The slowdown in the financial inflows was mainly due to reduced private short-term capital inflows and official capital inflows.

Figure 7.1: Balance of Trade, 1998-2002



Balance of Trade

7.4. In 2002, domestic exports earnings improved moderately by 8.2 per cent compared with 1.4 per cent growth in 2001. Value of re-exports grew by 44.9 per cent slower, in comparison to a growth of 77.2 per cent in 2001 as shown in Table 7.1. Value of imports in 2002 declined by 11.2 per cent. As a consequent, the merchandise trade deficit, which has been widening over the years narrowed substantially by 38.0 per cent, from KSh 142,518 million in 2001 to KSh 88,427 million in 2002. The export/import ratio reversed its downward trend and stood at 65.7 per cent in 2002 compared with 50.9 per cent in 2001. As a result of these developments, the volume of trade decreased by 2.4 per cent. Figure 7.1 shows the trend in trade deficit between 1998 and 2002.

Table 7.1: Balance of Trade, 1998 – 2002 (KSh. million)

DESCRIPTION	1998	1999	2000	2001	2002*
EXPORTS (f.o.b) :					
Domestic Exports	114,445	115,406	119,764	121,434	131,394
Re-exports	6,735	7,153	14,763	26,156	37,889
Total	**121,181**	**122,559**	**134,527**	**147,590**	**169,283**
IMPORTS (c.i.f) :					
Commercial	190,538	199,808	240,473	285,107	254,006
Government	7,251	6,592	7,331	5,001	3,704
Total	**197,789**	**206,401**	**247,804**	**290,108**	**257,710**
BALANCE OF TRADE	**(76,608)**	**(83,842)**	**(113,277)**	**(142,518)**	**(88,427)**
TOTAL TRADE	318,969	328,960	382,331	437,698	426,993
COVER RATIO ^(in percentage) ..	61.3	59.4	54.3	50.9	65.7

*Provisional

Cover Ratio =(Total Exports/Total Imports)*100

Price Changes

7.5. Unit price indices for exports and imports based on the Standard International Trade Classification (SITC) Sections are summarised in Table 7.2. Export and import price indices for all items continued on an upward trend, rising by 3.1 per cent and 5.0 per cent respectively in 2002, reflecting a slower growth in export prices, relative to import prices. Similarly, export and import price indices for non-oil items rose by 6.8 per cent and 6.4 per cent respectively.

7.6. Export price indices for crude materials (inedible), which grew by 28.0 per cent in 2001, rose modestly by 11.0 percent in 2002. Export prices for animals and vegetable oils and fats went up by 31.0 per cent. However, export price indices for mineral fuels and manufactured goods dropped by 7.5 per cent and 6.6 per cent, respectively

7.7. Import price indices for food and live animals; and, beverages and tobacco increased by 6.6 per cent and 21.5 per cent respectively. Import price indices for animals and vegetable oils and fats; and, machinery and transport equipment rose considerably by 39.3 per cent and 31.1 per cent respectively. Import price index for mineral fuels, which fell by 4.6 per cent in 2001, dropped further by 1.2 per cent in 2002.

Table 7.2: Price Indices, 1998 – 2002 (1982=100)

DESCRIPTION	1998	1999	2000*	2001	2002*
EXPORTS:					
Food and live animals	755	651	613	536	545
Beverages and tobacco	619	614	641	793	787
Crude materials, (inedible)	670	563	666	854	948
Mineral fuels	346	370	575	637	589
Animal and vegetable oils and fats	247	274	358	536	702
Chemicals	546	611	545	539	531
Manufactured goods	644	673	920	1,266	1,182
Machinery and transport equipment	547	526	315	359	751
Miscellaneous manufactured articles	656	775	714	854	1,363
All Exports	**615**	**576**	**620**	**637**	**657**
Non-oil Exports	**689**	**631**	**632**	**637**	**680**
IMPORTS:					
Food and live animals	475	456	453	503	536
Beverages and tobacco	845	804	965	976	1,186
Crude materials, (inedible)	668	393	428	445	503
Mineral fuels	267	401	612	584	577
Animals and vegetable oils and fats	848	684	598	563	784
Chemicals	804	976	976	1,126	1,067
Manufactured goods	663	623	633	793	726
Machinery and transport equipment	1,040	945	1,032	1,219	1,598
Miscellaneous manufactured articles	840	958	876	791	719
All imports	**614**	**667**	**739**	**807**	**847**
Non-oil Imports	**718**	**700**	**710**	**808**	**860**

* provisional

Terms of Trade

7.8. Terms of trade, which is the ratio of export price to import price index, are shown in Table 7.3. As a result of the unit price changes outlined in the precious paragraphs, the falling terms of trade (export prices have been falling faster than import prices) recorded in the previous years continued in 2002, albeit moderately. Terms of trade for all items deteriorated by 1.3 per cent, while, those for non-oil items remained at 2001 levels. This is a reflection of the relatively better import prices continued to enjoy compared to Kenyan exports prices in the international commodity markets.

Table 7.3: Terms of Trade, 1998 - 2002 (1982=100)

DESCRIPTION	1998	1999	2000	2001	2002*
All Items	100	86	84	79	78
Non-oil Items	96	90	89	79	79

* provisional

Volume Changes

7.9. Changes in the volume of trade as measured by the quantum indices for the various SITC sections are depicted in Table 7.4. Export quantum index for all the SITC sections increased except for machinery and transport equipment; and miscellaneous manufactured goods, which dropped by 60.1 per cent and 10.6 per cent respectively. Overall, quantum index for all exports and non-oil exports increased by 10.8 per cent and 6.8 per cent respectively. The significant increase in export volume was mainly attributed to increase in exports of food and live animals, beverages and tobacco, mineral fuels, animal and vegetable oils and fats and manufactured goods. Specifically, there were jumps in export quantities of maize, cashew nuts, whiskeys, gin, motor spirit, lubricating oils, and aviation spirits.

7.10. Quantum index for all imports declined by 15.4 per cent largely due to lower import quantities of crude materials (inedible), mineral fuels, machinery and transport equipment and, food and live animals which fell by 31.5 per cent, 17.7 per cent, 31.8 per cent and 48.8 per cent respectively. The noteworthy decline in food imports by 48.8 per cent was a consequence of improved weather conditions, which favoured local food production. Import quantities of manufactured goods rose by more than half (60.0 per cent) mainly due to a sudden rise in import quantities of textile yarn; and, armou'red or reinforced safes, boxes and doors.

7.11. Breakdown of quantities of principal exports and imports are detailed in Table 7.5. Quantity of tea exported increased by less than one per cent in 2002 while exports of coffee fell by 22.2 per cent compared with a drop of 26.9 per cent in 2001. Quantity of beer exported fell by 39.2 per cent to 535 thousand litres in 2002 from 880 thousand litres in 2001. This is a substantial reduction compared with the 23, 486 thousand litres exported in 1998. This is due to stiff competition from South Africa and the newly established brewing plants in the Kenya's traditional export markets. Other notable reductions in export quantities were in wheat flour, hides and skins, and insecticide and fungicides. Quantity of mining products exported namely: cement, fluorspar, and soda ash rose by 25.5 per cent, 40.8 per cent and 10.1 per cent respectively.

7.12. Except for second-hand clothing, medicinal and pharmaceutical products, essential oils and perfumes, paper and paperboard and, iron and steel, all other quantities of principal imports dropped.

Table 7.4: Quantum Indices, 1998 - 2002 (1982 = 100)

	1998	1999	2000	2001	2002*
EXPORTS:					
Food and live animals	148	172	194	199	222
Beverages and tobacco	971	755	909	1,007	1,185
Crude materials, (inedible)	150	203	202	199	210
Mineral fuels	106	105	109	152	194
Animal and vegetable oils and fats	10,241	8,257	3,637	2,791	3,524
Chemicals	366	334	348	351	360
Manufactured goods	267	240	179	151	178
Machinery and transport equipment	307	246	404	624	249
Miscellaneous manufactured articles	568	556	619	567	507
All Exports	**173**	**186**	**191**	**204**	**226**
Non-oil Exports	**191**	**209**	**219**	**222**	**237**
IMPORTS:					
Food and live animals	493	358	585	670	343
Beverages and tobacco	191	205	254	384	327
Crude materials, (inedible)	274	430	433	539	369
Mineral fuels	190	115	159	151	124
Animals and vegetable oils and fats	197	254	256	344	349
Chemicals	191	168	259	180	192
Manufactured goods	182	215	207	290	464
Machinery and transport equipment	125	130	144	157	107
Miscellaneous manufactured articles	222	247	237	298	331
All imports	**179**	**162**	**187**	**222**	**169**
Non-oil Imports	**204**	**207**	**228**	**253**	**216**

Source: Annual Trade Reports - Customs & Excise Dept./Central Bureau of Statistics

* provisional

Table 7.5: Quantities of Principal Exports and Imports, 1998 - 2002

Commodity	Unit of Quantity	1998	1999	2000	2001	2002*
DOMESTIC EXPORTS						
Fish and fish preparations	Tonne	14,332	15,951	16,855	18,536	18,25
Maize(raw)	Tonne	9,126	40,520	488	420	158,75
Meals and flours of wheat	Tonne	43,865	21,288	11,049	8,845	1,79
Horticulture **	Tonne	232,217	200,624	193,918	193,230	262,93
Sugar confectionery	Tonne	9,179	8,628	13,343	16,436	18,81
Coffee, unroasted	Tonne	51,578	71,581	86,982	63,608	49,47
Tea	Tonne	263,771	260,177	217,282	270,473	272,70
Margarine and shortening	Tonne	18,746	16,531	3,590	3,911	4,58
Beer made from malt	000Lt.	23,486	7,978	2,142	880	53
Tobacco and tobacco manufactures	Tonne	6,993	6,706	8,452	13,659	15,07
Hides and Skins	Tonne	2,118	7,302	7,555	10,030	7,18
Sisal	Tonne	17,650	16,830	16,753	17,857	19,48
Stone, sand and gravel	Tonne	56,907	49,418	52,483	28,989	26,24
Fluorspar	Tonne	45,618	83,707	103,944	70,232	98,88
Soda Ash	Tonne	214,470	210,350	236,051	273,839	301,62
Metal scrap	Tonne	2,151	2,096	2,332	2,268	2,21
Pyrethrum Extract	Tonne	216	623	165	235	8
Petroleum Products	Mn.Lt.	792	765	1,155	845	22
Animal and Vegetable oils	Tonne	40,751	31,651	23,056	29,161	43,06
Medicinal and pharmaceutical products	Tonne	3,758	3,621	3,149	3,549	3,97
Essential oils	Tonne	43,800	36,380	16,212	17,771	23,62
Insecticides and fungicides	Tonne	2,938	2,156	1,859	2,379	1,72
Leather	Tonne	4,602	3,899	5,915	3,847	4,33
Wood manufactures nes	Tonne	2,246	1,814	2,110	2,182	2,15
Paper and paperboard	Tonne	11,340	14,074	13,874	14,671	15,06
Textile yarn	Tonne	1,123	1,361	2,814	2,142	2,19
Cement	Tonne	417,239	283,717	301,157	232,924	292,31
Iron and steel	Tonne	100,406	77,372	64,891	91,900	96,66
Metal containers	Tonne	2,243	1,969	645	822	1,13
Wire products: nails screws, nuts, etc	Tonne	6,570	3,629	2,301	2,294	2,32
Footwear	'000'Pairs	28,296	30,113	28,747	33,570	37,61
Articles of plastic***	-	-	-	-	-	
IMPORTS						
Wheat, unmilled	Tonne	478,865	578,543	636,045	617,542	515,17
Rice	Tonne	62,893	53,358	105,803	172,246	148,70
Maize, unmilled	Tonne	368,761	73,520	409,416	308,606	16,32
Wheat flour	Tonne	15,307	13,777	10,512	26,886	6,98
Sugars, Mollases and Honey	Tonne	210,745	62,917	119,417	268,781	128,04
Textile fibres and their waste	Tonne	16,611	18,829	18,913	19,388	19,26
Second - hand clothing	Tonne	50,876	50,274	47,956	56,030	67,06
Crude Petroleum	Tonne	2,157,695	2,139,253	2,452,336	1,965,537	1,493,35
Petroleum products	Mn.Lt.	1,874	1,563	1,548	2,801	1,43
Animal/vegetable fats and oils	Tonne	217,048	263,956	270,450	407,488	406,10
Organic & inorganic chemicals	Tonne	105,107	54,330	81,934	144,721	108,22
Medicinal and pharmaceutical products	Tonne	9,403	6,032	6,341	7,207	7,34
Essential oils & pefumes	Tonne	7,513	9,343	6,758	7,691	9,48
Chemical fertilizers	Tonne	229,105	345,180	337,524	392,531	348,51
Plastics in primary & non-primary forms	Tonne	138,374	122,978	114,337	188,745	172,02
Paper and Paperboard	Tonne	54,210	49,794	89,212	69,726	108,05
Iron and steel	Tonne	137,811	361,835	298,204	410,851	454,33
Non-ferrous metals	Tonne	18,180	18,581	16,382	29,225	28,57
Hand & machine tools	"000"No	9,428	9,246	10,057	10,039	7,74
Industrial Machinery***	-	-	-	-	-	
Agricultural Machinery and Tractors***	-	-	-	-	-	
Road Motor Vehicles	Nos.	30,565	55,988	16,661	89,104	84,96

* Provisional

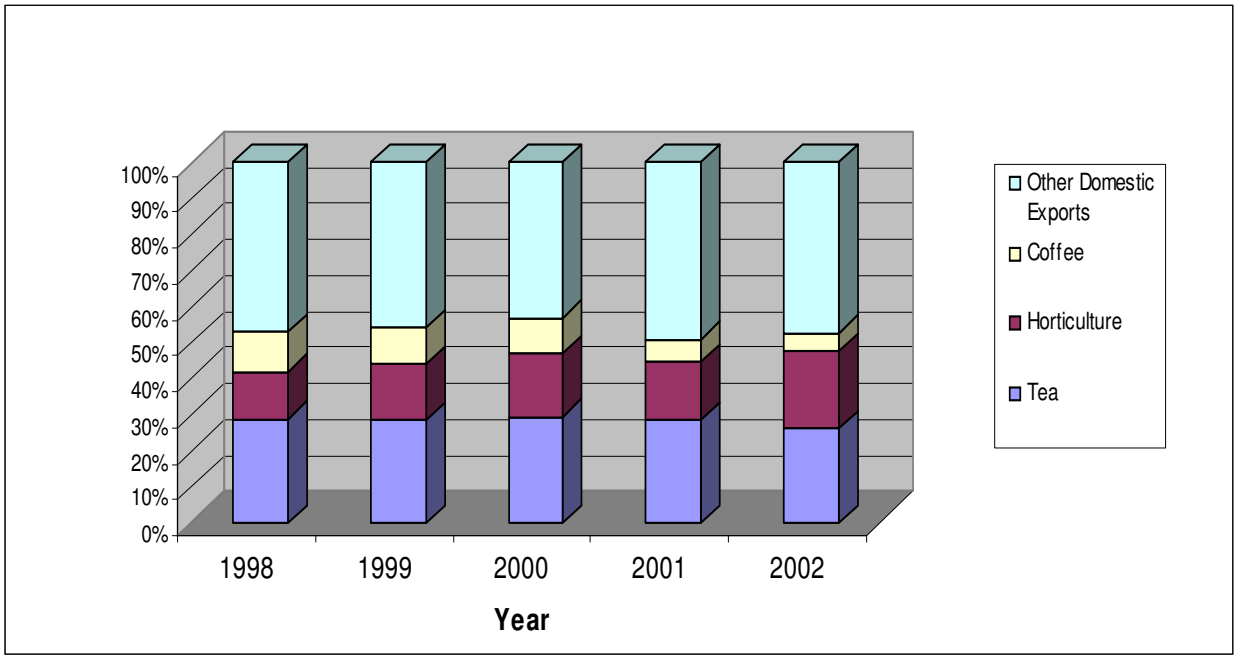
** Horticulture includes cut flowers, fruits and vegetables, both fresh and processed

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

Values of Principle Exports and Imports

7.13. Values of principal exports and imports are presented in Table 7.6. Tea, horticulture and coffee continue to be the leading export earners; jointly accounting for 52.7 per cent of total export earnings in 2002, compared with 50.9 per cent in 2001 as shown in Figure 7.2. Export earnings from tea almost remained at 2001 levels while those from coffee reduced by 12.3 per cent. Earnings from horticulture, which declined by 6.5 per cent in 2001, expanded by 42.8 per cent in 2002. Value of fish and cement exported edged up 9.0 per cent and 12.2 per cent respectively. Other notable increases in export earnings were in tobacco products, articles of plastics, sugar confectionery and, animals and vegetable oils.

Figure 7.2: Domestic Exports Components



7.14. Import value of crude petroleum and refined petroleum products dropped by 23.2 per cent and 15.2 per cent respectively. Import bill for iron and steel; and industrial machinery also decreased by 7.1 per cent and 32.8 per cent respectively. However, import values for animal/vegetable fats and oils rose by 41.6 per cent. Other increases in import value were recorded in medicinal and pharmaceutical products; essential oils and perfumes; hand and machine tools; and, agricultural machinery and tractors.

7.15. Import values of industrial machinery, crude petroleum, and petroleum products recorded the largest declines of 32.8 per cent, 23.2 per cent and 15.2 per cent respectively. Imports values of cereals particularly rice, maize, and wheat flour also fell by big margins. Import values of road motor vehicles remained at the 2001 levels while those of iron and steel fell by 7.1 per cent.

Table 7.6: Value of Principal Exports and Imports, 1997 – 2002 (KSh million)

Commodity	1998	1999	2000	2001	2002*
DOMESTIC EXPORTS					
Fish and fish preparations	2,791	2,267	2,953	3,858	4,205
Maize(raw)	130	488	33	18	1,693
Meals and flours of wheat	971	423	201	155	32
Horticulture	14,938	17,641	21,216	19,846	28,334
Sugar confectionery	833	874	1,326	1,576	1,879
Coffee, unroasted ..	12,817	12,029	11,707	7,460	6,541
Tea	32,971	33,065	35,150	34,485	34,376
Margarine and shortening	1,413	1,309	246	245	306
Beer made from malt	638	202	69	29	48
Tobacco and tobacco manufactures ..	1,607	1,554	2,167	2,887	3,454
Hides and skins (undressed)	128	311	494	635	445
Sisal	689	636	606	728	792
Stone, sand and gravel	174	166	123	85	65
Fluorspar	213	501	644	652	734
Soda ash	1,236	1,280	1,440	1,993	2,127
Metal scrap .. .	114	147	153	123	98
Pyrethrum extract ..	716	656	704	993	798
Petroleum products ..	9,127	9,555	9,429	12,345	3,896
Animal and Vegatable oils	2,396	2,186	1,204	1,298	2,277
Medicinal and pharmaceutical products	1,663	1,657	2,350	1,570	1,697
Essential oils	3,364	3,361	2,116	2,470	2,452
Insecticides and fungicides	678	501	465	523	353
Leather	495	387	486	576	601
Wood manufactures n.e.s	371	384	388	449	433
Paper and paperboard	499	618	713	784	647
Textile yarn	308	303	488	518	485
Cement	1,443	1,248	1,358	1,031	1,479
Iron and steel	3,824	2,757	2,605	3,673	4,122
Metal containers	289	193	97	121	114
Wire products: nails screws, nuts, etc.	253	181	113	117	100
Footwear	914	1,121	1,140	1,204	1,549
Articles of plastics	1,999	1,573	2,104	2,572	2,990
All other Commodities	14,444	15,831	15,476	16,415	22,271
GRAND TOTAL	**114,445**	**115,406**	**119,764**	**121,434**	**131,394**
IMPORTS					
Wheat, unmilled	4,794	5,899	6,989	7,515	5,577
Rice	918	1,013	1,968	2,619	2,104
Maize	4,758	906	4,664	3,342	229
Wheat flour	278	194	180	636	237
Sugars, Mollases and Honey	4,232	1,468	2,730	6,648	3,074
Textile fibres and their waste	1,411	4,747	1,636	1,605	1,566
Second - hand clothing	2,043	3,695	2,360	2,937	2,359
Crude Petroleum	15,036	22,355	41,907	31,179	23,940
Petroleum Products	16,318	18,433	21,773	26,035	22,065
Animal/vegetable fats and oils	8,750	9,184	8,016	10,125	14,333
Organic & inorganic chemicals	4,490	4,418	4,546	5,865	5,280
Medicinal & Pharmaceauticals Products	6,559	6,373	5,976	7,188	8,678
Essential oils & pefumes	1,392	1,652	1,583	1,984	3,791

Domestic Export Prices

7.16. Table 7.7 show the trend of unit prices of the principal exports and imports. Export price of tea declined marginally by 1.1 per cent while that of coffee increased by 12.7 per cent reversing the downward trend observed in recent years. Export price of horticulture produce, which declined by 5.5 per cent in 2001 rose marginally by 4.9 per cent in 2002. Export price of mineral products specifically soda ash and flouspar dropped for the second consecutive year by 3.1 per cent and 20.0 per cent respectively in 2002. The export price of cement rose appreciably by 14.3 per cent after a decline in 2001. Other notable decreases were recorded in export prices of textile yarn, essential oils and leather.

7.17. Values of selected exports in 2001 and 2002 together with their percentage changes in value, quantity and prices are presented in Table 7.8. Although the quantity exported increased by 0.8 per cent, the price per unit of tea exported slightly fell, resulting in a marginal drop in export earnings. The substantial rise in export quantity of horticulture by 37.9 percent and slight increase of 3.6 per cent in unit price explains the huge rise in export earnings. Higher import values of sugar confectionery, tobacco and tobacco manufactures, animals and vegetable oils, cement and footwear were occasioned by increases in both their quantities exported and unit prices. Lower export earnings from hides and skins; and insecticides and fungicides were due to reduction in both their unit prices and quantities exported.

Composition of Exports

7.18. Domestic exports classified by Broad Economic Category (BEC) are shown in Table 7.10. Share of export earnings from food and beverages, which stood at 49.2 per cent in 2001, increased slightly to 51.9 per cent in 2002. The share of the non-food industrial supplies which has been rising since 1999 continued with the upward trend as its share increased to 24.8 per cent in 2002 from 22.7 per cent in 2001. However, the share of items classified under fuel and lubricants dropped sharply to 3.1 per cent from 10.2 per cent in 2001.

7.19. Overall, export earnings from food and beverages increased by 14.1 per cent to KSh 68,141 million in 2002 from KSh 59,717 million in 2001. All subcategories under food and beverages recorded increases. Earnings from agricultural primary products and processed agricultural products went up by 11.9 per cent and 22.8 per cent, respectively. Export earnings from machinery and other capital equipment grew by 31.9 per cent; while those from transport equipment more than doubled.

Composition of Imports

7.20. Imports classified by Broad Economic Category are shown in Table 7.11. Import share of non-food industrial supplies increased to 32.4 per cent in 2002 from 29.5 per cent in 2001 and remains the dominant import category. Import value of food and beverages dropped by almost one half, as a result, its import share dropped to 6.0 per cent from 10.5 per cent in 2001. All the sub-categories in food and becverages recorded declines with processed food and beverages for household consumption recording the largest drop in value terms.

7.21. Import share of transport equipment remained at 2001 levels while the share of machinery and other capital equipment increased slightly. Share of fuel and lubricants declined for the second consecutive period.

Table 7.7: Prices of Principal Exports and Imports, 1998 - 2002 2002 (KSh/Unit)

Commodity	Unit	1998	1999	2000	2001	2002*
DOMESTIC EXPORTS						
Fish and fish preparations	Kg	195	142	175	208	230
Maize(raw)	Tonne	14,210	12,044	67,679	42,857	10,664
Meals and flours of wheat	Tonne	22,136	19,870	18,192	17,524	17,847
Horticulture	Kg	64	88	109	103	108
Sugar confectionery	Kg	91	101	99	96	100
Coffee, unroasted	Kg	249	168	135	117	132
Tea	Kg	125	127	162	127	126
Margarine and shortening	Kg	75	79	69	63	67
Beer made from malt	Lt.	27	25	32	33	90
Tobacco and tobacco manufactures	Kg	230	232	256	211	229
Hides and Skins(undressed)	Kg	60	43	65	63	62
Sisal	Tonne	39,023	37,803	36,173	40,768	40,653
Stone, sand and gravel	Tonne	3,058	3,359	2,344	2,932	2,484
Fluorspar	Tonne	4,675	5,984	6,196	9,284	7,423
Soda Ash	Tonne	5,764	6,085	6,100	7,278	7,052
Metal scrap	Tonne	52,983	70,116	65,609	54,233	44,344
Pyrethrum Extract	Kg	3,314	1,053	4,267	4,226	9,852
Petroleum Products ..	Lt.	12	12	8	15	17
Animal and Vegetable oils	Kg	59	69	52	45	53
Medicinal and pharmaceutical products	Kg	442	457	746	442	427
Essential oils	Kg	77	92	131	139	104
Insecticides and fungicides	Kg	231	233	250	220	205
Leather	Kg	108	99	82	150	139
Wood manufactures n.e.s	Tonne	165,274	211,383	184,062	205,775	201,115
Paper and paperboard	Tonne	44,005	43,908	51,391	53,439	42,944
Textile yarn	Kg	274	223	173	242	221
Cement	Tonne	3,459	4,398	4,509	4,426	5,060
Iron and steel	Tonne	38,082	35,639	40,144	39,967	42,643
Metal containers	Tonne	128,996	97,771	150,614	147,202	100,827
Wire products: nails screws, nuts, etc.	Tonne	38,508	49,879	49,103	51,003	43,231
Footwear	Pair	32	37	40	36	41
Articles of plastics	-	-	-	-	-	-
IMPORTS						
Wheat, unmilled	Tonne	10,012	10,196	10,988	12,169	10,825
Rice	Tonne	14,593	18,993	18,598	15,205	14,149
Maize, unmilled	Tonne	12,902	12,317	11,393	10,829	14,027
Wheat flour	Tonne	18,162	14,081	17,145	23,655	33,915
Sugars, Mollases and Honey	Tonne	20,081	23,332	22,862	24,734	24,008
Textile fibres and their waste	Tonne	84,944	252,112	86,512	82,783	81,313
Second - hand clothing	Tonne	40,156	73,497	49,217	52,418	35,175
Crude Petroleum	Tonne	6,969	10,450	17,089	15,863	16,031
Petroleum products	Lt.	9	12	14	9	15
Animal/vegetable fats and oils	Kg	40	35	30	25	35
Organic & inorganic chemicals	Kg	43	81	55	41	49
Medicinal & Pharmaceauticals Products	Kg	698	1,057	942	997	1,182
Essential oils & pefumes	Kg	185	177	234	258	400
Chemical fertilizers	Tonne	15,346	15,899	16,141	16,068	15,773
Plastics in primary & non-primary forms	Tonne	51,510	57,598	73,871	48,377	51,249
Paper and Paper Products	Tonne	46,787	46,293	29,289	57,052	30,715
Iron and steel	Tonne	57,322	25,157	28,852	29,132	24,464
Non-ferrous metals	Tonne	115,978	115,854	146,720	123,217	104,200
Hand & machine tools	Mn. No.	89	93	79	69	96
Industrial Machinery	-	-	-	-	-	-
Agricultural Machinery and Tractors	-	-	-	-	-	-
Road Motor Vehicles	No.	480,326	212,649	579,732	163,001	169,280
* Provisional.						

Table 7.8: Domestic Exports Change in Value, Quantity and Price, 2001 - 2002**

Commodity	Value (Ksh million)				Quantity					Price per U		
	2001	2002*	Changes	%-change	Unit	2001	2002*	Changes	%-change	2001	2002*	C
Fish and fish preparations	3,858	4,205	347	8.99	Tonne	18,536	18,252	(284)	(1.53)	208,136	230,386	
Maize(raw)	18	1,693	1,675	9,305.56	Tonne	420	158,753	158,333	37,698.33	42,857	10,664	(
Meals and flours of wheat	155	32	(123)	(79.35)	Tonne	8,845	1,793	(7,052)	(79.73)	17,524	17,847	
Horticulture	19,846	28,334	8,488	42.77	Tonne	193,230	262,931	69,701	36.07	102,707	107,761	
Sugar confectionery	1,576	1,879	303	19.23	Tonne	16,436	18,815	2,379	14.47	95,887	99,867	
Coffee, unroasted ..	7,460	6,541	(919)	(12.32)	Tonnes	63,608	49,479	(14,129)	(22.21)	117,281	132,197	
Tea	34,485	34,376	(109)	(0.32)	Tonne	270,473	272,707	2,234	0.83	127,499	126,055	
Margarine and shortening	245	306	61	24.90	Tonne	3,911	4,586	675	17.26	62,644	66,725	
Beer made from malt	29	48	19	65.52	000 Lt.	880	535	(345)	(39.20)	32,955	89,720	
Tobacco and tobacco manufactures ..	2,887	3,454	567	19.64	Tonnes	13,659	15,078	1,419	10.39	211,362	229,075	
Hides and skins (undressed)	635	445	(190)	(29.92)	Tonnes	10,030	7,181	(2,849)	(28.40)	63,310	61,969	
Sisal	728	792	64	8.79	Tonnes	17,857	19,482	1,625	9.10	40,768	40,653	
Stone, sand and gravel	85	65	(20)	(23.30)	Tonne	28,989	26,244	(2,745)	(9.47)	2,932	2,484	
Fluorspar	652	734	82	12.58	Tonne	70,232	98,883	28,651	40.79	9,284	7,423	
Soda ash	1,993	2,127	134	6.72	Tonne	273,839	301,622	27,783	10.15	7,278	7,052	
Metal scrap .. .	123	98	(25)	(20.33)	Tonne	2,268	2,210	(58)	(2.56)	54,233	44,344	
Pyrethrum extract ..	993	798	(195)	(19.64)	Tonne	235	81	(154)	(65.53)	4,225,532	9,851,852	5,(
Petroleum products ..	12,345	3,896	(8,449)	(68.44)	Mn. Lt.	845	224	(621)	(73.48)	14,609,467	17,389,792	2,1
Animal and Vegatable oils	1,298	2,277	979	75.42	Tonne	29,161	43,064	13,903	47.68	44,512	52,875	
Medicinal and pharmaceutical products	1,570	1,697	127	8.09	Tonne	3,549	3,974	425	11.98	442,378	427,002	(
Essential oils	2,470	2,452	(18)	(0.73)	Tonne	17,771	23,624	5,853	32.94	138,990	103,793	(
Insecticides and fungicides	523	353	(170)	(32.50)	Tonne	2,379	1,725	(654)	(27.49)	219,840	204,638	(
Leather	576	601	25	4.34	Tonne	3,847	4,334	487	12.66	149,727	138,671	(
Wood manufactures n.e.s	449	433	(16)	(3.56)	Tonne	2,182	2,153	(29)	(1.33)	205,775	201,115	
Paper and paperboard	784	647	(137)	(17.47)	Tonne	14,671	15,066	395	2.69	53,439	42,944	(
Textile yarn	518	485	(33)	(6.37)	Tonne	2,142	2,192	50	2.33	241,830	221,264	(
Cement	1,031	1,479	448	43.45	Tonne	232,924	292,316	59,392	25.50	4,426	5,060	
Iron and steel	3,673	4,122	449	12.22	Tonne	91,900	96,663	4,763	5.18	39,967	42,643	
Metal containers	121	114	(7)	(5.79)	Tonne	822	1,131	309	37.55	147,202	100,827	(
Wire products: nails screws, nuts, etc.	117	100	(17)	(14.19)	Tonne	2,294	2,322	28	1.24	51,003	43,231	
Footwear	1,204	1,549	345	28.65	'000' Pairs	33,570	37,614	4,044	12.05	35,865	41,181	
Articles of plastics	2,572	2,990	418	16.25	-	-	-	-	-	-	-	
All other Commodities	16,415	22,271	5,856	35.68	-	-	-	-	-	-	-	
TOTAL	**121,434**	**131,394**	**9,960**				-	-	-		-	

** Excluding Re-exports

* Provisional

Table 7.9: Import Change in Value, Quantity and Price, 2001 - 2002

Commodity	Value (Ksh. million)				Quantity					Price per Unit		
	2001*	2002*	Change	%-change	Unit	2001*	2002*	Change	%-change	2001*	2002*	
Wheat, unmilled	7,515	5,577	(1,938)	(25.79)	Tonne	617,542	515,179	(102,363)	(16.58)	12,169	10,825	
Rice	2,619	2,104	(515)	(19.66)	Tonne	172,246	148,705	(23,541)	(13.67)	15,205	14,149	
Maize	3,342	229	(3,113)	(93.15)	Tonne	308,606	16,326	(292,280)	(94.71)	10,829	14,027	
Wheat flour	636	237	(399)	(62.74)	Tonne	26,886	6,988	(19,898)	(74.01)	23,655	33,915	
Sugars, Mollases and Honey	6,648	3,074	(3,574)	(53.76)	Tonne	268,781	128,043	(140,738)	(52.36)	24,734	24,008	
Textile fibres and their waste	1,605	1,566	(39)	(2.42)	Tonne	19,388	19,261	(127)	(0.65)	82,783	81,313	
Second - hand clothing	2,937	2,359	(578)	(19.68)	Tonne	56,030	67,064	11,034	19.69	52,418	35,175	
Crude Petroleum	31,179	23,940	(7,239)	(23.22)	Tonne	1,965,537	1,493,354	(472,183)	(24.02)	15,863	16,031	
Petroleum Products	26,035	22,065	(3,970)	(15.25)	Mn. Lt.	2,801	1,433	(1,368)	(48.83)	9,294,895	15,395,317	
Animal/vegetable fats and oils	10,125	14,333	4,208	41.56	Tonne	407,488	406,106	(1,382)	(0.34)	24,847	35,294	
Organic & inorganic chemicals	5,865	5,280	(585)	(9.97)	Tonne	144,721	108,227	(36,494)	(25.22)	40,526	48,786	
Medicinal & Pharmaceauticals Products	7,188	8,678	1,490	20.73	Tonne	7,207	7,342	135	1.87	997,364	1,181,967	
Essential oils & pefumes	1,984	3,791	1,807	91.08	Tonne	7,691	9,483	1,792	23.30	257,964	399,768	
Chemical Fertilizers	6,307	5,497	(810)	(12.84)	Tonne	392,531	348,517	(44,014)	(11.21)	16,068	15,773	
Plastics in primary & non-primary forms	9,131	8,816	(315)	(3.45)	Tonne	188,745	172,022	(16,723)	(8.86)	48,377	51,249	
Paper and Paperboard	3,978	3,319	(659)	(16.57)	Tonne	69,726	108,059	38,333	54.98	57,052	30,715	
Iron and Steel	11,969	11,115	(854)	(7.14)	Tonne	410,851	454,338	43,487	10.58	29,132	24,464	
Non-ferrous metals	3,601	2,977	(624)	(17.32)	Tonne	29,225	28,574	(651)	(2.23)	123,217	104,200	
Hand & machine tools	691	747	56	8.10	"000"No	10,039	7,749	(2,290)	(22.81)	68,832	96,400	
Industrial Machinery	37,933	25,474	(12,459)	(32.84)	-	-	-	-	-	-	-	
Agricultural Machinery and Tractors	1,270	1,310	40	3.15	-	-	-	-	-	-	-	
Road Motor Vehicles	14,524	14,382	(142)	(0.98)	Nos.	89,104	84,960	(4,144)	(4.65)	163,001	169,280	
All other Commodities	93,026	90,839	(2,187)	(2.35)	-	-		-	-	-	-	
GRAND TOTAL	**290,108**	**257,710**	**(32,398)**	(11.17)	**-**	**-**		-	-	**-**	-	

* Provisional

Table 7.10: Domestic Exports by Broad Economic Category, 1998 - 2002 Ksh. million

DESCRIPTION	1998	1999	2000	2001*	2002*
1. FOOD AND BEVERAGES	**65,666**	**64,731**	**67,390**	**59,717**	**68,141**
Primary	51,132	52,183	56,804	47,680	53,358
For Industry	12,957	12,119	11,806	7,623	8,403
For Household Consumption	38,175	40,064	44,999	40,057	44,955
Processed	14,534	12,548	10,586	12,037	14,783
For Industry	3,496	2,244	965	963	2,501
For Household Consumption	11,039	10,304	9,621	11,075	12,283
2. INDUSTRIAL SUPPLIES (Non-Food) ..	**20,914**	**20,511**	**22,921**	**27,541**	**32,548**
Primary	4,911	6,322	6,437	9,379	10,928
Processed	16,002	14,189	16,485	18,163	21,620
3. FUEL AND LUBRICANTS	**10,449**	**9,430**	**10,241**	**12,421**	**4,007**
Primary	5	3	5	3	3
Processed	10,444	9,427	10,237	12,418	4,004
Motor Spirit	4,176	4,429	3,629	3,217	418
Other	6,268	4,998	6,607	9,201	3,586
4. MACHINERY & OTHER CAPITAL EQUIPMENT ..	**1,033**	**1,445**	**597**	**691**	**911**
Machinery & Other Capital Equipment ..	873	1,345	432	497	649
Parts and Accessories	160	100	166	193	262
5 TRANSPORT EQUIPMENT	**726**	**998**	**557**	**502**	**1,049**
Passenger Motor Vehicles	0	392	149	117	57
Other	178	123	117	154	189
For Industry	166	56	99	142	171
Non-Industrial	11	67	18	12	18
Parts and Accessories	548	483	291	230	803
6. CONSUMER GOODS NOT ELSEWHERE SPECIFIED ..	**15,657**	**18,291**	**18,045**	**20,345**	**23,175**
Durable	262	321	274	402	327
Semi-Durable	3,172	4,056	3,913	4,548	5,101
Non-Durable	12,223	13,914	13,858	15,395	17,748
7. GOODS NOT ELSEWHERE SPECIFIED ..	**0**	**0**	**12**	**217**	**1,562**
TOTAL	**114,445**	**115,406**	**119,764**	**121,434**	**131,394**
PERCENTAGE SHARES:					
1. Food and Beverages	57.38	55.87	56.27	49.18	51.86
2. Industrial Supplies (Non-Food)	18.27	17.86	19.14	22.68	24.77
3. Fuel and Lubricants	9.13	8.21	8.55	10.23	3.05
4. Machinery and other Capital Equipment ..	0.90	1.26	0.50	0.57	0.69
5. Transport Equipment	0.63	0.87	0.47	0.41	0.80
6. Consumer Goods not elsewhere specified	13.68	15.93	15.07	16.75	17.64
7. Goods not elsewhere specified	0.00	0.01	0.01	0.18	1.19
TOTAL	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

* Provisional

Direction of Trade

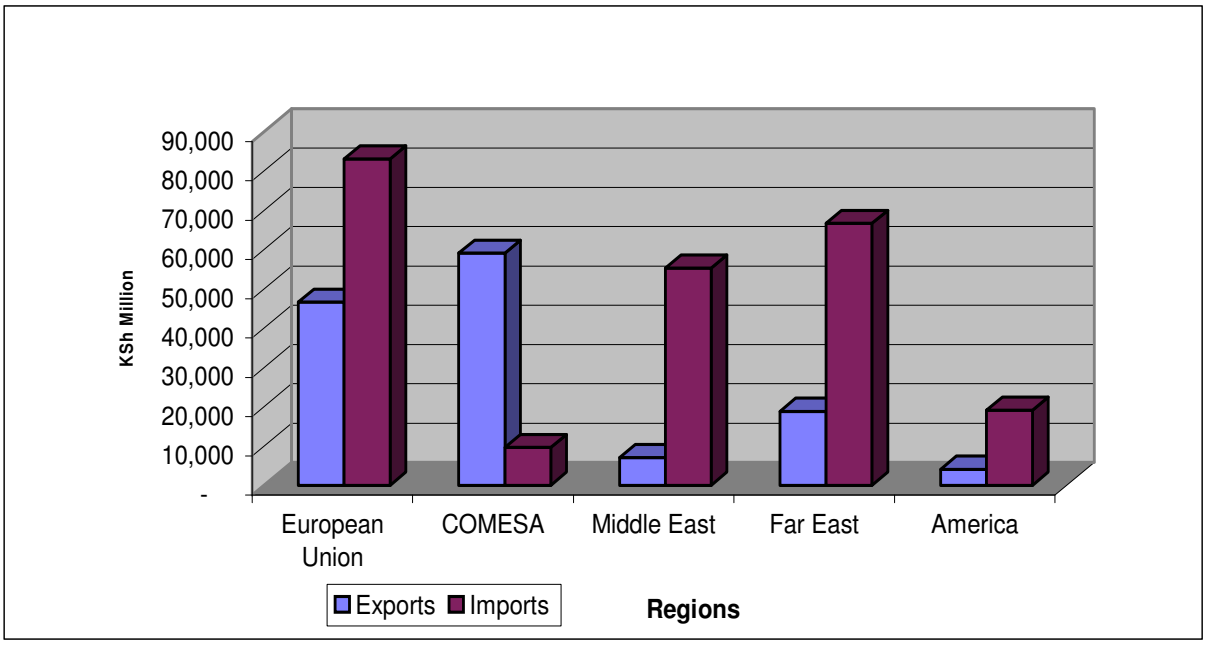
7.22. Kenya's direction of trade is summarized in Tables 7.12, 7.13 and illustrated in Figure 7.3. Africa region continued to be the dominant export market followed by the European Union. The share of exports to the African region in 2002 was 48.9 per cent of total exports, a decrease of about 0.3 percentage points compared with 2001. However, exports earning from the African region went up to KSh 82,750 million in 2002 from KSh 72,513 million in 2001, a 14.1 per cent increase. The growth was attributed to significance increase in the value of exports to 'other' Africa countries. Exports to the United Kingdom increased substantially by 19.8 per cent while to Germany fell by 14.8 per cent. Exports of all types of vegetables to UK increased remarkably. Exports to the Netherlands continued to rise steadily, increasing by 11 per cent in 2002, mainly due to the increases in exports of fish and vegetables.

Table 7.11: Total Imports by Broad Economic Category, 1998 - 2002 (Ksh. Million)

DESCRIPTION	1998	1999	2000	2001	2002*
1. FOOD AND BEVERAGES	**17,011**	**15,145**	**19,110**	**30,306**	**15,550**
Primary	5,847	6,930	8,678	12,389	4,440
For Industry	5,101	6,263	7,148	11,060	3,381
For Household Consumption	746	667	1,530	1,329	1,059
Processed	11,164	8,215	10,431	17,917	11,110
For Industry	5,024	3,303	3,160	7,315	4,790
For Household Consumption	6,140	4,912	7,271	10,602	6,320
2. INDUSTRIAL SUPPLIES (Non-Food)	**66,910**	**67,362**	**67,955**	**85,687**	**83,555**
Primary	9,073	5,019	4,347	6,874	6,742
Processed	57,837	62,343	63,608	78,812	76,813
3. FUEL AND LUBRICANTS	**31,911**	**41,644**	**63,311**	**58,314**	**47,455**
Primary	15,273	22,787	42,198	31,606	24,587
Processed	16,639	18,857	21,113	26,708	22,868
Motor Spirit	4,503	3,303	2,287	2,958	2,991
Other	12,136	15,554	18,826	23,751	19,877
4. MACHINERY AND OTHER CAPITAL EQUIPMENT	**34,867**	**33,739**	**39,227**	**37,521**	**34,704**
Machinery and Other Capital Equipment	26,587	24,083	30,599	27,945	26,402
Parts and Accessories	8,280	9,656	8,628	9,576	8,302
5. TRANSPORT EQUIPMENT	**30,998**	**29,346**	**41,356**	**56,954**	**50,479**
Passenger Motor Vehicles	6,459	6,618	4,765	7,974	8,015
Other	16,530	15,060	29,160	38,652	36,541
Industrial	15,743	14,309	28,161	37,786	35,626
Non-Industrial	787	751	999	865	916
Parts and Accessories	8,009	7,667	7,431	10,329	5,922
6. CONSUMER GOODS NOT ELSEWHERE SPECIFIED	**15,525**	**18,010**	**15,839**	**18,301**	**18,390**
Durable	2,729	4,053	2,907	3,285	2,906
Semi-Durable	3,247	3,985	3,820	4,237	4,390
Non-Durable	9,548	9,972	9,112	10,779	11,094
7. GOODS NOT ELSEWHERE SPECIFIED	**567**	**1,155**	**1,007**	**3,026**	**7,579**
TOTAL	**197,789**	**206,401**	**247,804**	**290,108**	**257,710**
PERCENTAGE SHARES:					
1. Food and Beverages	8.60	7.34	7.71	10.45	6.03
2. Industrial Supplies (Non-Food)	33.83	32.64	27.42	29.54	32.42
3. Fuel and Lubricants	16.13	20.18	25.55	20.10	18.41
4. Machinery and other Capital Equipment	17.63	16.35	15.83	12.93	13.47
5. Transport Equipment	15.67	14.22	16.69	19.63	19.59
6.Consumer Goods not elsewhere specified ..	7.85	8.73	6.39	6.31	7.14
7.Goods not elsewhere specified	0.29	0.56	0.41	1.04	2.94
TOTAL	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

* Provisional

Figure 7.3: Direction of Trade by Regions, 2002



7.23. There was a marked decrease in exports to the Middle East and especially to United Arab Emirates, which fell by more than a half and reverted to the pre-2001 trend. Exports to UAE that recorded notable declines were in vegetables and coffee. Exports value to the Far East rose by 14.5 per cent, while those to Pakistan, the major trading partner in that region declined by 6.0 per cent.

7.24. There was moderate increase in value of imports from the European Union by 15.4 per cent, almost entirely due to imports from Sweden, which rose from KSh 1, 622 million in 2001 to KSh 12, 259 million in 2002. This was as a result of aircrafts and associated equipments, and increased medicaments imported from Sweden. As a result, the share of value of imports from the EU increased to 32.2 per cent in 2002 from 24.8 per cent in 2001. The region remains the major source of Kenya's imports.

7.25. Imports from all the Middle East countries recorded significant declines of 25.5 per cent in 2002; In particular, imports from Saudi Arabia and United Arab Emirates, Kenya's main trading partners in the region. Imports from United Arab Emirates, fell by 29.9 per cent due to declines in import quantities of petroleum oils, rotating electric plants and motor vehicles. Imports from Saudi Arabia dropped by 14.8 per cent. Consequently, share of imports from Middle East reduced by 3.8 percentage points.

Table 7.12: Total Exports by Destination, 1998 - 2002

	1998	1999	2000	2001*	2002*
EUROPE					
WESTERN EUROPE:					
European Union.					
Belgium..	1,704.6	1,569.9	1,844.1	1,999.2	2,291.7
Finland	480.0	550.3	341.9	333.0	404.8
France	1,889.8	2,290.1	2,143.4	2,310.9	2,373.9
Germany, ...	5,550.2	5,773.0	5,577.4	5,137.4	4,377.8
Italy	1,747.6	1,650.3	1,518.7	1,110.8	1,759.3
Netherlands	5,284.4	6,152.0	7,292.6	9,912.0	11,028.0
Spain	756.4	566.9	509.8	669.2	937.7
Sweden	1,427.8	1,338.0	915.5	686.7	919.5
United Kingdom	16,227.6	17,013.9	18,655.2	16,382.0	19,630.7
Other	1,279.0	1,241.1	1,230.1	1,438.0	2,904.6
	36,347.4	38,145.5	40,028.8	39,979.2	46,628.0
Other Western Europe	925.2	982.9	1,161.9	1,609.3	1,537.0
Total Western Europe..	37,272.6	39,128.4	41,190.6	41,588.5	48,165.0
EASTERN EUROPE:					
Poland	2.8	354.8	554.9	555.6	579.8
Romania	273.4	11.1	0.7	0.2	1.8
Other	72.4	246.6	57.6	354.3	770.8
	355.2	612.5	613.2	910.1	1,352.4
TOTAL, EUROPE	37,627.8	39,740.8	41,803.9	42,498.5	49,517.3
AMERICA					
U.S.A	3,053.4	2,761.2	2,803.8	3,414.0	3,377.4
Canada	614.2	432.8	472.5	358.5	439.7
Other	108.6	91.9	312.1	483.6	289.6
TOTAL AMERICA	3,776.2	3,285.9	3,588.4	4,256.1	4,106.7
AFRICA					
South Africa	937.9	477.5	614.6	423.3	518.0
Rwanda	3,037.2	3,110.3	3,504.1	3,515.9	4,313.4
Egypt	5,693.6	6,739.2	7,107.4	7,120.9	6,751.9
Tanzania	16,116.4	13,766.6	11,092.1	13,511.0	14,181.1
Uganda	19,466.4	21,189.1	24,186.1	30,039.9	31,280.0
Other**.	12,375.7	12,043.0	15,430.3	17,902.0	25,705.1
TOTAL AFRICA	57,627.3	57,325.6	61,934.6	72,513.0	82,749.5
ASIA					
MIDDLE EAST:					
Iran	1,006.0	437.7	370.1	417.3	143.1
Israel	865.6	891.5	1,236.3	1,210.3	1,254.6
Jordan	96.2	137.1	172.2	106.3	121.0
Saudi Arabia	488.0	576.9	689.7	578.2	451.0
United Arab Emirates ..	1,345.6	1,999.7	2,657.3	5,035.3	2,468.3
Other	1,008.0	1,393.5	1,457.7	1,591.1	2,627.5
	4,809.4	5,436.5	6,583.3	8,938.5	7,065.5
FAR EAST					
China(Mainland)	78.4	273.3	322.6	247.5	375.2
India	1,824.6	1,735.5	1,361.0	2,361.9	2,542.8
Indonesia	80.4	128.6	107.9	71.2	191.3
Japan	940.6	1,060.6	1,449.5	1,332.1	1,752.7
Korea South	178.8	68.8	174.1	54.7	51.9
Pakistan	8,275.7	9,019.9	9,986.5	8,877.1	8,340.6
Singapore	553.6	415.7	432.8	530.5	263.8
Other	3,298.1	2,606.6	1,822.7	2,981.2	5,330.3
	15,230.2	15,317.7	15,657.2	16,456.2	18,848.6
TOTAL, ASIA	20,039.6	20,754.1	22,240.5	25,394.7	25,914.2
AUSTRALIA & OCEANIC					
Australia	376.6	587.4	553.3	785.4	470.9
Other	84.6	67.1	61.9	49.6	88.2
TOTAL	461.2	654.5	615.1	835.0	559.0
All Other Countries	395.9	232.1	2,600.6	96.8	3,834.8
Aircraft and Ships Stores	1,252.6	565.9	1,744.0	1,996.0	2,601.7
TOTAL	1,648.5	798.0	4,344.6	2,092.8	6,436.6
TOTAL EXPORTS	121,180.5	122,558.9	134,527.1	147,590.2	169,283.4

*Provisional

**See Table 7.14 for details

Table 7.13: Imports by Country of Origin, 1998 - 2002

DESCRIPTION	1998	1999	2000	2001	2002*
EUROPE					
WESTERN EUROPE:					
European Union.					
Belgium..	3,110	3,008	5,433	7,673	6,944
Finland	1,577	1,480	2,106	1,085	1,442
France	8,032	6,735	8,297	10,699	9,712
Germany, ...	11,139	11,210	8,714	11,711	12,942
Italy	5,103	4,815	7,206	6,998	4,146
Netherlands	5,396	5,030	8,674	5,325	5,409
Spain	1,030	2,336	1,691	2,208	2,959
Sweden	1,569	1,691	1,811	1,622	12,259
United Kingdom	24,355	23,123	25,136	21,989	21,138
Other	3,075	3,543	6,585	2,719	6,138
Total	**64,385**	**62,971**	**75,653**	**72,028**	**83,090**
Other Western Europe	3,504	3,565	3,553	5,433	4,077
Total Western Europe..	**67,473**	**66,536**	**79,205**	**77,461**	**87,167**
EASTERN EUROPE:					
Poland	44	47	53	46	20
Romania	126	167	346	149	37
Other	2,117	3,083	4,683	1,937	1,631
Total	**2,287**	**3,296**	**5,082**	**2,131**	**1,688**
TOTAL, EUROPE	**69,760**	**69,831**	**84,287**	**79,592**	**88,854**
AMERICA					
U.S.A	16,509	13,190	10,084	38,967	14,648
Canada	1,393	1,735	986	1,599	1,183
Other	1,086	4,063	3,716	4,943	3,314
TOTAL AMERICA	**18,988**	**18,988**	**14,785**	**45,509**	**19,144**
AFRICA					
South Africa	14,198	17,134	16,586	7,636	6,863
Tanzania	610	480	928	585	803
Uganda	60	307	515	683	664
Other**	2,472	4,377	4,717	22,844	20,542
TOTAL AFRICA	**17,339**	**22,298**	**22,746**	**31,749**	**28,873**
ASIA					
MIDDLE EAST:					
Iran	555	1,345	1,452	786	242
Israel	1,456	1,431	2,198	1,846	1,503
Jordan	127	34	78	150	69
Saudi Arabia	12,384	10,873	15,004	15,773	13,446
United Arab Emirates	17,810	25,529	48,212	41,465	29,060
Other	3,571	3,860	6,561	8,857	6,996
Total	**35,903**	**43,072**	**73,505**	**68,878**	**51,315**
FAR EAST					
China	4,139	4,786	7,755	6,792	6,052
India	8,649	8,995	10,139	12,830	13,810
Indonesia	3,060	1,651	2,706	7,680	13,080
Japan	15,675	15,336	12,514	14,436	17,242
Korea South	2,647	3,203	2,861	3,926	2,755
Pakistan	1,006	609	864	2,086	4,020
Singapore	1,331	4,278	4,776	5,655	4,188
Other	9,690	9,115	7,548	7,492	5,477
Total..	**46,196**	**47,973**	**49,164**	**60,897**	**66,623**
TOTAL, ASIA	**82,099**	**91,046**	**122,669**	**129,775**	**117,939**
AUSTRALIA & OCEANIC					
Australia	1,725	2,692	2,611	3,214	1,879
Other	352	136	68	208	140
TOTAL	**1,884**	**2,829**	**2,679**	**3,422**	**2,018**
All Other Countries N.E.S.	7,717	1,408	638	62	882
TOTAL	**7,717**	**1,408**	**638**	**62**	**882**
GRAND TOTAL	**197,789**	**206,401**	**247,804**	**290,108**	**257,710**

* Provisional.

** See table 7.14 for details

7.26. Imports values from the major trading partners from the Far East recorded substantial growths. Imports from Japan went up by 19.4 per cent almost entirely due strong increase in imports of electrical apparatus, motor vehicles and motor vehicles parts and accessories. Imports from India grew by 7.6 per cent mainly due to increased importation of metal working machinery; medicinal and pharmaceutical products; rice; textile yarn; and rubber tyres and tubes. Imports from Indonesia which almost tripled in 2001 rose by 70.3 per cent in 2002 largely as a result of increased importation of fixed vegetable fats (crude or refined), motor vehicles, woven fabrics and, animal/ vegetable fats and oils. Overall, imports from the region increased by 9.4 per cent.

7.27. Imports from Australia, which expanded by 23.1 per cent in 2001, declined by 41.5 per cent in 2002 almost entirely due to a drastic drop in wheat imports. Imports from South Africa, which has continued to decline since 1999, further declined by 10.1 per cent in 2002.

7.28. Trade with African countries, with emphasis on COMESA and EAC member states are summarised in Table 7.14. Kenya's export earnings from Uganda and Tanzania, Kenya's major trading partners constituted over half (54.9 per cent) of total export earnings from the African region, lower than the 60.2 per cent share recorded in 2001. Exports to the two countries increased by 4.4 per cent while imports from them declined by 15.7 per cent. Articles of plastic; petroleum products; and, soap, cleansing and polishing preparations were the major exports to the two countries. In addition, the other main exports to Uganda were flat rolled products of iron, cement, and, paper and paperboards while to Tanzania was medicaments.

7.29. Exports to the COMESA region grew by 7.7 per cent and comprised 71.4 per cent of total exports to the Africa region. Imports from the region fell by 10.4 per cent and comprised 33.3 per cent of total imports from the Africa Region. Exports to Congo DR and Rwanda rose noticeably in 2002 by 15.5 per cent and 22.7 per cent, respectively. Exports to Zambia which more than doubled in 2001, quadrupled in 2002 due to increase in exports of flat-rolled products of iron, vegetables fats and oils, sugar confectionery, and, soap, cleansing and polishing preparations. Imports from South Africa fell by 10.1 per cent but still constituted 23.8 per cent of the total imports from Africa

7.30. Trade with Ghana and Nigeria, which has been picking up steadily improved tremendously in 2002. Exports to the two countries more than doubled while imports from them edged up by 25.5 per cent. Exports to South Africa rose by more than three-quarters after a sharp decline in 2001. Exports to Egypt dropped by 5.2 per cent as imports also dropped by 12.0 per cent mainly as a result of decreased importation of wheat flour and sugar.

Table 7.14: Trade With African Countries, 1998 - 2002 (KSh. '000)

ZONES/COUNTRIES	TOTAL EXPORTS					TOTAL IMPORTS			
	1998	1999	2000	2001	2002*	1998	1999	2000	2001
COMESA									
EAST AFRICAN COMMUNITY (EAC)									
Tanzania	16,116,362	13,766,581	11,092,107	13,510,955	14,181,097	212,569	480,050	927,724	584,7
Uganda	19,466,334	21,189,072	24,186,092	30,039,898	31,280,038	59,738	307,012	515,402	683,4
Sub-Total	**35,582,695**	**34,955,653**	**35,278,198**	**43,550,853**	**45,461,134**	**272,307**	**787,062**	**1,443,126**	**1,268,2**
OTHERS:									
Angola	13,817	37,001	6,474	30,754	64,669	264	3,234	1,359	5,0
Burundi	273,599	794,397	898,562	1,846,276	1,797,803	-	7,568	1,070	67,7
Comoros	194,866	435,551	730,890	354,650	272,404	-	-	18	6
Congo, D.R	2,014,776	2,031,041	3,042,502	4,285,626	4,950,853	7,544	88,708	250,892	762,1
Djibouti	160,307	120,555	315,960	843,807	471,174	2,794	17,604	13,421	3,7
Egypt**..	5,693,646	6,739,154	7,107,444	7,120,914	6,751,868	243,210	1,372,837	1,597,319	3,258,0
Eritrea	228,709	207,522	453,751	474,892	431,298	50,358	6,028	177	4,0
Ethiopia	1,535,040	1,412,371	2,056,609	2,153,344	1,980,628	70,485	7,042	63,463	61,8
Madagascar	127,753	62,835	104,019	256,533	656,141	2,847	2,220	12,672	5,1
Malawi	410,672	338,753	177,944	375,512	757,917	6,272	20,916	206,592	952,0
Mauritius	408,848	188,161	152,555	339,671	163,344	590,280	476,024	404,149	567,4
Namibia	2,246	3,606	2,369	2,489	1,533	10,176	49,631	10,128	331,9
Rwanda	3,037,229	3,110,314	3,504,082	3,515,884	4,313,383	8,508	3,542	2,719	2,7
Seychelles	144,685	124,685	239,623	212,631	245,205	3,658	645	23,504	2,8
Sudan	2,989,538	2,705,420	2,191,440	2,447,373	2,818,408	103,066	13,890	24,596	1,029,9
Swaziland	15,385	881	3,614	8,805	2,959	90,772	139,457	208,531	885,9
Zambia	228,520	141,756	168,000	405,998	1,697,299	126,898	214,929	310,943	957,9
Zimbabwe	544,139	321,368	244,500	182,259	442,517	515,727	373,049	633,483	1,154,7
Sub-Total	**18,023,774**	**18,775,368**	**21,400,339**	**24,857,417**	**27,819,402**	**1,832,859**	**2,797,326**	**3,765,036**	**10,053,8**

Table 7.14: Trade With African Countries, 1998 - 2002

ZONES/COUNTRIES	TOTAL EXPORTS					TOTAL IMPORTS			
	1998	1999	2000	2001	2002*	1998	1999	2000	2001
Total, COMESA* **	**37,490,108**	**39,964,441**	**45,586,431**	**54,897,315**	**59,099,440**	**1,892,597**	**3,104,338**	**4,280,438**	**10,737,2**
OTHER COUNTRIES									
Algeria & Libya	158,137	17,590	27,940	73,156	555,608	3,741	6,343	203	1,4
Ghana & Nigeria	169,638	179,201	686,717	487,790	1,235,344	81,847	167,121	68,052	88,2
Lesotho ..	-	164	-	184	1,142	-	-	-	1,1
Mozambique	55,784	44,203	133,024	201,649	333,376	6,970	90,576	174,472	89,1
Reunion ..	302,776	353,823	303,287	175,806	231,385	181	6,275	1,319	1
Somalia ..	1,842,335	2,051,513	2,940,278	1,653,376	4,556,376	3,041	1,108	5,032	9,8
South Africa	937,916	477,483	614,586	288,510	518,028	14,197,593	17,134,097	16,585,575	7,636,0
All Other African Countries	554,265	470,594	550,215	1,224,370	2,037,749	1,153,323	1,097,434	702,939	12,600,3
Sub-Total	**4,020,851**	**3,594,570**	**5,256,047**	**4,104,840**	**9,469,009**	**15,446,695**	**18,502,954**	**17,537,593**	**20,426,4**
TOTAL AFRICA**	**57,627,321**	**57,325,592**	**61,934,585**	**72,513,110**	**82,749,545**	**17,339,292**	**22,298,459**	**22,745,755**	**31,748,5**
Percentage of all									
Exports/Imports	47.6	46.8	46.0	49.1	56.1	8.8	10.8	9.2	1

* Provisional

** Egypt joined COMESA in 1998

*** COMESA excludes Tanzania

****TOTAL AFRICA=COMESA+Tanzania+All Other African Countries

Balance of Payments

7.31. The current account, which has been in deficits in recent years, transformed into a surplus of KSh 4,727 million in 2002, compared with a deficit of KSh 43,795 million recorded in the previous year, mainly due to a sharp reduction of imports in response to lower demand as a result of weaker domestic economic activities. This reduced the deficit on the goods account quite noticeably and almost entirely contributed to the surplus in the current account.

7.32. A qualitative assessment of the factors behind the surplus is as important as the overall result of the surplus. The shrinking balance on the debit side of the current account mainly brought about the current account surplus. Therefore the current account surplus resulted from a weak or even a contracting domestic demand. In other words, in case domestic demand strengthens, the current account is likely to revert to the deficit situation as in the previous years.

7.33. Another important factor was the contraction in net current transfers to KSh 49, 654 million in 2002 from KSh 63, 227 million in 2001 due to decrease in private grants. This could be due to delays in remittances from abroad pending a stable political transition. Official net transfers however increased to KSh 2, 476 million in 2002 from KSh 1, 713 million in 2001.

7.34. Unlike in the previous years, the financial inflows into the economy declined and consequently, the financial and the capital account recorded a deficit of KSh 4, 544 million in 2002, compared with a surplus of KSh 28,023 million in 2001. This was mainly occasioned by the deterioration in the net private short-tem capital inflows - partly attributed to the fall in Treasury bill rates and the uncertainty regarding the outcome of the 2002 elections. There were also reduced official capital inflows. However, net capital transfers increased to KSh 6,393 million in 2002 from KSh 4, 043 million in 2001

7.35. Further analysis of Kenya's Balance of Payments outcome is summarised in Table 7.16 .The current account balance improved by KSh 48, 522 million mainly due to reduction in the merchandise account deficit by KSh 49, 357 million while travel dropped by KSh 1, 171 million. Net services and income earnings rose by KSh 12,739 million while current transfers reduced by KSh 15,573 million.

Table 7.15: Kenya Balance of Payments, 1999 – 2002 (KSh million)

	1999*			2000			2001			2002*		
	Liabilities/	Assets/	Net	Liabilities/	Assets/	Net	Liabilities/	Assets/	Net	Liabilities/	Assets/	Ne
A - CURRENT ACCOUNT	Credits	Debits		Credits	Debits		Credits	Debits		Credits	Debits	
1. Goods	123,545	192,116	-68,571	135,762	231,874	-96,113	148,592	276,422	-127,829	170,287	248,760	-7
2. Transportation	26,433	16,596	9,837	31,318	26,016	5,303	33,884	23,554	10,330	33,304	19,300	1
3. Foreign Travel	21,367	8,059	13,308	21,553	10,018	11,535	24,256	11,241	13,016	21,734	9,889	1
4. Other Services - Private	2,868	10,865	-7,997	2,524	14,644	-12,119	4,281	18,853	-14,572	9,646	14,539	-
5. Government Services, n.i.e.	15,052	4,596	10,456	20,275	4,069	16,206	23,281	4,200	19,081	22,103	4,424	1
6. Income	2,230	13,426	-11,196	3,426	13,566	-10,140	3,618	10,666	-7,048	2,786	7,875	-
7. Current Transfers	48,194	334	47,860	70,582	442	70,140	63,227	-	63,227	49,780	126	4
Government	2,216	-	2,216	8,473	122	8,352	1,713	-	1,713	2,602	126	
Private	45,978	334	45,644	62,109	320	61,788	61,514	-	61,514	47,178	-	4
Total Current Account, of which:	**239,689**	**245,992**	**-6,303**	**285,441**	**300,629**	**-15,189**	**301,139**	**344,934**	**-43,795**	**309,640**	**304,913**	
Visible Balance	123,545	192,116	-68,571	135,762	231,874	-96,113	148,592	276,422	-127,829	170,287	248,760	-7
Invisible Balance	116,144	53,876	62,268	149,679	68,755	80,924	152,547	68,513	84,034	139,353	56,153	8
B - CAPITAL & FINANCIAL ACCOUNT												
8.Capital Account	3,894	-	3,894	3,775	-	3,775	4,043	-	4,043	6,467	74	
9.Direct Investment	972	-	972	8,448	-	8,448	417	-	417	2,175	584	
10.Portfolio Investment	-560	-	-560	-269	828	-1,096	430	541	-111	414	790	
11.Other Investment	59,487	45,241	14,246	42,031	20,074	21,957	61,468	37,793	23,674	26,356	38,508	-1
Long Term	13,477	40,014	-26,536	6,192	19,674	-13,482	20,194	37,273	-17,080	-950	37,895	-3
Short Term	46,009	5,227	40,782	35,840	401	35,439	41,274	520	40,754	27,306	613	2
Total Capital & Financial Account	63,793	45,241	18,552	53,986	20,902	33,084	66,357	38,334	28,023	35,412	39,955	-
C. - ERRORS AND OMISSIONS			-11,838			-9,651			28,845			
D - OVERALL BALANCE			411			8,244			13,072			
E. - RESERVE ASSETS												
12.Special Drawing Rights	-		-	-		-	-		-	-		
13.Reserve Position in the Fund	96		96	62		62	42		42	-102		
14.Foreign Exchange	-515		-515	-8,291		-8,291	-13,133		-13,133	-142		
15.Other claims	8		8	-14		-14	20		20	-7		
Total Foreign Reserves	-411		-411	-8,244		-8,244	-13,072		-13,072	-251		

* Provisional.

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

Table 7.16: Changes in Kenya Balance of Payments Magnitudes*, 1999 -2002 (KShs. Million)

	1999+	2000	2001	2002*
1. Exports Goods	+1,783	+12,217	+12,831	+21,695
2. Imports Goods	-9,282	-39,758	-44,547	+27,662
Transportation	10,033	-4,534	+5,028	+3,673
Travel	7,262	-1,773	+1,481	-1,171
Other Services	-2,038	-4,123	-2,453	+9,679
Government services n.e.s.	+2,152	+5,750	+2,875	-1,402
Income	-728	+1,056	+3,092	+1,959
3. Services & Income (net)	+16,681	-3,624	+10,023	+12,739
4. Current Transfers(net)	+13,091	+22,392	-6,913	-13,573
5. Changes on current account	+22,273	-8,773	-28,606	+48,522
6. Capital account	-1,197	-119	268	+2,349
7. Direct investment	+283	+7,476	-8,032	+1,174
8. Portfolio investment	-640	-536	+985	-264
9. Other investment - Long term	-12,507	+13,054	-3,597	-21,766
10. Change on basic balance	+8,211	+11,102	-38,982	30,016
(net balance on lines 5-9)				
11. Other investment - Short term	-4,672	-5,344	5,315	-14,061
12. Errors and omissions (net)	-2,839	+2,075	+38,496	-28,777
13. Net change on all above items (5 - 10)				
	700	7,833	4,828	-12,821

* 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

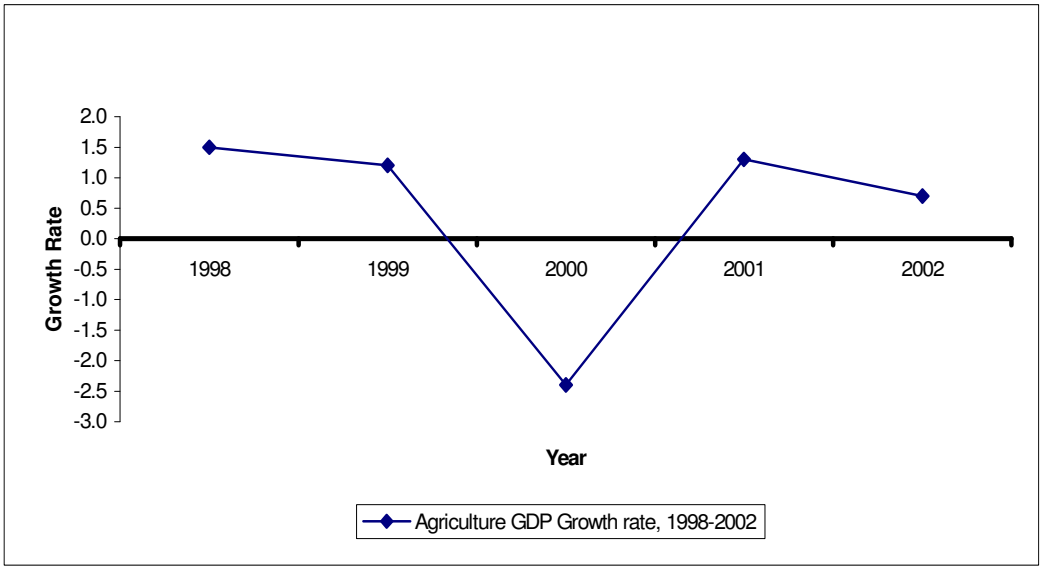
7.36. Foreign exchange reserves of the Monetary Authorities are detailed in Table 7.17. Central Bank of Kenya foreign reserves, which have been increasing over the years shrunk to KSh 75, 065 million in 2002. The reserve position in the Fund stood at KSh. 1,302 million at December 2002. Total net foreign reserves of Central Monetary Authorities fell slightly during the year to stand at KSh. 67,260 million in December 2002 from KSh. 68,614 million in December 2001.

Chapter 8 Agriculture

Overview

The performance of the agricultural sector remained weak in 2002. After recording a modest 1.3 per cent recovery in 2001, the sector's GDP growth declined to 0.7 per cent during the period under review. The poor performance was attributed to mixed weather conditions which led to a significant production decline of major agricultural commodities. Maize production declined by 4.0 million bags to 26 million bags in 2002. However, current production coupled with carry over stocks from the previous year's harvest resulted in a maize glut in the market thus compelling the National Cereals and Produce Board (NCPB) to purchase 3 million bags of maize. Wheat production declined from 81.5 thousand tonnes in 2001 to 60.1 thousand tonnes in 2002. Wheat imports decreased by 16.6 per cent from 617.5 thousand tonnes in 2001 to 515.2 thousand tonnes of 2002. Coffee and tea production declined by 7.2 and 2.6 per cent to 48.0 and 287.1 thousand tonnes respectively in 2002, on account of unfavourable weather during the year.

Fig 8.1: Agriculture GDP Growth rate, 1998-2002



8.2. Agricultural commodity prices remained mixed. Those of tea, seed cotton, maize, wheat and bacon declined while the prices of coffee, sisal, beef and milk increased marginally. Wheat prices in the international market stood at an average KSh 10,826.3 per tonne compared to local wheat prices which stood at Kshs 17,323.9 per tonne. The price of sugarcane remained unchanged while that of pyrethrum (extract equivalent) declined in the year under review. The volume of marketed milk increased from 148.0 million litres in 2001 to 177.6 million litres in 2002. This was attributed to availability of pasture and water which are necessary prerequisites for increased milk production. The volume of horticultural exports increased by 22.4 per cent from 98.9 thousand tonnes in 2001 to 121.1 thousand tonnes in 2002 while the value of exports increased by 32.2 per cent from KSh 20.2 billion in 2001 to KSh 26.7 billion in 2002.

Chapter 9 Environment and Natural Resources

Overview

The Government continued with its commitment to conservation, sustainable utilisation and management of the environment and natural resources as integral part of national planning and poverty reduction efforts. In 2002, the Government established National Environment Management Authority(NEMA) to oversee conservation, sustainable utilisation and management of environment and natural resources. These are efforts towards the sustainable management of all types of forests including those in state, trust and private lands to restore the country's forest. In the same year the Government conducted a study to assess the impact and challenges of the sessional paper No. 1 of 1999 on National Policy on Water Resource Management and Development.

9.2. In water sub-sector, the total Government Development Expenditure is expected to grow by 72.7 per cent from KSh 1,343 million in 2001/2002 to KSh 2,319 million in 2002/2003. The total quantity of fish landed from freshwater sources, increased by 10.0 per cent from 157.7 thousand tonnes in 2001 to 173.4 thousand tonnes in 2002. There was a significant increase in the forest cover as the Department of Forestry managed to plant a total of 6.7 thousand hectares in 2002. There was, however, reductions in the sales of major forestry products especially timber due to the ban in logging in Government forests, imposed in 1999. In 2002, quantity and value of mineral production grew by 39.8 per cent and 2 per cent, respectively.

Water supply

9.3. The Government through the Ministry of Water Resources continued to pursue the goal for all Kenyans should have access to water within a reasonable distance. Towards this end, the Ministry in 2002 continued with a focus on delivery, management and conservation of water resources. Integrated water management continued to be a major theme in the sector's development activities. The water Act 2002 was passed by parliament and given presidential assent on October 2002. The Act proposes participatory management of water supplies in rural areas and privatisation of urban and county council water supplies.

Table 9.1: Water Purification Points and Boreholes Drilled, 1998/99 - 2002/2003**

Province	1998/99		1999/2000		2000/2001		2001/2002		2002/2003*	
	W.P.P	B.H	W.P.P	B.H	W.P.P	B.H	W.P.P	B.H	W.P.P	B.H
Central	34	67	34	40	34	43	34	17	34	19
Coast	8	10	8	5	8	8	8	9	8	1
Eastern	28	155	28	34	28	63	28	24	28	24
N/Eastern	7	15	7	5	7	6	7	20	7	1
Nyanza	33	41	33	13	33	2	33	2	33	9
R/Valley	43	86	43	151	43	147	43	68	43	24
Western	33	32	33	12	33	7	33	11	33	3
Total	**186**	**406**	**186**	**260**	**186**	**276**	**186**	**151**	**186**	**81**

Sources: Ministry of Water Resources Management and Development

W.P.P - Water Purification Point(Water Treatment Point)

BH - Borehole(drilled by Government and private sector)

* Provisional

** Revised

9.3. The Ministry of Water Resources Management and Development in collaboration with other stakeholders were also engaged in providing clean water through the drilling of boreholes and maintenance of modest water purification points. The distribution of boreholes sunk is presented in Table 9.1. A total of 81 boreholes areare expected to be drilled in 2002/2003 compared to 151 boreholes in 2001/2002. The drop in number of boreholes drilled for the last five years is attributed to high drilling cost. The number of Water Purification Points remained 186 nationally.

9.4. Further efforts to provide clean water are demonstrated by the ongoing water projects in various parts of the country. Some of the major water projects that were developed jointly by the government and donors include those concerned with community management of water supplies. The Kenya-Sweden rural water supply and sanitation programme creates awareness on policy including community capacity building and handing over of operation and maintenance of various water supplies to communities countrywide. The Kenya –German Kilifi district development project promotes decentralized development and support local communities with resources to achieve their goals. IFAD-Central Kenya dry areas smallholder and community development is involved in training of beneficiaries in operation and management of water projects as well as detailed groundwater survey and design of projects within the districts. Other major projects are the Kenya -Japan Meru water supply and Garrissa water supply

9.5. The Development Expenditure on water supplies and related services is summarised in Table 9.2. Total Development Expenditure is projected to grow from KSh 1,343.1 million in 2001/2002 to 2,319.1 million in 2002/2003. This is attributed to significant increase in allocation to the National Water Conservation and Pipeline Corporation (NWC& PC). The increase also reflects the Government's expected additional expenditure on rehabilitation of rural and urban water supplies and ground water development countrywide.

9.6. The expenditure allocated to NWC&PC for water supplies is expected to increase from KSh 265.2 million in 2001/2002 to KSh 822.5 million in 2002/2003. While expenditure on Water Development and Rural water supplies is expected to increase from KSh 410.4 million and KSh 175.1 million in 2001/2002 to KSh 661.7 million and KSh 261.5 million in 2002/2003 respectively. The growth in development expenditure on water supplies and related services is attributed to the water sector being given a higher priority within the Medium Term Expenditure Framework (MTEF).

Table 9.2: Development Expenditure on Water Supplies and Related Services, 1998/99 - 2002/2003 (Ksh 000)

	1998/99	1999/2000*	2000/2001*	2001/2002*	2002/2003**
Water Development	212,967	450,739	329,535	410,444	661,698
Training of Water Development Staff	11,139	34,977	24,090	12,442	23,084
Rural Water Supplies	119,592	53,938	68,632	175,099	261,515
Self-Help Water Supplies*** ..	50	0	0	0	0
County Council and Urban Water Supplies	11,931	4,608	13,088	322,258	325,500
Miscellaneous and Special Water Programmes	52,698	37,934	253,160	157,719	224,870
Water Conservation and Pipeline Corporation . ..	504,696	206,409	243,766	265,164	822,461
TOTAL	**913,073**	**788,605**	**932,271**	**1,343,126**	**2,319,128**

Sources: Ministry of Water Resources Management and Development; and National Water Conservation and Pipeline Corporation

* Provisional

** Revised Estimates

*** Includes contributions by the Ministry of Water Resources Management and Development

Fisheries 9.7. Freshwater and marine fish continues to be an important source of protein to a sizeable population. It is also a major source of income to the communities mainly in the Lake Victoria and the Coastal regions. The Department of Fisheries has continued in its role to devolution of planning and decision-making in fisheries management to other fisheries stakeholders.

9.8. The total quantity of fish landed from freshwater sources, increased by 10.0 per cent from 157.7 thousand tonnes in 2001 to 173.4 thousand tonnes in 2002 as shown in Table 9.3. Lake Victoria is the major source of freshwater fish, which has been contributing over 90 per cent of total volume of fish landed since 1998. Fish farming though not fully developed continued to record improvement since 1998. Except for crustaceans, the volume of marine fish and other marine products continued to increase gradually since 2000.

Table 9.3: Quantity and Value of Fish Landed, 1998 - 2002**

	1998	1999	2000	2001	2002*
Quantities - Tonnes:					
Freshwater fish-					
Lake Victoria	158,876	200,159	192,738	151,804	167,021
Lake Turkana	4,268	5,237	2,108	3,649	3,847
Lake Naivasha	50	452	384	5	62
Lake Baringo	141	409	463	117	286
Lake Jipe	97	99	54	65	63
Fish Farming	997	887	967	999	1,014
Other areas	3,421	921	1,162	1,032	1,109
TOTAL ..	167,850	208,164	197,876	157,671	173,402
Marine fish	3,966	4,090	3,779	4,234	4,445
Crustaceans	800	880	777	1,036	968
Other marine products ..	232	262	207	284	291
GRAND TOTAL ..	172,848	213,396	202,639	163,225	179,106
Value - Kshs' 000					
Freshwater fish ..	6,446,840	7,401,515	7,679,570	7,438,871	8,324,601
Marine fish	185,660	201,359	185,949	238,629	284,997
Crustaceans	132,020	96,533	80,618	198,556	199,542
Other marine products	14,240	14,721	17,925	21,936	23,504
TOTAL ..	**6,778,760**	**7,714,128**	**7,964,062**	**7,897,992**	**8,832,644**

* Provisional.

** Revised

Source : Fisheries Department

9.9. In the period under review the total fish landed was valued at KSh 8,832.6 million compared to KSh 7,898.0 million in 2001 an increase of 11.8 per cent. The price per tonne of freshwater fish was KSh 48,000 in 2002 compared with KSh 38,408 in 1998, an increase of 25.0 per cent. The value of freshwater fish landed increased by 11.9 per cent, from KSh 7,438.9 million in 2001 to KSh 8,324.6 million in 2002. This represents 94.2 per cent of the total fisheries earnings in 2002. The value for marine fish increased by 19.4 per cent in the year under review.

Forestry 9.10. The Forest Department in 2002 continued to create awareness on the proposed New Forest Policy in guiding development of the forestry sector into the new millennium. From Table 9.4, the plantation area under the Forest Department remained the same as that recorded in 2001 at 120 thousand hectares. The total area allocated to indigenous and exotic trees remained at 101.7 thousand hectares.

Table 9.4: Forest Plantation Area, 1998 - 2002* (000 hectares)

Type of Forest	1998	1999	2000	2001	2002*
Indigenous Trees . .. … …. … . ..	12.3	12.3	12.3	12.3	12.3
Exotic Trees… …. … … …	116.6	116.6	116.6	89.4	89.4
Total … . .. . … .. .	**128.9**	**128.9**	**128.9**	**101.7**	**101.7**
Fuel Wood and Poles					
Exotic Trees… …. … … …	18.3	18.3	18.3	18.3	18.3
TOTAL AREA	**147.2**	**147.2**	**147.2**	**120.0**	**120.0**

* Provisional.

Source : Forest Department

9.11. As shown in Table 9.5 the area stocked with trees increased from 97.2 thousand hectares in 2001 to 102.9 thousand hectares in 2002. This was as a result of the departments campaign in planting of trees, which increased by 67.5 per cent from 4.0 thousand hectares planted in 2001 to 6.7 thousand hectares in 2002. This resulted with an increase of 5.9 per cent of the total area stocked with trees under the Forest Department. The area clear felled remained at about 1.0 thousand hectares due to the current ban on logging in government forests, which have been in effect since 1999.

Table 9.5: Changes In Forest Plantation Stocking, 1998 - 2002* (000 hectares)

	1998	1999	2000	2001	2002*
Previous Plantation Area	107.2	107.2	91.2	94.2	97.2
Area Planted	2.0	3.0	4.0	4.0	6.7
Total	109.2	110.2	95.2	98.2	103.9
Area Clear felled	2.0	19.0	1.0	1.0	1.0
Total Area	107.2	91.2	94.2	97.2	102.9

* Provisional

Source : Forest Department

9.12. The recorded sale of timber decreased from 197.2 thousand true cubic metres in 2001 to 162.0 thousand true cubic metres in 2002 as a result of the logging ban. As in the previous three years, there were no recorded timber sales from the hardwood trees in 2002. Fuelwood/charcoal sales increased by 47.3 per cent in 2002, while there were no recorded sales of power/telegraphic poles (See Table 9.6).

Table 9.6: Recorded Sales of Forest Products, 1998 - 2002*

Forest Product	1998	1999	2000	2001	2002*
Timber - '000 true cu. metres-					
Soft wood	287.7	345.7	216.8	197.2	162.0
Hardwood	0.4	0.0	0.0	0.0	0.0
TOTAL	288.1	345.7	216.8	197.2	162.0
'000 stacked cu. metres-					
Fuelwood /Charcoal	36.3	61.9	0.8	45.5	67.0
Power &Telegraph Poles	4.9	24.6	0.5	3.3	0.0

* Provisional.

Source : Forest Department

Mining 9.13. The Government through the Department of mines continued with the review of the Mining Act. The intention of the review is to provide for lesser discretionary powers to the licensing authorities and greater security of tenure. The law will factor and regularise the activities of small miners and take cognizance of the requirements of the new Environmental Management and Co-ordination Act of 1999.

9.14. Table 9.7 shows the quantity and value of mineral production for the period 1998 to 2002. The overall quantity of mineral production recorded increased by 39.8 per cent from 636,028 tonnes in 2001 to 888,987 tonnes in 2002. This was attributed mainly by the increased production of all minerals except fluorspar. Production of Crushed Refined Soda more than doubled in the year 2002, while salt production increased by more than three times. The output of soda ash, and other mineral category increased by 2.1 per cent, and 15.0 per cent, respectively, while a decline of 28.5 per cent was recorded in fluorspar production.

Table 9.7: Quantity and Value of Mineral Production, 1998 - 2002*

	Mineral	1998	1999	2000	2001	2002*
Quantities - Tonnes:						
	Minerals-					
	Soda Ash	242,910	245,680	238,190	297,780	304,110
	Fluorspar	60,854	93,602	100,102	118,850	85,015
	Salt	21,742	44,886	16,359	5,664	18,848
	Crushed Refined Soda .	370,000	335,230	382,556	207,647	474,014
	Other	9,823	10,682	8,323	6,087	7,000
	TOTAL	705,329	730,080	745,530	636,028	888,987
Value - Kshs'000:						
	Soda Ash**	1,473,360	1,848,520	1,955,500	2,716,000	2,861,894
	Fluorspar**	341,720	651,260	627,860	727,000	632,829
	Salt .	66,260	136,240	51,740	99,000	61,388
	Crushed Refined Soda	29,480	36,980	42,200	22,906	38,252
	Other	318,540	738,240	933,380	1,189,440	1,273,641
	TOTAL	2,229,360	3,411,240	3,610,680	4,754,346	4,868,004

Source : Department of Mines and Geology.

* Provisional

** Including Export Value.

9.15. In 2002, the country produced KSh 4.9 billion worth of mineral products with soda ash, crushed refined soda and salt constituting about 61 per cent of the total value. There was a modest growth of 2.4 per cent in value of mineral production in 2002 compared to the 31.7 per cent increase in the previous year. The drop in fluorspar production only resulted to 13.0 per cent drop in its total value due to improved prices. The average export prices of soda ash and fluorspar in the last five years is as shown in Table 9.8. While the export price of fluorspar increased from KSh 6,116 per tonne to KSh 7,444 per tonne that of soda ash decreased from KSh 9,403 per tonne in 2001 to KSh 9,307 per tonne during the period under review.

Table 9.8: Average Export Prices of Soda Ash and Fluorspar, 1998 - 2002* (Kshs per tonne)

Mineral	1998	1999	2000*	2001	2002*
Soda Ash	6,876	7,827	8,511	9,403	9,307
Fluorspar	5,615	6,958	6,272	6,116	7,444

* Provisional

Wildlife

9.16. The Kenyan Rangelands continue to be the home of wide range of wildlife, which are a major tourist attraction. The wildlife populations in the Kenya rangelands are presented in Table 9.9. Notable increases in 2002 were recorded in the large herbivores especially buffalos, elephants, waterbucks and giraffes. However, there were decreases in the estimated number of Topi, Zebras, H. Heartebeat and Kongoni among others.

Table 9.9: Wildlife Population in the Kenya Rangelands, 1998 - 2002* ('000 Number)

SPECIES	1998	1999	2000	2001	2002*
Elephant	16.4	16.4	11.1	16.5	17.4
Buffalo	28.8	27.5	18.5	29.0	30.9
Giraffe	38.6	36.6	26.1	36.5	37.2
Burchell's Zebra	170.8	170.0	138.8	124.0	111.8
Grevy's Zebra	7.3	7.2	5.8	5.4	4.9
Topi	57.6	57.4	46.6	28.1	22.6
Kongoni	12.9	12.2	8.5	9.2	8.4
Wildebeest	311.0	301.0	324.9	312.0	312.8
Oryx	26.4	26.2	17.7	23.5	23.5
Eland	15.6	15.4	10.6	10.6	9.5
H. Hartbeest	1.8	1.8	1.2	1.2	1.1
Waterbuck	6.2	6.0	3.1	5.2	5.5
Kudus	10.4	10.3	10.3	13.3	14.5
Gerenuk	26.7	26.5	29.8	29.5	30.6
Impala	77.6	77.2	58.9	61.0	56.8
Grant's Gazelle	127.1	127.1	120.1	120.0	117.8
Thompson's Gazelle	56.2	56.2	52.6	46.4	43.6
Warthog	14.1	14.1	14.3	14.6	14.8
Ostrich	27.1	27.0	27.6	27.1	27.1

Source : DRSRS

* Provisional

Refuse Management

9.17. Domestic and industrial waste management has remained a serious environmental problem in most urban centres. In Nairobi for example, the Council manages to collect only about 45 per cent of the generated garbage while the private collectors deal with only 7 per cent, leaving 48 per cent of the garbage uncollected. This is due to inadequate financial resources, inadequate disposal vehicles, dumping sites and low participation by individual and private companies in solid waste management. Expenditure on public health by the Nairobi City Council (NCC) from 1998/99 to 2002/2003 is summarised in Table 9.10.

Table 9.10: Expenditure on Public Health by the Nairobi City Council, 1998/1999 - 2002/2003* (Kshs '000)

	1998/1999	1999/2000	2000/2001	2001/2002	2002/2003*
Cleaning and Administration	39,430	75,734	83,166	57,810	58,092
Cleaning - General	139,714	163,344	164,196	139,136	139,327
Refuse Removal	28,744	70,112	74,304	60,955	64,884
Conservancy	322	494	496	148	155
Total	**208,210**	**309,684**	**322,162**	**258,049**	**262,458**

Source : Nairobi City Council.

* Provisional

9.18. Total expenditure on refuse management rose from KSh 258.0 million in 2001/2002 to KSh 262.5 million in 2002/2003. Over the same period expenditure on cleaning and administration,and cleaning general increased marginally by 0.5 per cent and o.1 per cent respectively while refuse removal and conservancy went up significantly by 6.4 per cent and 4.7 per cent respectively.

Resources Management and Monitoring

9.19. The world governments held the sustainable Development summit in Johannesburg from 26th August to 4th September 2002. The summit concluded with significant commitments to improve the lives of people living in poverty and to reverse the continuing degradation of the global environment.

9.20. The Kenya Wildlife Services (KWS) forest conservation programme continued its effort to enhance sustainable conservation of the forest areas under its jurisdiction. KWS undertook the strengthening of natural resource management system through initiation of management plans. Some of the major successes in forest conservation includes the reduction of widespread logging of indigenous trees and charcoal production.

9.21. The Forest Department has an Emergency Forest Programme which is to address the worrisome degradation and destruction of Kenya's forests is in place covering the 1.496 million hectares of indigenous forest, 120,000 hectares of plantation area and catchments areas. It aims at planting forest backlogs, enhancing protection against fire, game damage and poaching and maintaining the forest plantations and diversifying participatory approaches with communities and stakeholders for sustainable on-farm tree growing and conservation.

9.22. On the implementation of the Environment Management Co-ordination Act of 1999, the National Environment Management Authority (NEMA) was established on July 1, 2002 to oversee environmental management of the country and since then has actively been consolidating itself as an institution, and implementing urgent issues of national concern. The measures that are increasing the strength to effectively implement the Act include: the completion of the EIA guidelines and regulations, which are awaiting gazetement, the Technical Advisory Committee (TAC) for reviewing EIA Reports which is in place and working.

9.23. The country, being a party to the United Nations Framework Convention on Climate Change (UNFCCC), has committed itself to undertake a number of activities to respond to climate change. The country as a member of the Host Country Committee for the Prototype Carbon Fund(PCF) identified two projects which are currently being considered by the PCF for implementation. The Olkaria III Geothermal Project is being developed and aims to have in place a 64 MW Plant, while Busia Cogen while contributing to more production of sugar will also aim to construct a 15 MW Plant.

9.24. The UNDP/GOK Environment and Natural Resources Programme recognises environment as an integral component of all development programmes in the national poverty reduction strategy. The project, while enforcing legislation for the protection and use of environment and natural resources is increasing the use of farmer innovations and new technologies at the community level for food production, combating desertification, and giving rise to income generation. It is also supporting cleaner production technologies in small and medium scale enterprises,

waste management at the community level, as well as increasing community-based biodiversity industry initiatives to generate income and improve livelihoods.

9.25. The Government gives a lot of importance to the development of the arid and semi-arid areas as one important aspects of poverty reduction. With assistance from the Global Environmental Facility (GEF), the Government is running a project on management of indigenous vegetation for the rehabilitation of degraded rangelands in the arid zones. The project aims at conserving and rehabilitating globally significant biodiversity of the dryland and improve livestock production and marketing.

9.26. The East African Cross Border Biodiversity Project (EA CBBP) which is ending in 2003 is a biodiversity project which has created an enabling environment in which government agencies and communities are jointly regulating resource use. The project implementation has been constrained by a variety of problems: high populations with attendant human activities; economic systems and policies that fail to put value to the environment and its resources; inequity in the ownership, management and flow of benefits from the use and conservation of biological resources; deficiencies in knowledge and applications and legal and institutional deficiencies.

9.27. The Tiomin resources Inc. of Canada completed a mining feasibility study on the Kwale deposit and constructed a pilot plant in 2002. Mining is awaiting the outcome of the company's environmental management plan currently being studied by NEMA and the special mining lease application over plots they have lease agreements with land owners in Kwale. The latter has faced stiff objection locally from the land owners and environmental activists.

Chapter 10 Energy

Overview

The year 2002 was characterised by variations of crude oil prices as the Organization of Petroleum Exporting Countries (OPEC) and non-OPEC members continued with their quarterly Conferences aimed at stabilising the oil market. The price of Murban crude oil which accounts for over 70 per cent of crude oil imported to Kenya each year, increased by 42.1 per cent from US$ 19.10 per barrel in December 2001 to US$ 27.15 in December 2002. This was a result of the prolonged halt in Venezuela's oil exports and mounting fears of war in Iraq experienced during the fourth quarter of the year under review.

10.2. Liquid fuels continued to dominate the total energy consumption in the modern sector and accounted for 85.2 per cent of total energy consumed in the sector in 2002. The share of domestically produced energy however increased from 7.3 per cent to 10.4 per cent in 2002.

10.3. The instability of world prices translated into rapid changes in prices of refined petroleum products in the domestic economy. Import volumes of crude oil declined by 24.0 per cent, while those of refined products dropped by 13.7 per cent in 2002. This translated into a 22.6 per cent decline in import bill during the period under review

10.4. Sales of petroleum products in the domestic market declined marginally by 3.3 per cent from 2,385.2 thousand tonnes in 2001 to 2,305.9 thousand tonnes in 2002. The transport sector (road, rail, marine and aviation) continued to be the main consumer of petroleum products during the period.

10.5. Total electricity installed capacity remained at 1,142.2 MW in 2002, the same level reported during 2001. On the other hand, total electricity generated went up by 5.2 per cent from revised 4,452.1 GWH in 2001 to 4,685.6 GWH in 2002, mainly due to improved weather conditions, which resulted in improved water levels in hydroelectric power dams. Thermal and geothermal generation decreased by 40.6 per cent and 1.8 per cent, respectively while hydropower including imports from Uganda expanded by 51.2 per cent. Total electricity consumption expanded by 7.2 per cent to record 3,742.0 million KWH 2002.

10.6. Wood fuel and other biomass dominate overall energy consumption in Kenya accounting for 72 per cent of the total energy consumption. Petroleum fuels account for 25 per cent, electricity 2 per cent and the rest about 1 per cent. Kenya is exceptionally well endowed with solar energy resources receiving, an average daily sunshine ranging between 4.0 and 6.0 Kwh/m^2 of Energy.

Petroleum

10.7. In Kenya, over 70 per cent of commercial energy consumed is derived from oil with electricity and coal accounting for the balance. Since Kenya has no known commercial deposits of oil it therefore has to rely on imported oil, thus putting significant pressure on her limited foreign exchange reserves. During the period under review, crude oil and imported refined petroleum products accounted for 17.1 per cent of the total country import bill compared to 19.6 per cent in 2001.

10.8. Details of quantity and value of imports and exports of petroleum products, for the period 1998 to 2002 are shown in Table 10.1. Total imports of petroleum products maintained a downward trend, recording 2562.2 thousand in 2002.Imports of petroleum fuels declined while lubricating oils and lubricating greases recorded substantial increases in both volume and value. The total import bill decreased by 22.6 per cent from KSh 56,766.7 million recorded in 2001 to KSh 43,957.4 million in 2002. This compares well with 20.0 per cent decrease in quantity of total imports. The net balance on petroleum products almost doubled to reach KSh.40,017.7 million in 2002 compared with KSh.21,008.6 million in 1998. This is mainly due to the increase in world oil prices coupled with weakening of the Kenya shilling against international trading currencies especially the US Dollar since 1998.

10.9. Export earnings from petroleum products went down significantlly from Ksh.12,391.4 million in 2001 to KSh.3,544.6 million in 2002. The quantity of petroleum fuel exports dropped massively in 2002 to record 195.3 thousand tonnes down from 472.7 thousand tonnes recorded during the previous year. Exports of lubricating oils, which declined in 2001, increased from 3.5 thousand tonnes in 2001 to 4.5 thousand tonnes in 2002. Exports of lubricating greases doubled during the review period. The low exports is attributed to direct importation of petroleum products by Kenya's traditional markets; notably Uganda, Burudi, Rwanda, Democratic Republic of Congo and mainland Tanzania.

Table 10.1 : Quantity and Value of Imports and Exports of Petroleum Products*, 1998 - 2002

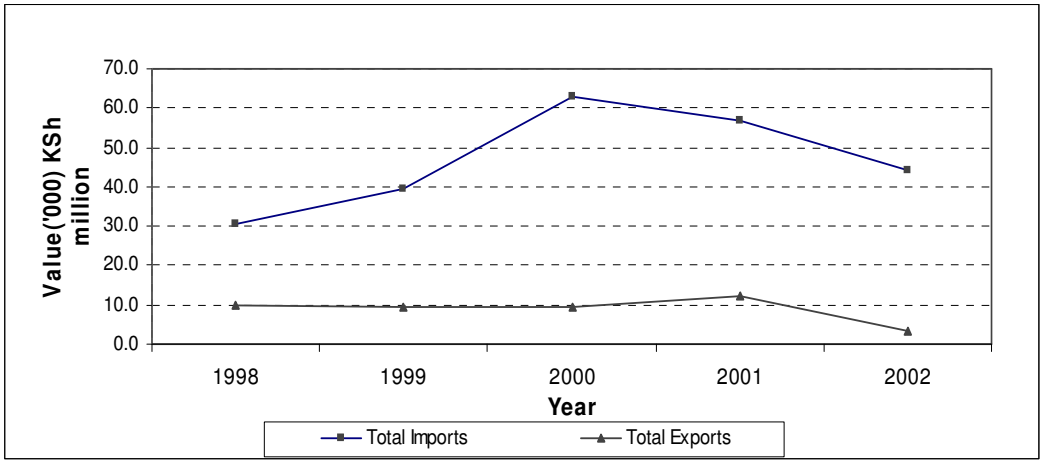
	Quantity ('000 Tonnes)					Value (Kshs. Mn)				
	1998	1999	2000	2001	2002**	1998	1999	2000	2001	2002**
IMPORTS										
Crude Petroleum ..	2,157.7	2,139.3	2,452.3	1,965.6	1,493.4	15,036.6	22,355.4	41,907.2	31,179.0	23,940.0
Petroleum Fuels ..	1,387.8	1,250.9	874.9	1,208.3	1,023.5	14,451.0	15,746.2	19,622.2	24,370.5	18,512.2
Lubricating Oils	38.2	41.5	40.0	29.7	33.6	1,087.0	1,144.8	1,473.4	1,138.4	1,278.0
Lubricating Greases..	2.2	0.8	0.9	0.7	11.7	124.4	99.4	109.6	78.8	227.2
TOTAL	3,585.8	3,432.5	3,368.1	3,204.3	2,562.2	30,699.0	39,345.8	63,112.3	56,766.7	43,957.4
EXPORTS										
Petroleum Fuels	640.6	627.3	441.9	469.1	190.6	9,169.2	9,147.2	9,077.7	12,099.3	3,544.6
Lubricating Oils	8.1	3.9	4.8	3.5	4.5	491.8	230.8	355.0	280.4	367.1
Lubricating Greases..	0.2	0.2	0.1	0.1	0.2	29.4	13.0	12.5	11.7	28.0
TOTAL	**648.9**	**631.4**	**446.8**	**472.7**	**195.3**	**9,690.4**	**9,391.0**	**9,445.3**	**12,391.4**	**3,939.7**
NET BALANCE						**21,008.6**	**29,954.8**	**53,667.0**	**44,375.3**	**40,017.7**

Source: Customs Department.

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

** Provisional.

Figure 10.1: Value of total imports and Exports of Petroleum Products



10.10. Table 10.2 shows a breakdown of crude oil intake at the Kenya Petroleum Refineries Limited (KPRL) by type during the period 1998 to 2002. Total intake at the refinery decreased by 6.8 per cent to 1,580.8 thousand tonnes in 2002, down from 1,695.6 thousand tonnes recorded in the previous year. This was the lowest crude oil intake since the liberalisation of petroleum sector in 1994 and in the last ten years. Murban has remained the single most important crude oil import since 1998. There was however, a 16.2 per cent drop in processing of Murban in 2002, although it still accounted for 77.5 per cent of total crude oil intake. For the first time in the last five years, 188.8 thousand tonnes of Oman and 83.6 thousand tonnes of Dubai were imported replacing a variety of crude oil from other sources, among them, Khafji and Iranian Heavy.

Table 10.2: Crude Oil Intake at the Refinery by Type, 1998 – 2002 ('000 Tonnes)

Crude intake	A.P.I. Gravity	1998	1999	2000	2001	2002*
Arabian Heavy	27.9	25	54.2	-	-	-
Arabian Medium	31	-	-	73.1	-	82.7
Iranian Heavy	30.4	84.2	30.7	64.6	64.3	-
Kuwait	32	-	49.9	-	-	-
`Zakum	40.1	562	309.5	115.2	-	-
Murban	39.6	1,050.4	1,252.7	1,759.9	1,461.9	1,225.6
Khafji	-	-	-	-	160.5	-
Oman	-	-	-	-	-	188.8
Dubai	-	-	-	-	-	83.6
Slops	-	-	1.1	-	8.9	0.10
TOTAL		**1,721.6**	**1,698.1**	**2,012.8**	**1,695.6**	**1,580.8**

Source: Kenya Petroleum Refineries Limited.

* Provisional.

A.P.I Means American Petroleum Institute.

10.11. The production of various products by the KPRL is detailed in Table 10.3. As a result of decrease in crude oil intake at KPRL, outputs of various petroleum products fell by 6.8 per cent from 1,695.5 thousand tonnes in 2001 to 1,580.8 thousand tonnes in 2002. Notable decreases were recorded in production of Bitumen and Jet/turbo fuel which dropped by 26.5 per cent and 14.7 per respectively. Production of heavy diesel oil and Marine diesel oil, Motor gasoline regular and liquefied petroleum gas all dropped at a rate of 14.2 per cent. Refinery usage recorded a 4.8 per cent decrease; which compares well with 6.8 per cent decrease in crude oil intake at KPRL.

Table 10.3: Finished Petroleum Products, ** 1998 – 2002 ('000 Tonnes)

		1998	1999	2000	2001	2002*
OUTPUT-						
	Liquefied petroleum gas	29.0	27.1	34.0	28.1	24.1
	Motor gasoline premium	158.9	157.9	201.6	154.4	150.7
	Motor gasoline regular	137.4	127.4	133.2	119.0	102.1
	Illuminating kerosene and					
	Jet/turbo fuel	355.1	337.4	400.4	320.0	272.9
	Light diesel oil	401.2	406.0	482.2	406.8	379.1
	Heavy diesel oil and					
	Marine diesel oil	27.6	25.1	28.6	29.6	25.4
	Fuel oil	499.1	507.2	615.8	534.6	533.1
	Bitumen	19.8	20.3	21.5	22.3	16.4
	Additives..	(0.6)	(0.6)	(0.8)	(0.6)	(0.4)
	Refinery usage	94.1	90.2	96.3	81.3	77.4
THROUGHPUT=TOTAL OUTPUT		**1,721.6**	**1,698.0**	**2,012.8**	**1,695.5**	**1,580.8**

Source: Kenya Petroleum Refineries Limited.

* Provisional.

** Excludes lubricants.

10.12. Supply and demand balance of petroleum products is shown in Table 10.4. The domestic demand for petroleum products declined by 3.3 per cent to record 2,305.9 thousand tonnes in 2002 compared with 2,385.2 thousand tonnes recorded in the previous year. This was the lowest demand since 1999 and second lowest in the last five years. Despite this overall decrease in demand, some products, notably Liquefied Petroleum Gas (LPG), jet/turbo fuel and heavy diesel oil increased in consumption. Fuel oil and illuminating kerosene, the major contributors to the depressed demand, decreased by 10.6 per cent each. The demand for fuel oil was low, despite the reduction of its Excise Duty during the last budget. Light diesel, fuel oil Jet/turbo fuel and motor spirit are main types of fuels sold in the country.

Table 10.4: Petroleum Supply and Demand Balance, 1998 – 2002 ('000 Tonnes)

		1998	1999	2000	2001*	2002*
DEMAND-						
	Liquefied petroleum gas ..	31.3	32.2	33.4	35.6	40.5
	Motor spirit (premium and regular)	395.8	384.6	365.7	374.3	365.9
	Aviation spirit	3.2	2.5	2.2	2.4	1.8
	Jet/turbo fuel	419.4	418.7	432.2	417.3	470.2
	Illuminating kerosene ..	318.2	406.8	383.7	306.1	273.6
	Light diesel oil	607.5	601.7	712.8	663.7	627.3
	Heavy diesel oil	26.4	25.7	28.1	27.7	28.0
	Fuel oil	397.3	439.4	490.0	558.1	498.7
	TOTAL	2,199.1	2,311.6	2,448.1	2,385.2	2,305.9
Refinery usage		94.1	90.2	96.3	81.3	77.4
TOTAL DOMESTIC DEMAND		2,293.2	2,401.8	2,544.4	2,466.5	2,383.3
Exports of petroleum fuels ..		640.6	627.3	441.9	469.1	190.6
	TOTAL DEMAND**	**2,933.8**	**3,029.1**	**2,986.3**	**2,935.6**	**2,573.9**
SUPPLY-						
	Imports:					
	Crude oil	2,157.7	2,139.3	2,452.3	1,965.6	1,493.4
	Petroleum fuels	1,387.8	1,250.9	874.9	1,208.3	1,023.5
	TOTAL	**3,545.5**	**3,390.2**	**3,327.2**	**3,173.9**	**2,516.9**
Adjustment***		(611.7)	(361.1)	(340.9)	(238.3)	57.0
	TOTAL SUPPLY**	**2,933.8**	**3,029.1**	**2,986.3**	**2,935.6**	**2,573.9**

Source:Ministry of Energy, Customs & KPRL

* Provisional.

** Difference is due to rounding.

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

10.13. Table 10.5 shows net domestic sales of petroleum products by consumer category. The transport sector (rail, road, marine and aviation) continued to be the largest consumer accounting for 75.4 per cent of total sales of petroleum products. Sales to retail outlets and road transport rose by 6.4 per cent and accounted for 69.5 per cent of overall sectoral consumption. Fuel sales to aviation industry increased by 4.8 per cent to register 459.6 thousand tonnes from 438.6 tonnes recorded during the previous year.

10.14. Consumption by the Agriculture Sector declined by 15.9 per cent from 87.8 thousand tonnes in 2001 to 73.8 thousand tonnes in 2002 due to weak performance of the sector. Fuel usage in power generation decreased significantly by 22.7 per cent to 208.9 thousand tonnes in 2002. This is partly attributed to increase in hydro-based power resulting in the reduced generation by thermal based plants.

Table 10.5: Net Domestic Sale of Petroleum Fuels by Consumer Category, 1998 – 2002 ('000 Tonnes)

User	1998	1999	2000	2001	2002*
Agriculture	109.5	89.6	90.7	87.8	73.8
Retail pump outlets & road transport	1,115.8	1,109.7	1,184.8	1,135.9	1,208.2
Rail transport	20.3	15.7	12.8	10.4	21.6
Tourism**	10.9	10.6	10.7	11.0	8.0
Marine (excl. Naval Forces)	73.5	111.4	68.7	116.0	48.4
Aviation (excl. Government)	392.3	421.0	424.4	438.6	459.6
Power Generation	152.0	279.3	289.3	270.3	208.9
Industrial, Commercial and Other	374.4	367.2	413.8	382.5	310.0
Government	23.5	18.6	21.9	19.4	7.5
Balancing Item	(73.1)	(111.6)	(69.0)	(86.7)	(40.1)
TOTAL	**2,199.1**	**2,311.5**	**2,448.1**	**2,385.2**	**2,305.9**

* Provisional.

** Comprises sales to tour operator.

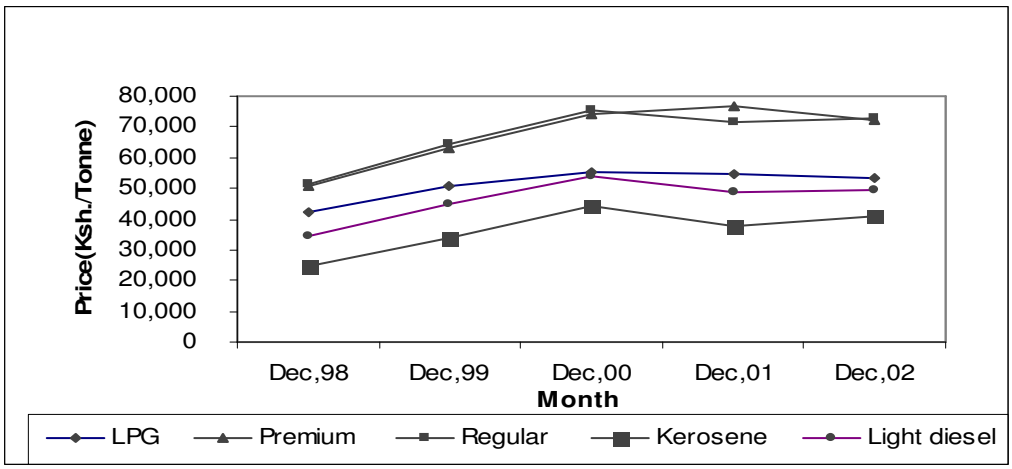
10.15. Detailed information on wholesale prices of petroleum products at Mombasa with 1998 as the base year is set out in Table 10.6 and Figure 10.2. In 2002, wholesale prices of all the products with exception of fuel oil and premium motor gasoline recorded increases over the previous year. Wholesale prices of Liquefied Petroleum Gas increased by 1.7 per cent, regular motor gasoline by 2.0 per cent, Illuminating Kerosene by 8.1 per cent, Light diesel oil by 2.5 per cent and industrial diesel oil by 5.0 per cent. However, wholesale prices of fuel oil and premium motor gasoline declined by 29.6 per cent and 5.7 per cent respectively. The significant drop of fuel oil prices is attributable to reduction in Excise Duty from 1.71 KSh/ Litre to 0.6 KSh./ Litre during the 2002/3 budget as an incentive to industrial sector. Wholesale prices of all the products have increased during the five years period with notable increase in price of illuminating kerosene . The rise in prices could be attributed to the increase in crude oil prices, weakening of the Kenya Shilling against the major trading currencies and taxes imposed by the Government during the period.

Table 10.6: Wholesale Prices* of Petroleum Products at Mombasa 1998 – 2002 (Ksh. Per tonne)

PRODUCT	Dec,98	Dec,99	Dec,00	Dec,01	Dec,02
Liquefied petroleum gas	42,000	51,000	55,110	52,410	53,320
Premium motor gasoline	51,049	63,200	74,299	76,541	72,176
Regular motor gasoline	51,196	64,600	75,677	71,629	73,079
Illuminating kerosene	24,504	34,069	43,964	37,622	40,672
Light diesel oil	34,267	44,700	53,931	48,459	49,686
Industrial diesel oil	23,912	35,090	38,610	32,117	33,708
Fuel oil	17,675	25,900	25,520	22,800	16,059

* Including duties and VAT.

Figure 10.2: Wholesale Prices* of Petroleum Products at Mombasa 1998 - 2002 (KSh. per tonne)



10.16. Table 10.7 gives details of Nairobi retail prices of selected petroleum products from December 2000 to December 2002. The year under review recorded variation of prices throughout the year with motor spirit premium leading in prices. Average retail prices of all products were at a higher level in December 2002 compared with same period the previous year. This was attributed to increase in crude oil prices occasioned by prolonged halt in Venezuela's exporting coupled with mounting fear of war in Iraq which manifested itself into higher local prices. As a result of this, December 2002 registered the highest increase in prices during the period under review, rising by 6.1 per cent, 6.3 per cent and 2.2 per cent for premium, regular, gas oil and illuminating kerosene, respectively.

Table 10.7: Nairobi Average Retail Prices of Selected Petroleum Products, Dec 2000-Dec 2002 (KSh. Per litre)

Date	MOTOR SPIRIT			Illuminating
	Premium	Regular	Gas Oil	Kerosene
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
Mar'02.	54.47	53.49	42.93	32.10
June'02.	54.49	53.49	45.97	32.00
Sept'02	53.39	52.49	41.79	32.89
Dec'02	58.40	57.40	46.70	35.50

Source: Ministry of Energy.

Chapter 11 Manufacturing

Overview

Real output in the manufacturing sector expanded by 1.2 per cent in 2002. Among the factors that contributed to the good manufacturing performance were the stable macro economic environment during the year under review, the reduction in import duty to *zero rate* for the majority of industrial intermediate inputs, the government interventions in promoting export opportunities for manufactured goods, enactment of anti-dumping and countervailing duty legislation to curb restrictive practices that disadvantage local manufacturers and the lifting of the fish export ban to the European market. However, high product prices associated with expensive port handling charges, high cost of energy and poor general infrastructure continued to hamper the competitiveness of Kenya's manufactured goods.

11.2. The growth in the manufacturing sector was attributed mainly to rise in output of the food processing industries. Overall, the majority of industries recorded positive growth with highest growth recorded in the sugar and confectionery sub sector. Other major industries that recorded real output increase were in beverages, clothing, printing and publishing, plastic and cement production. The steepest declines were in the wood and cork products, furniture and fixtures, rubber products and metal industries.

11.3. Sales from the Export Processing Zones (EPZ) accounted for about 4.3 per cent of the manufacturing sector turnover in 2002 an improvement from 3.0 per cent in 2001. Total employment in the Export Processing Zones accounted for 12.5 per cent of total employment in the sector. Investment was weak though better in 2002 compared with 2001.

Employment

11.4. Employment in the sector rose by 6.1 per cent in 2002, a recovery from the 2001 depression that resulted from retrenchment and closure of private owned factories. Overall employment in the sector stood at 229,746 persons up from 216,586 persons in 2001. The bulk of the jobs created were at the EPZ factories.

Manufacturing Sales and Stocks

11.5. During the year under review, total sales in the manufacturing sector edged upward by 13.7 per cent points above the 2001 turnover. On the other hand, value of stocks held by manufacturing firms as at 31st December 2002 declined by 3.7 per cent

Industrial Output

11.6. Table 11.1 outlines the estimates of output, intermediate consumption, value added and wages paid at current prices. The value of manufacturing output at current prices is estimated to have increased marginally by 2.2 per cent from Ksh 669.6 billion in 2001 to Ksh 684.7 billion in 2002. Manufacturing value added rose significantly by 14.4 per cent whereas the value of intermediate consumption remained relatively at the previous year level. The wage bill paid in the sector rose to Ksh 45.2 billion up from Ksh 40.5 billion in 2001.

Table 11.1: Manufacturing Sector – Output, Wage and Product, at Current Prices, 1998 – 2002 Ksh billion

YEAR	Value of Output	Intermediate Consumption	Value Added	Total Wages paid
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
2002*	684.7	565.6	119.1	45.2

* Provisional.

Quantum Indices

11.7. Production indices of the manufacturing sector are outlined in Table 11.2. As shown in the Table, the majority of the industries recorded growth although only modest. The food processing industry that accounted for 13.1 per cent of the total manufacturing output in 2002 recorded a 3.9 per cent growth mainly as a result of increased sugar output. The beverages and tobacco industry posted a 4.9 per cent growth after declining in 2001. Gains attributable to African Growth Opportunity Act (AGOA) initiative and increased activity in the EPZ enabled the textile to record growth. Transport equipment industry registered significant growth after showing declines in 2001. Output in the wood and cork, furniture and fixtures had the highest drop in 2002 as the effect on the ban on logging continued to bite.

Table 11.2: Quantum Index Of Manufacturing Production, 1998 - 2002. 1976 = 100

INDUSTRY	1998	1999	2000	2001	20002	Percentage Change 2002/2001
Meat and Dairy Products	76.4	84.3	85.9	86.1	88.6	2.9
Canned Vegetables, Fish, Oils and Fats	325.2	372.9	391.8	423.3	431.2	1.9
Grain Mills Products	202.7	200.9	157.6	143.1	148.9	4.1
Bakery Products	352.2	345.2	295.5	299.9	304.4	1.5
Sugar and Confectionery	226.6	236.6	206.1	195.2	223.7	14.6
Miscellaneous Foods	240.0	227.8	246.4	262.3	247.2	-5.8
Food Manufacturing	200.1	204.9	199.4	200.8	208.5	3.9
Beverages	204.7	155.2	166.4	157.9	165.7	4.9
Tobacco	202.5	192.7	160.2	155.9	158.6	1.7
Beverages and Tobacco	203.7	159.7	166.1	158.2	165.4	4.5
Textiles	118.6	118.7	115.5	114.7	114.9	0.2
Clothing	148.4	154.8	167.2	172.8	178.4	3.2
Leather and Footwear	57.9	48.6	54.6	59.5	61.6	3.5
Wood and Cork Products	73.4	82.3	75.1	71.7	31.6	-56.0
Furniture and Fixtures	55.9	55.9	56.1	57.0	51.3	-10.1
Paper and Paper Products	222.3	238.1	258.5	263.3	262.5	-0.3
Printing and Publishing	465.9	466.4	424.5	424.5	447.3	5.4
Basic Industrial Chemicals	168.8	162.6	140.6	147.1	136.3	-7.4
Petroleum and Other Chemicals	594.8	616.8	659.4	741.8	757.0	2.0
Rubber Products	668.3	590.8	588.1	581.1	548.5	-5.6
Plastic Products	608.7	697.6	781.8	837.0	919.3	9.8
Clay and Glass Products	2,437.0	1,623.0	1,191.7	1,052.4	1,049.8	-0.3
Non-Metallic Mineral Products	216.7	216.9	153.8	139.1	137.0	-4.1
Metallic Products	252.9	270.1	238.1	237.7	228.7	-3.8
Non-Electrical Machinery	86.7	85.1	86.1	89.1	86.2	0.3
Electrical Equipment	221.9	188.4	188.7	199.4	195.5	-2.0
Transport Equipment	433.3	360.1	241.5	212.6	227.7	7.1
Miscellaneous Manufactures	765.2	917.5	1,149.6	1,190.9	1,170.7	-1.7
TOTAL MANUFACTURING	282.2	285.6	281.4	283.6	287.0	1.2

* Provisional

11.8. Output in production of meat and dairy products has declined considerably over the last 10 years as a result of structural adjustment in the sector. It is however important to note that recorded declines in meat and milk may be attributed to the loss of traditional data sources such as Kenya Meat Commission and Kenya Cooperative Creameries (KCC) to other meat and milk producers who are small but numerous all over the country and not well captured by the statistics net. Production of processed milk has dropped from the high of 500 million litres in 1987 to the current estimated output of 64.2 million litres attributed mainly to the managerial disarray of the dairy sector after liberalisation of the economy in the early 1990s. Beef and pork production moved up marginally by 1.6 per cent and 1.0 per cent respectively. Production of processed chicken rose by a marginal 1.8 per cent above the 2.9 tonne production of 2001. Output of cheese, butter, milk based baby foods and ice cream fell in the year under review.

11.9. The canned vegetables, fish, oils and other fats sub-sector recorded a slower growth in output of 1.9 per cent in 2002 compared with an 8.0 per cent growth rate recorded in 2001. Stable prices in the local market and the growing regional market continued to sustain the growth in the sub-sector. Production of edible fats and magarine was 144.2 thousand tonnes in 2002 slightly above 143.4 thousand tonnes produced the previous year. Total export of cooking fat was 43.1 thousand tonnes, 47.6 per cent above 29.2 thousand tonnes exported the previous year. During the period under review production of edible oils went up by 13.8 per cent to reach 26.7 million litres from 30.4 million litres in 2001. Production of cotton seed oil, prepared and preserved fish, canned vegetables, and canned fruits rose by 40.6 per cent, 3.3 per cent, 12.0 per cent and 4.4 per cent respectively. Production of jams and marmalades, vegetable juices and squashes fell by various margins.

11.10. The grain-milling sector showed a significant improvement, growing by 4.1 per cent during the year under review as compared to successive declines during the first two years. As shown in Table 11.3 production of wheat flour went up by 3.9 per cent to reach 188.1 thousand tonnes from 181.1 thousand tonnes in 2001. This rise in production can be attributed to an increase in local demand in the baking industry and reduction in imports of wheat flour after the government imposed higher tariffs on imported wheat flour. During this period, imports of wheat flour fell from 26.9 thousand tonnes in 2001 to 7.0 thousand tonnes in 2002. Production of sifted maize meal rose by 4.4 per cent in 2002 to 140.6 thousand tonnes from 134.7 thousand tonnes in 2001. Production of wheat offals, maize germ and maize offal and bran showed slight improvement. The production of rice went up by 5.2 per cent. Production of bread rose by 3.9 per cent to 75.2 thousand tonnes in 2002 from 72.4 thousand tonnes in 2000. Production of scones and biscuits also rose in the review period.

Table 11.3: Production of Grain Milling Products, 1998 - 2002 '000 Tonnes

YEAR	COMMODITY		
	Sifted Maize meal	Wheat Flour	Rice
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
2002*	140.6	188.1	4.0

* Provisional

11.11. Favorable weather conditions in sugar growing areas in 2002 contributed to spurred output growth and buoyed the entire manufacturing sector, on account of the importance of sugar production in domestic manufactures. There was increase in cane deliveries, cane yields and sugar production as compared to the previous year. During this period, sugar production was 494.2 thousand tonnes compared to 377.4 thousand tonnes in 2001and 470.8 thousand in 1999. This significant growth translated into a 14.6 per cent expansion in the sugar and confectionery sub-sector. Sugar imports declined to 128.0 thousand tonnes from 268.8 thousand tonnes in 2001, representing a 47.6 per cent drop. This can partially be explained by the government effort to create level playing field in the sugar industry. Production of toffees and chewing gum went up by 7.3 per cent and 4.2 per cent respectively whereas production of sweets in 2002 went down by 10.3 per cent.

11.12. Output in the miscellaneous foods sub-sector is mainly determined by coffee and tea production. In 2002, real output in this sub-sector fell by 5.8 per cent. During the year under review, black tea production was 287.1 thousand tonnes, 2.6 per cent below the 294.6 thousand tonnes produced in 2001. Production of milled coffee fell to 45.5 thousand tonnes in 2002. The low performance is attributable to falling international prices of coffee that have hit a 30-year low owing to a glut and weak demand in the international market. Production of cocoa, milo and salt went up 6.8 per cent, 6.3 per cent and 13.2 per cent points compared to the previous year. Others that recorded a rise in production were cattle, dog, cat and horse feeds. Production of pig feeds and poultry feeds declined by 6.6 per cent and 2.8 per cent respectively.

11.13. The beverage sub-sector recorded a remarkable growth of 4.9 per cent in 2002 after recording a 5.1 per cent drop in the previous year. Despite the fall in export demand for beer and stout, production went up by 4.2 per cent after a consistent drop since 1998. The growth was attributable to a relative increased domestic demand for beer as consumers took advantage of the stable prices. Production of soft drink maintained the upward trend for the fifth year in a row recording a growth of 7.0 per cent from 170.5 million litres to 182.5 million litres in 2002 despite the high tariffs imposed on the sector's products. Cigarette production broke the downward trend pattern maintained since 1998 to record a growth of 1.7 per cent. However, production of tobacco dropped further by 9.4 per cent.

11.14. Despite the decline in production in some sub-sectors, the textile industry is bound to improve as the apparel sector move to dominate Kenya's exports at the EPZ as manufactures take advantage of the AGOA initiative. The clothing industry, which grew by 3.2 per cent, derived most of its growth from improved export trade. On the other hand export volume of textile yarn rose by 23.9 per cent from 2.1 thousand tonnes in 2001. Significant increases were posted in production of nylon fabrics, toweling material, and cardigans. Production of nylon fabrics was 817,113 square metres, the highest in the last five years. In the year under review, rope and twine production registered a marginal 3.9 per cent growth compared to a growth of 36.7 per cent recorded last year. The effect of collapsed cotton ginning industries in the mid 1990's continued to be felt. Production of cotton woven fabrics and gunny bags dropped by 1.0 per cent and 6.3 per cent respectively.

11.15. Liberalisation of trade started in the early 1990's has adversely affected the leather and footwear industry on account of imported cheap products primarily second hand shoes. However, local manufactures are exploring the Common Market for Eastern and Southern Africa (COMESA) and East african Community (EAC) market to create new opportunities for the industry. The sector is also expected to pick as soon as it starts to derive benefits from the AGOA initiative. In the year under review, leather and footwear industry grow by 3.5 per cent. This growth emanated from increased production of leather shoes and sole leather. Production of leather shoes stood at 1,511 thousand pairs in 2002 whereas production of sole leather went up by 5.9 per cent to stand at 86.0 thousand tonnes. Production of unfinished leather, and sheep and goatskin remained static. Production of finished leather in 2002 was 59.3 thousand square meters, 1.3 per cent below the 2001 production.

11.16. The Government's ban on logging as a measure to conserve forests continued to constrain growth in the wood and cork sub sector in 2002. The performance in the industry declined for the third year in a row recording a 56.0 per cent drop. Domestic production of timber went down to 35.9 thousand cubic meters in 2002 from 81.6 thousand cubic metres recorded in 2001. Consequently, import of sawn timber has grown from 78.2 thousand cubic metres in 2000 to 606.0 thousand cubic metres in 2002. The drop in performance in the wood and cork industry constrained growth in the vertically linked furniture and fixtures sub-sector.

11.17. In 2002, paper and paper products sub sector broke a four-year trend of growth to record a marginal decline of 0.3 per cent. Production indicators in the paper manufacture showed growth in kraft paperboard by 4.5 per cent and wrapping paper by 6.0 per cent. In the paper products sub-sector, production of exercise books was 30.9 million dozens up from 26.1 million dozens in 2001. Output of corrugated paper containers, envelopes, paper bags and sacks registered declines. Production of toilet paper rolls, exercise books, and tele-printer rolls grew. Printing and publishing. sub sector grew by 5.4 per cent after stagnating in 2001. Production of newsprints grew by 4.9 per cent, while the production of locally made paper remained relatively unchanged.

11.18. Output in the basic industrial chemical has been declining in the last ten years mainly as a result of scaled down production of wattle bark extract. In the last five years alone, real output has declined by 19.3 per cent. In 2002 production of wattle bark extract was 2,848 tonnes down from 5,123 tons in 1998. Production of pyrethrum extract also fell from 138 tonnes in 2001 to 122 tonnes in 2002. Production of oxygen, nitrogen, hydrogen and pyrethrum powder also fell by various margins in the review period. Production of insecticides, herbicides and vaccines rose by 4.1 per cent, 9.2 per cent and 5.4 per cent respectively.

11.19. The output of the major petroleum products showed no improvement in the year under review. Production of motor spirits in 2002 declined by 11.8 per cent to reach 243,928 tons down from 276,717 tonnes in 2001. Production of vanishes and lacquers, primers and undercoats, laundry soap, gas oils and bitumen recorded marginal output gains. Production of drug tablets has more than doubled in the last five years from 1.5 billion tablets in 1998 to 3.4 billion tablets in 2002. Production of drug liquids quadrupled over the same period. Production of paints remained largely at the 2001 output level of 6.0 million litres in 2002.

11.20. The rubber products sub sector continued the successive declines first recorded in 2000 with a decline of 5.6 per cent in 2002. Production of motor vehicle tyres dropped to 331,359 units in 2002 from 369,346 units in 2001. Production of new motor vehicle tubes dropped from 460,958 in 2001 to 438,300 in 2002. Production of rubber shoes, new bicycle tyres and new bicycle tubes rose by various margins.

11.21. Plastic products utility in production of packaging materials, furniture, utensils, tanks and water containers has led to astronomical growth in real output and employment of the sub sector. The plastic manufacture industry continued with the upward trend in 2002 though at slower rates relative to the late 1990s high growth rates. Production of plastic crates was 4.9 million units in 2002, 15.2 per cent above 4.2 million units produced in 2001. Output of plastic plates, polythene film bags, plastic bottles and PVC floor ties rose by 19.3 per cent, 19.8 per cent, 13.9 per cent and 7.6 per cent respectively.

11.22. Output of the clay and other products industry during the last five years has dropped markedly, largely on account of substitution to less expensive plastic products. Production of glass bottles in 2002 was 13,200 tonnes, a slight drop from 13,381 tonnes in 2001. Output of windscreens fell while production of floor and wall tiles rose to 6.1 million units.

11.23. Table 11.4 shows the production and consumption of cement over the last five years. Cement production in 2002 registered a significant growth of 10.9 per cent to stand at 1,462.5 thousand tonnes from the 1388.6 thousand production in 2001. The growth in output was mainly attributed towards increased export demand. Exports of cement to Uganda and Tanzania almost doubled while domestic consumption of cement rose by 8.2 per cent. Export to other countries fell slightly. Production of roofing tiles in 2002 went up by 8.2 per cent above the 9,670 thousand tiles produced in 2001. Production of lime declined by 3.4 per cent.

Table 11.4: Cement Production and Utilisation, 1998 – 2002 '000 Tonnes

YEAR	PRODUCTION	IMPORTS	CONSUMPTION AND STOCKS	EXPORT TO	
				Uganda and Tanzania	All Other Countries
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
2002*	1,462.5	2.6	1,172.8	139.2	153.1

*Provisional

11.24. Over the years, the metal sector had the packaging industry and building and construction sectors as the traditional consumer of its products. On account of manufacture preference for cheaper plastic packaging materials and the slowdown in the construction sectors, the metal industry has suffered immensely. In 2002, the sub-sector recorded a 3.8 per cent drop in output compared with a 0.2 per cent drop the previous year. During this period, production of galvanised iron sheet was 149.1 thousand tonnes up from 144.4 thousand tonnes the previous year. Production of metal cans and tins was 104.3 million pieces, a significant drop from 354.7 million pieces in 1999. Production of sufurias, jembes, pangas, steel drums, nails, barbed wire, wire mesh, exhaust pipes, silencers, water tanks and metal beds fell by various margins in 2002 as compared to 2001. Production of wheelbarrows in the non-electrical machinery, leveled at 22.6 thousand units.

11.25. Imports of electrical appliances mainly from the Far East and China continued to hamper growth in the electrical machinery sub-sector. This was against the background of strict anti-dumping measures put in place by the Government. Production of motor vehicle batteries in 2002 was 105.6 thousand up from 104.6 thousand in 2001, whereas that of dry cells dropped by 2.1 per cent after a 7.4 per cent gain in 2001. During this period, production of dry cells was 96.8 million units down from 98.9 million units in 2001. Production of electrical lamps and battery plates declined.

11.26. During the year under review, the motor vehicle industry recorded a marked growth of 7.2 per cent after registering years of decline. This can be partly attributed to imposition of higher tariffs and stringent conditions for imported recondi tioned vehicles. The number of imported vehicles dropped from a high 89,104 to 84,960. During this period 3,612 vehicles were assembled compared with 2,175 vehicles assembled the previous year.

11.27. The growth trend observed in the miscellaneous manufacturing industry since 1998 was reversed in 2002 when the industry recorded a negative growth of 1.7 per cent. Production of ballpoint pens in 2002 was 233.3 thousand pieces, 1.7 per cent below the 237,433 of 2001. Production of household brushes, illuminate signs, sunglasses and sunfalls all declined. Production of carbon paper and industrial and paintbrushes recorded growths of 4.2 per cent and 3.3 per cent respectively.

11.28. Table 11.5 shows indicators of manufacturing productivity, employment in manufacturing and wage cost for the past five years. The volume of production in the manufacturing sector increased in account of increased employment. During the year under review, employment in the manufacturing sector rose by 6.1 per cent. Wage cost as percentage of value added went down marginally from 38.9 per cent in 2001 to 38.0 per cent in 2002 while wage cost as percentage of gross output declined.

Table 11.5 Indicators of Labour Productivity in Manufacturing, 1998 – 2002

	INDICATOR	1998	1999	2000	2001	2002
1.	Change in the quantum index of manufacturing	+1.3	+1.0	-1.4	+0.8	+1.2
2.	Change in numbers employed in manufacturing	+1.1	+0.9	-0.6	-0.8	+6.1
3.	Implicit change in labour productivity	+0.2	+0.1	-0.8	+1.6	-4.9
4.	Wage cost as percentage of gross output	4.0	4.4	5.6	6.1	6.6
5.	Wage cost as percentage of value added	39.1	38.4	38.2	38.9	38.0

* Provisional.

Industrial Credit

12.29. In line with their role to foster industrial expansion in Kenya, development financial institutions have been the backbone of supply of credit facility to the manufacturing sector. The role of these institutions, however, has not been impressive largely due to the depressed economic performance over the last five years. As shown in Table 11.6, a total of Ksh138.4 million were approved in 2002 accounting for 52.6% of the total credit advanced by industrial development finance institutions, as compared to 2001 when projects worth Ksh188 million were approved. The decline in investment level was attributable to the downturn in the economy and the uncertainty surrounding the General Elections held in 2002. Kenya Industrial Estates financed 36 manufacturing related projects worth Ksh 4.14 million compared to 18 projects worth Ksh.4.0 million financed in 2001. The increase in project approval was made possible by an increased cash inflow into the institution.

11.30. Investment and lending in Industrial and Commercial Development Corporation (ICDC) during the year 2002 were fairly low largely due to poor investment climate. The corporation disbursed a total of Ksh 18.74 million in the form of small loans directed towards working capital in 35 projects. The manufacturing ventures that benefited were in tailoring, petroleum products and welding.

11.31 In 2002, the Industrial Development Bank approved Ksh 69.1 million to 2 manufacturing firms as opposed to Ksh165.4 million in 2001. The investments are expected to lead to a creation of 204 new jobs by the time the projects are fully operational. The manufacturing related projects approved were in mining and beverages representing 27% of total approvals with the remaining directed to tourism and education sectors.

Table 11.6 Industrial Projects Approved by Selected Government or Quasi-Government, 1998-2002

			Number of projects			Approved Expenditure.				
INSTITUTION						(Ksh Million)				
	1998	1999	2000	2001	2002*	1998	1999	2000	2001	2002*
Industrial Development										
Bank Limited (I.D.B.)	5	2	2	8	2	150	88	74	165	69
Development Bank of Kenya (DBK)	6	3	5	1	6	188	126	52	19	47
Kenya Industrial										
Estates Limited (K.I.E.)	11	70	65	18	36	4	6	8	4	4
Industrial and Commercial										
Development Corporation (I.C.D.C.)	3	3	3	0	35	66	62	8	0	19
TOTAL	25	78	75	27	79	408	282	142	188	138

* Provisional.

Export Processing Zones

11.32. The Development Bank of Kenya (DBK) experienced a weak demand for bank loans in the year 2002 owing to poor performance of the country's economy and uncertainty surrounding the General Elections. During the year DBK approved Ksh 46.5 million in 6 manufacturing projects which are expected to create 378 jobs. This performance was comparatively better than the previous year when only one project was approved with a lending of Ksh19 million. For two years in a row, the bank choose to adopt a cautious lending attitude, concentrating more on short term investments such as Treasury bills and bonds, inter-bank lending and trade financing.

11.33. Export Processing Zones, established to generate employment, earn foreign exchange, harness investment, promote technology transfer and increase value added for domestic inputs, registered impressive growth yet again in the year 2002. Summaries of key performance indicators of EPZ, over the last 5 years are highlighted in Table 11.7. In 2002 the number of operating companies rose to 54 up from 39 firms in 2001. During the review period, one company exited the program due to internal constrains. Cumulative private capital investment went up by 42.2% to stand at Ksh 12.73 billion from Ksh 8.95 billion in 2001.

11.34. Direct employment in the EPZs almost doubled to stand at 26,447 in 2002 up from 13,444 in 2001. Indirect jobs in sub-contracting and supplies are estimated at 8,816 bringing the total employment attributable to EPZ to over 35,263. The total value of utilities consumed, purchases of local raw materials, domestic expenditure and other expenditures incurred rose to Ksh 3.6 billion in 2002 from Ksh 2.2 billion in 2001, representing a 64 per cent increase. The value added at EPZ output has been increasing over the years and currently estimated at 33 per cent of the total turnover.

11.35. Total turnover for the EPZ companies increased by 70 per cent from Ksh6.5 billion in 2001 to a record Ksh11.0 billion in 2002. Exports increased from Ksh5.9 billion in 2001 to Ksh9.7 billion in 2002 representing an increase of 63 per cent. Export to turnover ratio declined from 92 per cent in 2001 to stand at 88 per cent in 2002. Local purchases increased from Ksh718 million in 2001 to Ksh1.1 billion in 2002 whereas imports into EPZ rose markedly to stand at Ksh7 billion up from Ksh 3.9 in 2001.

Table 11.7: Selected EPZ performance Indicators 1998-2002

	1998	1999	2000	2001	2002
Gazetted Zones (Numbers)	16	16	19	23	31
Enterprises Operating (Numbers)	18	22	24	39	54
Employment Locals	3,645	4,684	6,487	13,444	26,447
(Numbers) Expatriates	74	83	133	314	701
Total Wokers	**3,719**	**4,767**	**6,620**	**13,758**	27,148
Exports Sales (Ksh) million	1,805	3,020	3,635	5,962	9,741
Domestic Sales (Ksh) million	649	706	755	538	932
Total Sales (Ksh) Million	**2,454**	**3,726**	**4,390**	**6,500**	**10,673**
Foreign Imports (Kshs) Million	2,056	2,126	2,349	3,990	7,043
Local Purchases of Goods and Services (Ksh) Million	511	955	1,229	2,235	**1,127**
Investment (Ksh) Million	5,747	5,941	6,107	**8,950**	**12,728**

* Provisional

11.36 Local investor participation in EPZ programme has been significant. Currently 11per cent of total EPZ companies are wholly Kenyan. Joint ventures are 74 per cent. The program has attracted investors from UK, USA, Sri Lanka, India, China, Taiwan, Hong Kong, Netherlands, Denmark, and Belgium among many other countries.

Chapter 12 Building and Construction

Overview

The building and construction sector recorded mixed performance in 2002. Low budgetary allocation caused by the low economic activities resulted to decrease in public buildings and road construction activities. This is shown by the declines in indices of reported public building works completed in main towns and the government expenditure on roads. Cement consumption registered a growth of 7.7 per cent, while commercial banks' loans and advances to the sector increased marginally. The total value of building plans approved declined, while the total value of reported private building works completed in selected main towns recorded an increase. The National Housing Corporation (NHC) completed two housing projects in 2002. The Housing Department of the Ministry of Roads, Public Works and Housing was unable to complete urban pool housing projects, which were started in 4 major urban centers due to inadequate funding. The roads sub sector benefited from the *El Nino* Emergency Fund, which rehabilitated and reconstructed 13 roads spread across the country at a total cost of Ksh 814 million.

Key Economic Indicators

12.2. The summary of selected key economic indicators in building and construction sector for the years 1998 to 2002 is presented in Table 12.1. Cement consumption increased by 7.7 per cent from 1,089.0 thousand tonnes in 2001 to 1,172.8 thousand tonnes in 2002. The index of reported private building works completed in main towns declined from 26.6 in 2000 to 24.1 in 2001, while the index of government expenditure on roads decreased from 83.6 in 2001 to 80.2 in 2002. The index of reported public building works completed in main towns declined from 1.4 to 0.5 over the years 1998 to 2001 respectively. These indices reflect depressed construction on account of low economic activities.

Table 12.1: Trends of Selected Key Economic Indicators in Building and Construction *, 1998-2002 (1982=100)

	1998	1999	2000	2001	2002**
"Index" of reported private building work completed in main towns***	33.8	29.8	26.6	24.1	
"Index" of reported public building work completed in main towns***	1.4	1.1	0.5	0.5	
"Index" of government expenditure on roads+ .. .	79.7	60.4	76.8	83.6	80.2
Cement consumption ('000 tonnes)+	1,071.9	1,111.1	1,067.0	1,089.0	1,172.8
"Index" of Cement consumption	185.0	191.8	184.2	188.0	202.4
Employment ('000)+	79.3	79.2	78.6	76.7	76.5
"Index" of Employment	131.3	131.1	130.1	127.0	126.7

* Actual deflated by various building or construction cost indices.

** Provisional.

12.3. Wage employment in the sector decreased marginally by 0.3 per cent from 76.7 thousand persons in 2001 to 76.5 thousand persons in 2002 mainly because of depressed activities in the sector.

12.4. The annual percentage increase in building and construction cost indices for the years 2000 to 2002 is presented in Table 12.2. The overall construction cost index recorded an increase of 1.4 per cent in 2002 as compared to 2.7 per cent in 2001. The overall cost index for materials increased by 2.0 per cent in 2002 as compared to a decrease of 0.2 per cent in 2001. Logging ban by the government caused an acute shortage of timber and this resulted in the prices of cypress and cedar to increase by 33.3 and 68.6 per cent respectively in the year 2002.

Table 12.2: Annual Percentage Increase in Building and Construction Cost Indices*,2000 - 2002

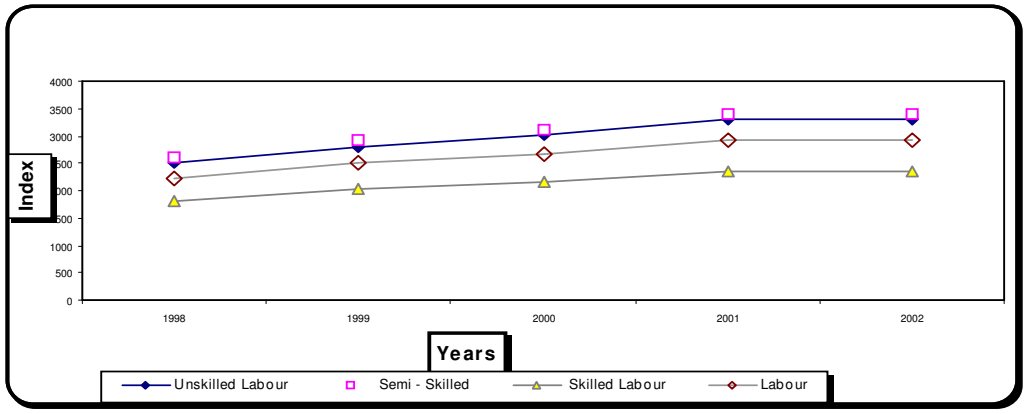
	Materials			Labour			Total Cost		
	2000	2001	2002**	2000	2001	2002**	2000	2001	2002**
Residential Buildings ..	7.1	3.4	6.8	6.9	9.2	6.1	7.1	4.6	6.6
Non-Residential Buildings	7.5	2.0	5.7	7.0	9.2	6.1	7.4	3.9	5.8
All Buildings ..	7.3	2.8	6.3	7.0	9.2	6.1	7.2	4.3	6.2
"Other" Construction ..	9.2	1.7	0.5	6.9	9.2	6.1	8.2	5.0	0.3
Overall Cost Index	**7.8**	**(0.2)**	**2.0**	**7.0**	**9.2**	**6.1**	**7.6**	**2.7**	**1.4**

* From December to December.

* * Provisional.

12.5. The trend in overall labour construction cost indices for the years 1998 to 2002 is presented in Figure 12.1. Labour costs in building and construction sector recorded an increase of 6.1 per cent in 2002 as compared to an increase of 9.2 per cent in 2001. Wages for unskilled, semi-skilled and skilled labour increased by 5.8, 6.0 and 6.4 per cent respectively in the year 2002 as compared to an increase of 9.7, 9.3 and 8.8 per cent respectively in the year 2001.

Figure 12.1: Trend in overall labour construction cost indices, 1998 - 2002 (Base 1982=100)



12.6. Table 12.3 shows the analysis of value of building plans approved by Nairobi City Council (NCC) and other towns for the years 1998 to 2002. The total value of building plans approved declined by 15.8 per cent from Ksh 10,118.4 million to Ksh 8,524.1 million in the years 2001 and 2002 respectively. The value of building plans approved for Nairobi increased by 45.3 per cent from Ksh 4,343.6 million to Ksh 6,311.5 million for the years 2001 and 2002 respectively.

Table 12.3: Value of Building Plans Approved by Nairobi and other Towns, 1998 – 2002 (KSh million)

Year	Nairobi	OtherTowns	Total
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	5,774.8	10,118.4
2002*	6,311.5	2,212.6	8,524.1

* Provisional.

12.7. Table 12.4 presents the analysis of value of reported private building works completed in selected main towns for the years 1998 to 2002. The total value of reported private building works completed increased by 27.6 per cent from Ksh

1,184.4 million in 2001 to Ksh 1,511.6 million in 2002. Nairobi recorded a near double increase in value of building works completed from Ksh 656.2 million in 2001 to Ksh 1,185.0 million in 2002. This increase was partly as a result of completion of extensive renovation works done to the Co-operative Building damaged by the 1998 bomb attack. All the other towns recorded declines in values of building works completed.

Table 12.4: Value of Reported Private Building* Works Completed in Selected Main Towns,1998 – 2002(KSh million)

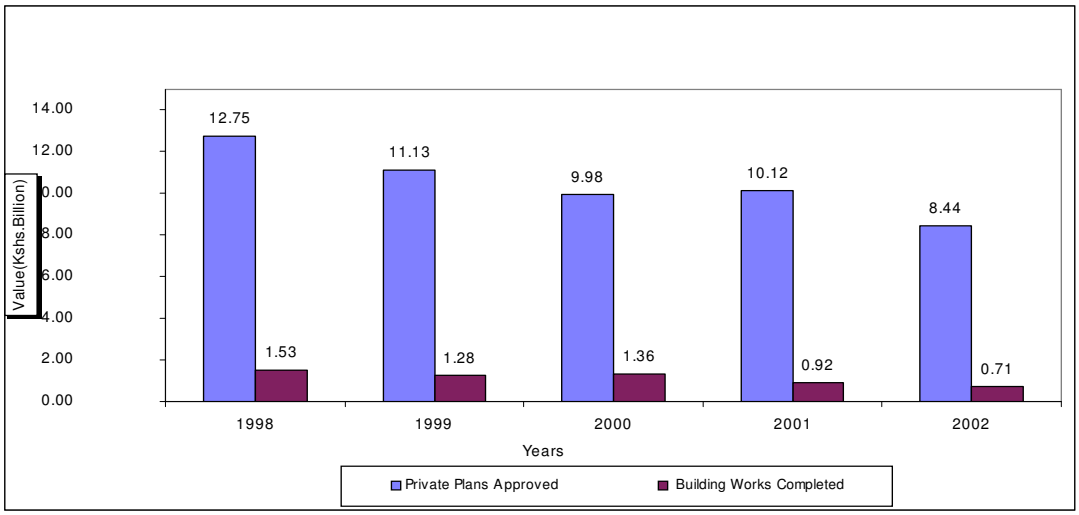
Year	Nairobi	Mombasa	Kisumu	Nakuru	Malindi	Total
1998	696.40	405.60	115.00	189.60	182.60	1,589.20
1999	628.40	366.80	42.00	117.00	170.00	1,324.20
2000	746.68	292.09	40.53	123.16	139.16	1,341.62
2001	656.20	257.69	37.52	152.32	80.70	1,184.43
2002**	1,185.00	156.20	31.40	64.45	74.50	1,511.55

* Including the value of extension.

** Provisional.

12.8. The comparison of values of private plans approved and building works completed in main urban areas from 1998 to 2002 is presented in Figure 12.2. The value of private plans approved decreased by 16.6 per cent from Ksh 10.12 billion in 2001 to Ksh 8.44 billion in 2002. Value of building works completed on the other hand decreased by 22.8 per cent from Ksh 0.92 billion in 2001 to Ksh 0.71 billion in 2002. There has been a general decrease in values of private plans approved and building works completed from 1998 to 2002 reflecting the depressed state of the economy.

Figure12.2: Comparison of Value of Private Plans Approved and Building Works Completed in Main Urban Areas,1998-2002



12.9. The reported completions of new private buildings in selected main towns from 1998 to 2002 is depicted in Table 12.5. The number of non-residential units more than doubled from 11 units valued at Ksh 169.5 million to 27 units valued at Ksh 429.7 million in the years 2001 and 2002 respectively. The estimated cost of residential units increased by 12.9 per cent from Ksh 855.5 million to Ksh 965.9 million while the number of residential units increased by 10.5 per cent from 941 units to 1040 units in the years 2001 and 2002 respectively. The total estimated cost of new private buildings completed increased by 36.2 per cent from Ksh 1,025.0 million in 2001 to Ksh 1,395.6 million in 2002. The data however, excludes substantial construction activities in small towns, urban centres and rural construction, which significantly contribute to growth of the Kenyan economy.

Table 12.5: Reported Completions of New Private Buildings* in Selected Main Towns, 1998 - 2002

Year	Number		Estimated Cost(KSh million)		
	Residential	Non-Residential	Residential	Non-Residential	Total
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	941	11	855.50	169.50	1,025.00
2002**	1,040	27	965.90	429.72	1,395.62

* Excluding the value of extensions.

** Provisional

12.10. Analysis of a five-year period of reported completions of new public buildings in selected main towns from 1998 to 2002 is presented in Table 12.6. The number of residential units decreased from 11 units in 2001 to 10 units in 2002 while the number of non-residential units decreased from 16 units in 2001 to 14 unit in 2002. The total estimated cost of units (residential and non-residential) decreased by 3.4 per cent from Ksh 29.1 million in 2001 to Ksh 28.1 million in 2002. The total estimated cost of units dropped from its peak value of Ksh 44.0 million in 1998 to Ksh 28.1 million in 2002 representing a decrease of 36.1 per cent. The number of reported public buildings completed has been decreasing over the years on account of public sector reforms where the Government is freezing activities, which can best be handled by the private sector, and by downsizing its workforce.

Table 12.6: Reported Completions of New Public Buildings* in Main Towns, 1998-2002

	Number		Estimated Cost(KSh million)		
Year	Residential	Non-Residential	Residential	Non-Residential	Total
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	11	16	6.90	22.24	29.14
2002**	10	14	6.50	21.58	28.08

* Including the value of extensions.

** Provisional.

Housing 12.11. Low budgetary allocation continued to hamper the completion of urban pool housing projects in Nairobi, Kapsabet, Kericho and Voi, which were undertaken by the Housing Department of the Ministry of Roads, Public Works and Housing. The projects have since stalled.

12.12. Table 12.7 shows the analysis of approved and actual Central Government expenditure on housing for the financial years 1998/1999 to 2002/2003. Approved expenditure on housing increased more than four times from Ksh 24.0 million in 2001/2002 to Ksh 100.1 million in 2002/2003. Actual Government expenditure on housing has been declining from 1998/1999 to 2001/2002 because of inadequate budgetary allocation. Actual expenditure decreased by 66.0 per cent from Ksh 70.5 million to Ksh 24.0 million in the years 2000/2001 and 2001/2002 respectively. Approved expenditure as a percentage of development expenditure improved from 0.07 per cent in 2001/2002 to 0.29 per cent in 2002/2003.

Table 12.7: Approved and Actual Central Government Expenditure on Housing, 1998/99 - 2002/2003

Year	Expenditure in Ksh Million		Approved Expenditure as Percentage of Development Expenditure
	Approved	Actual	
1998/1999	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	24	0.07
2002/2003*	100.1	-	0.29
* Provisional			

12.13. The National Housing Corporation (NHC) managed to complete two housing projects and started construction of a housing scheme in the year under review. One tenant purchase housing project in Nairobi (Jonathan Ngeno Estate) comprising of 173 units was completed at a cost of Ksh 449.9 million while one mortgage project in Eldoret (Eldoret phase III) comprising of 24 units was completed at a cost of Ksh 56.4 million. The corporation is constructing a housing mortgage scheme in Kiambu comprising of 30 units at an estimated cost of Ksh 49.9 million. During the year under review, rural housing loans scheme did not perform satisfactorily due to the lack of adequate funding. One beneficiary was advanced a rural housing loan amounting to Ksh 100,000.

Roads 12.14. The Ministry of Roads, Public Works and Housing is responsible for rehabilitating and maintaining 63,300 kilometres of classified road network in the country. Table 12.8 shows kilometres of road network by type and classification between July 1998 and July 2002. International trunk roads under bitumen increased by 9.1 per cent from 2.65 thousand to 2.89 thousand kilometres while the ones under earth/gravel decreased by 9.4 per cent from 0.96 thousand to 0.87 thousand kilometres between the years 1998 and 2002. Primary roads under bitumen decreased from 2.56 thousand to 2.49 thousand kilometres representing a 2.7 per cent decrease while earth/gravel roads decreased by 5.3 per cent from 5.47 thousand to 5.18 thousand kilometres in the years 1998 and 2002 respectively. Minor roads under earth/gravel decreased by 1.9 per cent from 26.30 thousand to 25.80 thousand kilometres between the years 1998 and 2002. Overall, the total kilometres of roads under bitumen have been increasing as is evident from the declining total kilometres of roads under earth/gravel between the years 1998 and 2002.

Table 12.8: Kilometres of Road as at 1st July, 1998 and 1st July, 2002 by Type and Classification ('000Km)

		1998		2002	
	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

12.15. During the year under review, the Ministry of Roads, Public Works and Housing undertook resealing and reconstruction of some of the major roads in the country. The roads that were being resealed were Magumu- Njabini (24.6kms), Muranga-Kangema (26kms), Kangema-Nyeri (40kms), Marua-Nyeri-Kiganjo-Marua (38.2kms), Kiganjo-Nanyuki (48kms), Kalanga corner-Laga Hamaris (125kms), Ahero-Kisii (87kms), Kisumu-Yala (42kms), Athi River-Namanga (140kms), Maai-Mahiu-Naivasha (40kms), Sotik-Amala River (59kms), Machege-Eldama Ravine-Makutano & Edama Ravine-Saos (63.1kms), Miritini-Saba Saba (22kms) and Miritini-Likoni-Lunga lunga (90kms). Roads that were under reconstruction were Ziwa-Kitale (87kms), Busia-Mumias (46kms), Katumani-Wote (68kms) and Mtito Andei-Voi-Bachuma Gate section of Nairobi-Mombasa road (150kms).

12.16. Under the *El Nino* Emergency Fund, roads in Kisii, Nairobi and Kericho urban centres were rehabilitated and reconstructed at a total cost of Ksh 167.5 million. Roads in rural areas of Nyeri, Nyandarua, Maragua and Muranga districts of Central Province were reconstructed at a total cost of Ksh 342.3 million, while in Nakuru, Buret and Koibatek districts of Rift Valley Province were done at a total cost of Ksh 152.8 million and in Gucha, Kisii and Nyamira districts of Nyanza Province were done at a total cost of Ksh 151.3 million. Under Kenya Urban Transport Infrastructure Programme (KUTIP), no new roads contracts were undertaken. This was mainly because the disbursements under the KUTIP credit with the World Bank were suspended in October 2001. This hindered implementation of civil works that had not been started and also affected the on-going contracts.

12.17. Analysis for total expenditure on roads for the fiscal years 1998/1999 to 2002/2003 is presented in Table 12.9. Development expenditure on primary roads increased by 34.4 per cent from Ksh 601.4 million to Ksh 808.3 million in the fiscal years 2001/2002 and 2002/2003 respectively while development expenditure on trunk roads decreased by 20.4 per cent from Ksh 1,385.0 million in 2001/2002 fiscal year to Ksh 1,103.0 million in 2002/2003 fiscal year. Recurrent expenditure on roads increased from Ksh 8,042.4 million to Ksh 8,781.7 million in the fiscal years 2001/2002 and 2002/2003 representing a 9.2 per cent increase. The need to do regular maintenance and repair on our roads has resulted in an increase on recurrent expenditure for the fiscal year 2002/2003. Total expenditure on roads increased by 3.5 per cent from Ksh 10,664.6 million in 2001/2002 to Ksh 1,1038.8 million in 2002/2003 financial years.

Table 12.9: Total Expenditure on Roads, 1998/1999 - 2002/2003 (KSh million)

	1998/1999	1999/2000	2000/2001	2001/2002	2002/2003*
Development:					
Trunk Roads	1,422.00	714.3	711.00	1,385.00	1,103.04
Primary Roads	752.0	18.3	505.00	601.40	808.34
Secondary Roads ..	136.0	5.8	1,131.07	635.80	345.80
Miscellaneous Roads..	376.0	124.6	277.19	-	-
Total	**2,686.00**	**863.0**	**2,624.26**	**2,622.20**	**2,257.18**
Recurrent (maint. & repair)	5,074.00	5,922.10	6,696.00	8,042.44	8,781.65
Total	**7,760.00**	**6,785.10**	**9,320.26**	**10,664.64**	**11,038.83**
* Provisional					

12.18. *Roads 2000 Programme* is intended to achieve effective maintenance of the classified road network to an economic level of serviceability using local resources and labour. Labour-based methods are, however, applied only where they are more cost-effective than equipment based methods. The main focus of the program is spot improvement to achieve basic accessibility in the road network. During the year under review, Roads 2000 received donor funds to the tune of KSh 700 million for the implementation of the programme in Meru north, Meru central, Meru south, Tharaka, Embu, Mbeere, Machakos and Makueni Districts.

12.19. The Kenya Roads Board (KRB) is mandated to oversee the road network, co-ordinate its policy implementation and maintenance, rehabilitation and development of roads in the country. It also includes management of Fuel Levy funds. KRB manages the road network through Road Agencies. These are the Roads Department of the Ministry of Roads, Public Works and Housing and the District Roads Committees. The Roads Department is responsible for class A, B and C roads, while the District Roads Committees is in charge of class D, E and special purpose roads. During the year under review, the Board disbursed to the Road Agencies a total of Ksh 8.1 billion.

Chapter 13 Tourism

Overview

Key indicators of the performance of the tourism sector show that the sector was on a recovery path during 2002. The sector is recovering from a downturn following the terrorist attack in Nairobi, coupled with adverse publicity in the international media and poor infrastructure among other factors. The recovery of the sector is attributed to an aggressive marketing of the country abroad as a destination of choice.

13.2. Two key indicators of the level of tourism earnings are the number of visitor arrivals and their average length of stay. These indicators improved marginally during the period under review. Visitor arrival increased by 0.8 per cent while average length of stay improved from 8.4 days to 8.5 days in 2002. Bed occupancy increased slightly to 42.0 per cent in 2002 compared to 40.3 per cent recorded in 2001. The number of visitors to game parks and game reserves rose by 7.3 per cent compared to a rise of 0.3 per cent in 2001. Visitors to museums, Snake Park and historical sites fell by 14.3 per cent during the period under review. However, marginal improvements did not translate into improved tourism receipts as the later actually fell by 10.4 per cent compared to a rise of 12.5 per cent in 2001.

13.3. Despite the concerted efforts to market 'Destination Kenya', tourism activity remained low in 2002 due to a number of setbacks including the terrorist attack in Mombasa. The image of the country abroad is set to improve significantly following peaceful general elections and smooth political transition.

Arrivals and Departures

13.4. Total visitor arrivals rose by 0.8 per cent to record slightly over one million visitors in 2002. Total visitor arrivals increased from 993,600 in 2001 to 1,001,300 in 2002 compared to a recorded decline of 4.1 per cent in 2001 over 2000. Similarly, departing visitors increased by 2.3 per cent from 990,900 to 1,013,400 visitors who left the country in the same year. In absolute numbers, departing visitors in 2002 exceeded those who arrived by 12,100 persons. Despite the marginal increase in visitor arrivals and the average length of stay, there was a sharp reduction in tourism earnings during the period under review from Ksh 24,256 million in 2001 to Ksh. 21,734 million in 2002; representing a 10.4 per cent drop. This is mainly explained by the currently preferred foreign prepaid and packaged tours. These types of tours effectively reduce local transactions in foreign cash and additionally make it difficult to track down transactions as payments are done in foreign countries.

13.5. Details of the number of arriving visitors by purpose of visit are displayed in Table 13.1. However, the recorded increase was solely because of increased visitors who were on transit and holiday. Other categories of visitors who arrived namely visitors on business and "other" categories recorded declines during 2002. The main reason for reduced tourist arrivals is mainly due to stiff competition that Kenya now faces from emerging tourist destinations with similar packages such as South Africa besides travel advisory caution issued to visitors as a result international terrorism.

13.6. There was a general decrease in the number of arriving visitors in all categories except those on transit. Visitors on holiday increased marginally in 2002 compared to 6.8 per cent drop experienced in 2001. Those on business decreased by 6.4 per cent while those on transit increased by 7.7 per cent during the year.

Table 13.1 Quarterly Visitor Arrivals by Purpose of Visit, 1998-2002 ('000)

Quarter	Purpose	1998	1999	2000	2001	2002*
1st Qr.	Holiday	192.9	193.8	194.5	200.3	176.0
	Business	24.4	24.5	24.6	25.3	26.1
	Transit	34.1	27.6	41.2	39.4	47
	Other	5.2	5.5	5.5	5.7	5.8
	TOTAL	**256.6**	**251.4**	**265.8**	**270.7**	**254.9**
2nd Qr.	Holiday	149.6	163.7	165.5	149.6	158.5
	Business	18.9	20.7	20.9	18.9	17.1
	Transit	20.6	24.4	33.0	38.5	42.7
	Other	4.1	4.5	4.6	4.2	3.8
	TOTAL	**193.2**	**213.3**	**224.0**	**211.1**	**222.1**
3rd Qr.	Holiday	175.8	207.7	211.1	184.7	194.1
	Business	22.2	26.2	26.6	23.3	20.4
	Transit	23.1	29.1	32.6	37.7	37.4
	Other	4.8	5.7	5.8	5.1	4.4
	TOTAL	**225.9**	**268.7**	**276.1**	**250.8**	**256.3**
4th Qr.	Holiday	168.6	181.7	207.1	194.2	204.0
	Business	21.3	23.0	26.2	24.6	23.0
	Transit	24.1	26.3	31.7	37.0	36.2
	Other	4.6	4.9	5.6	5.3	4.9
	TOTAL	**218.6**	**235.9**	**270.6**	**261.0**	**268.1**
Year	Holiday	686.9	746.9	778.2	728.8	732.6
	Business	86.8	94.4	98.3	92.1	86.6
	Transit	101.9	107.4	138.5	152.6	163.3
	Other	18.7	20.6	21.5	20.1	19.0
	TOTAL	**894.3**	**969.3**	**1036.5**	**993.6**	**1,001.3**

* Provisional

13.7. Details of the number of visitors who departed from the country by purpose of visit are presented in Table 13.2. All categories of visitors who departed increased during 2002 with the total number rising by 2.3 per cent to reach 1,013,400 from 990,900 in 2001. The category of departing visitors with highest rate of expansion in 2002 was visitors on transit, which increased by 14.5 per cent.

13.8. Analysis of visitor departure by quarters reveals that the there was a significant drop in the number of visitors who departed in the first quarter of 2002 compared to 2001. However all the other three-quarters recorded higher numbers of departing visitors compared to 2001.

Table 13.2 : Quarterly Visitor Departures by Purpose of Visit,1998-2002 (000)

Quarter	Purpose	1998	1999	2000	2001	2002*
1st Qr.	Holiday	181.2	196.0	204.3	214.9	176.4
	Business	22.9	24.8	25.9	27.2	22.3
	Transit	26.4	26.5	29.6	32.3	37.9
	Other	4.9	5.6	5.8	6.1	5.0
	TOTAL	**235.4**	**252.9**	**265.6**	**280.5**	**241.6**
2nd Qr.	Holiday	152.8	165.5	164.3	165.2	166.8
	Business	19.3	20.9	20.7	20.9	21.1
	Transit	17.7	23.2	22.8	33.3	39.9
	Other	4.2	4.5	4.5	4.5	4.5
	TOTAL	**194.0**	**214.1**	**212.3**	**223.8**	**232.2**
3rd Qr.	Holiday	166.7	203.0	199.0	179.6	203.7
	Business	21.0	25.0	24.5	22.1	25.1
	Transit	24.0	29.4	25.3	33.5	41
	Other	4.5	6.6	6.5	5.8	6.6
	TOTAL	**216.2**	**264.0**	**255.3**	**241.1**	**276.4**
4th Qr.	Holiday	172.2	182.0	204.6	182.3	197.8
	Business	21.8	23.0	25.9	23.0	25.0
	Transit	23.8	27.3	25.8	35.0	34.8
	Other	4.7	5.1	5.7	5.1	5.5
	TOTAL	**222.5**	**237.4**	**262.0**	**245.5**	**263.2**
Year	Holiday	672.9	746.5	772.2	742.0	744.6
	Business	85.0	93.7	97.0	93.2	93.4
	Transit	91.9	106.4	103.5	134.1	153.6
	Other	18.3	21.8	22.5	21.5	21.7
	TOTAL	**868.1**	**968.4**	**995.2**	**990.9**	**1,013.4**

* Provisional

13.9. As displayed in Table 13.3, total number of departing visitors by country of residence and purpose of visit increased in 2002 to 991,700 persons from 969,300 persons in 2001; an increase of 2.3 per cent. Most of the departed visitors were headed for Europe, which has remained the major source of visitors to Kenya over the years. Germany led with the highest number of departing visitors with 258,400 compared with 203,000 visitors who departed in 2001, representing an increase of 27.3 per cent. United Kingdom followed with 211,800 visitors who departed in 2002 compared to 146,100 in 2001. Visitors' departure to North America decreased by 5.5 per cent while those destined to African countries decreased by more than half mainly due significant reduction in visitor departures to the neighbouring countries of Uganda and Tanzania.

Table 13.3: Departing visitors by country of residence and purpose of visit, 2001-2002 ("000)

	Holiday		Business		Transit		Total	
Country of Residence	**2001**	**2002***	**2001**	**2002***	**2001**	**2002***	**2001**	**2002***
Germany	179.7	194.0	4.2	24.3	19.1	40.1	203.0	258.4
United Kingdom	115.2	159.0	16.6	20.0	14.3	32.8	146.1	211.8
Switzerland	19.1	58.7	2.5	7.4	4.4	12.1	26.0	78.2
Italy	23.6	56.9	2.8	7.2	3.6	11.8	30.1	75.9
France	18.2	44.3	2.6	5.6	4.0	9.1	24.8	59.0
Scandinavia	15.5	15.2	2.1	1.9	3.5	3.1	21.1	20.2
Other Europe	141.8	65.8	3.2	8.3	20.0	13.6	165.0	87.7
TOTAL EUROPE	**513.1**	**593.9**	**34.0**	**74.7**	**68.9**	**122.6**	**616.0**	**791.2**
U.S.A	44.7	46.3	4.9	5.8	5.6	9.6	55.2	61.7
Canada	13.6	6.0	1.8	0.8	2.9	1.2	18.3	8.0
TOTAL NORTH AMERICA	**58.3**	**52.3**	**6.7**	**6.6**	**8.4**	**10.8**	**73.5**	**69.7**
Uganda	13.7	7.2	20.4	0.9	5.7	1.1	39.8	9.2
Tanzania	24.2	7.2	5.5	0.9	15.2	1.0	44.9	9.1
Other Africa	29.6	37.7	16.8	4.7	18.5	8.5	64.9	50.9
TOTAL AFRICA	**67.6**	**52.1**	**42.7**	**6.5**	**39.4**	**10.6**	**149.6**	**69.2**
India	11.6	6.8	2.3	0.8	3.0	1.4	16.9	9.0
Japan	10.0	11.9	1.2	1.5	1.4	2.4	12.6	15.8
Israel	5.7	10.1	0.8	1.3	0.5	2.1	7.0	13.5
Other Asia	12.2	4.7	3.2	0.6	3.9	1.1	19.3	6.4
TOTAL ASIA	**39.5**	**33.5**	**7.4**	**4.2**	**8.8**	**7.0**	**55.7**	**44.7**
Australia and New Zealand	13.4	5.9	1.6	0.7	2.3	1.2	17.3	7.8
All Other Countries	51.9	6.9	1.0	0.8	6.3	1.4	59.2	9.1
TOTAL	**742.0**	**744.6**	**93.2**	**93.4**	**134.1**	**153.6**	**969.3**	**991.7**

* Provisional

13.10. Table 13.4 presents data on the number of days stayed by visitors according to the purpose of their visit. Total number of days stayed by visitors improved by 3.5 per cent from 8,144,000 in 2001 to 8,427,700 in 2002. This resulted in a marginal rise in the average length of stay from 8.4 days to 8.5 days in 2002. Visitors on holiday increased by 3.0 per cent from 7,123,200 to 7,335,800 in 2002. The length of stay by visitors on business improved by 2.6 per cent from 669,000 to 717,100 in 2002. Similarly, the number of days stayed by visitors on transit increased from 321,800 to 374,800 over the same period.

Table 13.4: Number of days stayed* by purpose of visit, 1998-2002 (000)

Purpose	1998	1999	2000	2001	2002**
Holiday	7,132.7	7,754.6	7,413.1	7,123.2	7,335.8
Business	646.0	712.1	814.8	699.0	717.1
Transit	404.4	468.2	279.5	321.8	374.8
TOTAL	**8,183.1**	**8,934.9**	**8,507.4**	**8,144.0**	**8,427.7**
Average length of stay in days	9.8	9.4	8.7	8.4	8.5

* Excludes days stayed by 'Other Visitors" Category

** Provisional

Hotel Occupancy

13.11. Table 13.5 presents data on hotel bed-night occupancy by visitors' country of residence. Visitors from Europe occupied the largest share of hotel bed-nights in 2002, which accounted for 64.3 per cent of the total bed-nights occupied.

Table 13.5: Hotel Bed-nights by Country of Residence, 1998-2002 ('000)

Country of Residence	1998	1999	2000	2001	2002*
Permanent Occupants**	11.6	15.2	20.4	21.1	12.9
Germany	418.8	536.1	605.1	541.2	721.3
Switzerland	129.8	164.0	174.8	175.1	218.3
United Kingdom	516.3	399.1	558.6	606.0	591.4
Italy	126.5	151.7	202.4	136.2	211.9
France	123.3	137.5	212.8	180.6	164.8
Scandinavia	54.1	50.6	69.9	66.7	56.3
Other Europe	145.6	190.7	259.3	229.6	244.9
EUROPE	**1,514.4**	**1,629.7**	**2,082.9**	**1,935.4**	**2,208.9**
Kenya Residents	696.9	653.8	794.1	740.2	656.1
Uganda	26.4	30.7	30.0	34.2	26.9
Tanzania	35.1	39.4	41.4	38.9	26.7
East and Central Africa	35.7	41.4	50.0	45.8	34.5
West Africa	13.5	18.8	22.6	24.6	25.1
North Africa	13.0	16.5	15.9	17.3	12.7
South Africa	36.8	36.4	38.7	39.0	42.7
Other Africa	41.1	50.9	65.5	50.2	24.9
AFRICA	**898.5**	**887.9**	**1,058.2**	**990.2**	**849.6**
U.S.A	185.1	171.8	228.9	169.9	149.8
Canada	18.3	21.8	26.8	25.5	22.4
Other America	13.4	16.3	27.7	20.4	22.3
AMERICA	**216.8**	**209.9**	**283.4**	**215.8**	**194.5**
Japan	33.5	38.8	55.9	39.5	44.2
India	29.6	29.9	34.7	29.5	25.0
Middle East	48.4	46.9	50.5	53.7	37.7
Other Asia	17.8	17.0	27.2	19.5	17.3
ASIA	**129.3**	**132.6**	**168.3**	**142.2**	**124.2**
Australia and New Zealand	21.8	21.2	26.9	20.6	21.9
All Other Countries	20.6	54.5	47.7	29.6	25.0
TOTAL-OCCUPIED	**2,813.0**	**2,951.0**	**3,687.8**	**3,354.9**	**3,436.8**
TOTAL-AVAILABLE	**7,975.7**	**8,711.4**	**9,382.3**	**8,327.8**	**8,182.7**
Occupancy rate %	**35.3**	**33.9**	**39.3**	**40.3**	**42.0**

* Provisional

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

13.12. In absolute numbers, residents of Germany led in bed-nights occupancy recording 721,300, followed by the United Kingdom with 591,400, Switzerland with 218,300 and Italy with 211,900. However, bed-nights occupancy by residents of United Kingdom experienced a slight contraction of 2.5 per cent in 2002 over the level attained in 2001.

13.13. Bed-nights occupancy by residents from Africa including Kenyan residents decreased by 14.2 per cent from 990,200 in 2001 to 849,600 in 2002. Bed-night occupancy by residents from America and Asia also declined by 9.9 and 12.7 per cent, respectively in 2002. Percentage bed-night occupancy rate, which is a measure of the total bed-nights occupied as a percentage of total bed-nights available, improved slightly in 2002 to 42.0 per cent from 40.3 per cent in 2001.

13.14. Table 13.6 presents data on the distribution of hotel bed-nights stayed by visitors to the various zones of the country. Total number of bed-nights stayed at the coastal beach increased by 51 per cent to 2,171,800 from 1,438,200 bed-nights in 2001. The rise was a significant improvement compared to 2002 a drop of 30.4 per cent in 2001. However, bed-nights occupancy in coastal hinterland decreased further by 20.7 per cent in 2002 compared to a previous decline of 25.8 per cent in 2001.

Table 13.6: Hotel bed-nights by Zone, 1998-2002 ('000)

Zone	1998	1999	2000	2001	2002*
Coastal-Beach	1,505.3	1,625.2	2,065.2	1,438.2	2,171.8
-Other	109.1	73.9	85.8	136.1	108.2
Coastal Hinterland	43.9	48.7	76.3	56.6	44.9
Nairobi-High Class	655.6	685.5	836.1	568.6	589.8
-Other	178.0	173.2	167.2	124.9	65.7
Central	92.9	77.5	145.7	74.5	80.7
Masailand	85.2	84.3	141.5	138.3	135.2
Nyanza Basin	110.8	110.1	87.3	94.4	103.7
Western	27.3	69.2	72.4	91.3	95.9
Northern	4.9	3.4	10.3	41.2	40.9
TOTAL-OCCUPIED	**2,813.0**	**2,951.0**	**3,687.8**	**3,354.9**	**3,436.8**
TOTAL-AVAILABLE	**7,975.7**	**8,711.4**	**9,382.3**	**8,327.8**	**8,182.7**

* Provisional

13.15. Bed occupancy in Nairobi's high-class hotels recorded improved performance in 2002 with an increase of 3.7 per cent being recorded compared to a decline of 32.0 per cent in 2001. The other category of Nairobi hotels continued to perform dismally since 1999.

13.16. The Central region, Nyanza basin and Western zone recorded rising business activity as manifested by improved bed-nights occupancy in 2002 compared to 2001. Bed-nights occupancy in parts of Masailand and Northern zone dropped compared to the level attained in 2001.

13.17. As presented in Table 13.7, visitors to the coastal region of the country occupied almost two thirds of the total hotel bed-nights utilised. Most of these visitors were Kenyans and Europeans.

Table 13.7: Hotel bed-nights by area and country of residence, 2002* ('000)

Country of Residence	Nairobi	Coast	Lodges	Others	Total
Permanent Occupants** ..	0.6	12.0	0.0	0.3	12.9
Germany	25.5	673.5	18.7	3.6	721.3
Switzerland	8.4	201.4	7.4	1.1	218.3
United Kingdom	81.5	442.2	55.8	11.9	591.4
Italy	16.4	186.8	7.6	1.0	211.8
France	29.4	110.1	22.3	3.0	164.8
Scandinavia	12.8	34.0	7.4	2.1	56.3
Other Europe	37.6	179.1	20.1	8.0	244.9
Kenya	120.3	325.8	18.5	191.5	656.1
Uganda	14.8	6.3	1.0	4.8	26.9
Tanzania	17.8	5.6	0.4	2.9	26.7
East & Central Africa	13.5	3.3	0.2	17.5	34.5
West Africa	16.7	5.3	2.6	0.5	25.1
North Africa	7.5	1.2	0.4	3.6	12.7
South Africa	32.0	9.0	0.8	0.8	42.7
Other Africa	16.5	6.5	0.6	1.3	24.9
U.S.A.	84.8	21.8	34.3	8.9	149.8
Canada	10.6	5.6	5.0	1.2	22.4
Other America	13.5	4.5	2.3	2.0	22.3
Japan	29.6	5.4	7.7	1.5	44.2
India	14.7	6.7	2.3	1.2	25.0
Middle East	23.7	9.9	3.0	1.0	37.7
Other Asia	6.9	5.9	3.3	1.2	17.3
Australia & New Zealand	9.8	7.4	3.6	1.0	21.9
All Other Countries	10.5	12.6	1.2	0.7	24.9
TOTAL	**655.4**	**2,281.9**	**226.5**	**272.6**	**3,436.8**
PERCENTAGE SHARE	**19.1**	**66.4**	**6.6**	**7.9**	**100.0**

* Provisional

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

13.18. The remaining one-third share of bed-nights occupancy comprises visitors to the Nairobi area, lodges and other areas of the country. Further analysis of the data on hotel bed-nights occupancy reveal that visitors from Europe preferred staying at the coast of Kenya while those from America, East and Far East preferred staying in Nairobi area. Most of the Kenya residents preferred to stay at the coast while residents from the rest of Africa preferred staying in the Nairobi area. Visitors from the United Kingdom and the USA were the most significant utilisers of Kenya's networks of lodges.

13.19. Table 13.8 present data on the number of bed-nights occupied in Game Reserves and National Parks of Kenya. As shown, there was a decrease in the occupancy by foreign residents to these attraction areas from 228,100 bed-nights in 2001 to 206,600 in 2002. Most of the occupants of the game lodges preferred full catering service to self-service.

13.20. Data on occupancy level in game lodges by East African residents in 2002 was almost that attained in 2001. Like for foreign residents, most of the East African residents visiting game lodges preferred full service catering as opposed to self service catering.

Table 13.8: Game lodges* occupancy, 2000 - 2002

	Bed-Nights Occupied (000)					
	Foreign Residents			E.A. Residents		
	2000	2001	2002**	2000	2001	2002**
Game Reserves	126.2	127.5	121.2	14	11.8	11.9
National Parks	99.5	100.6	85.4	10.4	8.8	8.0
TOTAL	**225.7**	**228.1**	**206.6**	**24.4**	**20.6**	**19.9**
Of which full Catering ..	197.0	199.1	195.1	19.1	16.1	17.2
Self Service	28.7	29.0	28.1	5.3	4.5	5.0

* Lodges in National Parks and Game Reserves

** Provisional

Other Tourists Attractions

13.21. Table 13.9 presents data on the number of visitors to other tourist attraction sites such as the game parks and game reserves. The total number of visitors to these places increased by 7.3 per cent from 1,650,300 persons in 2001 to 1,771,300 persons in 2002.

Table 13.9: Number of visitors to parks and game reserves, 1998-2001

	1998	1999	2000	2001	2002*
Nairobi	122.3	139.2	130.3	101.6	90.4
Nairobi Safari Walk	-	-	-	113.5	114.4
Animal Orphanage	164.8	235.1	266.1	151.1	254.5
Amboseli	62.9	77.0	93.5	91.5	92.0
Tsavo (West)	54.9	61.0	78.6	78.7	76.3
Tsavo (East)	66.9	111.6	124.9	132.7	152.8
Aberdare	47.9	44.2	44.9	40.5	41.5
Lake Nakuru	111.0	189.1	193.3	209.4	229.8
Masai Mara	100.4	171.0	193.5	207.2	231.1
Haller's Park	77.9	96.4	92.6	87.2	87.0
Malindi Marine	13.7	23.9	35.7	26.5	29.8
Lake Bogoria	20.6	53.0	56.1	59.6	18.7
Meru	1.8	3.5	6.0	7.8	8.2
Shimba Hills	16.8	17.7	20.5	18.3	14.4
Mount Kenya	10.2	22.7	11.5	26.3	27.9
Samburu	7.0	7.0	8.2	6.3	6.0
Kisite/Mpunguti	29.2	34.2	37.9	45.7	47.1
Mombasa Marine	16.2	36.1	38.4	29.1	30.5
Watamu Marine	18.3	40.8	28.4	30.0	29.3
Hell's Gate	57.1	72.7	74.0	73.0	60.9
Impala Sanctuary(Kisumu)	65.6	77.4	90.4	96.9	117.7
Other**	13.9	19.8	20.1	17.4	11.0
TOTAL	1,079.4	1,533.4	1,644.9	1,650.3	1,771.3

* 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

13.22. Notable increases were recorded for visitors to animal orphanage (68.4 per cent), Tsavo (East) (15.1 per cent), Masai Mara (11.5 per cent) and Impala Sanctuary-Kisumu (21.5 per cent). On the other hand, substantial drops were recorded for visitors to Nairobi Park (12.4 per cent), Lake Bogoria (68.6 per cent) and Hell's Gate (19.9 per cent).

13.23. Details of the number of visitors to museums, snake parks and historical sites are presented in Table 13.10. A total of 579,070 persons visited the museums, snake parks and historical sites in 2002 compared to 675,800 in 2001. Reduced visitors touring the National Museum and Snake Park, Kisumu, Kitale and Meru Museums in 2002 mainly explain the notable drop. The only recorded increase was for visitors to Gedi ruins that increased from 18,100 in 2001 to 23,300 in 2002 and Fort Jesus with marginal rise from 140,300 to 140,700 over the same period.

Table 13.10: Number of visitors to museums, snake park and sites,1998-2002 ('000)

	1998	1999	2000	2001	2002*
National Museum:(Main Gate)	173.4	196.4	210.9	251.6	202.7
National Museum:(Snake Park)	75.9	81.1	85.0	83.6	76.2
Fort Jesus	88.9	107.8	96.5	140.3	140.7
Kisumu Museum	34.7	45.9	48.1	62.3	45.1
Kitale Museum	27.3	22.5	28.1	29.6	21.5
Gedi	14.8	27.3	21.8	18.1	23.3
Meru Museum	15.8	16.6	18.1	19.2	14.9
Lamu	6.2	6.7	7.3	4.3	0.8
Jumba la Mtwana	4.0	5.5	5.1	4.6	0
Olorgessaile	1.9	2.2	2.4	1.8	0
Kariandusi	4.5	5.2	5.0	4.6	0
Hyrax Hills	2.8	2.5	3.3	3.4	0
Karen Blixen	41.1	50.0	52.6	51.3	46.4
Kilifi Mnarani	2.9	3.4	0.9	1.1	0
Other**	5.8	6.7	8.0	8.0	7.47
TOTAL	**494.2**	**573.1**	**585.1**	**675.8**	**579.07**

* Provisional

** New Sites comprises Kabarnet, Kapenguria, Pete, Swahili House, German Post, Lamu Post and Takwa Ruins.

Conference Tourism

13.24. There was an increase in the number of reported local conferences from 609 in 2001 to 754 in 2002; a 23.8 per cent increase. International conferences marginally increased from 108 to 115 over the same period. A significant improvement of 21.2 per cent on the overall reported conferences was registered in 2002 compared to a decline of 37.2 per cent in 2001. The number of delegates attending the local conferences went down from 31,979 to 28,645 in 2002, while those attending international conferences rose from 5,375 to 12,405 over the same period. The total number of delegate days for local conferences dropped from 120,385 in 2001 to 118,425 in 2002, while those for international conferences more than doubled from 23,626 to 48,333 over the same period. Local and international conference registered occupancy rates of 8.2 per cent and 3.4 per cent in 2002 compared to the respective occupancy rates of 8.2 and 1.7 per cent in 2001. Details on reported local and international conferences are displayed in Table 13.11.

Table 13.11: Reported conferences, 2000-2002

	2000		2001		2002*	
	Local	International	Local	International	Local	International
No.of conferences	980	162	609	108	754	115
No.of delegates	65,329	36,810	31,979	5,375	28,645	12,405
No.of delegate days	312,655	66,404	120,385	23,626	118,425	48,333
No.of delegate days available	4,042,010	4,042,010	1,387,000	1,387,000	1,441,233	1,441,233
Percentage Occupancy	**7.7**	**1.6**	**8.7**	**1.7**	**8.2**	**3.4**

* Provisional

Tourism Promotion

13.25. Several initiatives are currently being pursued to boost the level of tourism activity in the country. They include consultations with airlines that had abandoned Kenya to resume operations, exploration of new tourists markets, promotion of domestic tourism and strategic partnership between public and private sector in marketing the country abroad.

13.26. The Kenya Utalii College continued training those aspiring to work in the tourism industry as shown in Table 13.12. Those trained for in-service courses and graduated in 2002 were 983; an increase of 11.7 per cent from 880 in 2001. Those who were trained and graduated in ordinary professional courses rose from 317 in 2001 to 363 in 2002, while those for advanced professional courses dropped from 22 in 2001 to 18 in 2002.

Table 13.12 Kenya Utalii College graduates, 1998-2002

	In-Service	Professional			Grand Total
		Ordinary	Advanced	Total	
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
2002	983	363	18	381	1,364

Source: Kenya Utalii College

Chapter 14 Transport, Storage & Communications

Overview

The transport, Storage and Communication Sector recorded an improved performance in 2002 in all sub-sectors except Railways. The road transport performance was impressive, while the young mobile phones industry continued to experience boom. The aftermath of the September 11, 2001 terrorist attack in U.S.A that continued to afflict the operations of several airlines, particularly in the Western World, forcing several airlines either out of business or struggling to stay afloat did not much affect Kenya Airways. Despite that, the civil strife in Cote D'Ivoire and other African countries, and the economic crisis in Zimbabwe affected the Kenya Airways' operations. The freeing of air frequencies continued to encourage new broadcasters to enter the market. The Liberalisation of the mass and print media encouraged expansion of the gutter press rather than serious information outlets.

Value of Output

14.2. Value of output from Transport, Storage and Communication sector grew by 21.5 per cent to Kshs. 142,495 million in 2002 from Kshs. 117,265 million recorded in 2001. However, the continued poor services of the Railway sub-sector led to a drop in its output of 10.9 per cent from Kshs. 5,879 million to Kshs. 5,237 million. The communication sub-sector, that includes the young mobile phones industry, increased its output by 28.3 per cent to Kshs. 52,060 million in 2002 from Kshs. 40,591 million in 2001. Air transport, partly affected by the September 2001 and November 2002 terrorist attacks in U.S.A and Mombasa-Kenya respectively, had an increase of 10.7 per cent from Kshs. 24,913 million in 2001 to Kshs. 27,584 million in 2002. Output value on Road Transport rose significantly by 41.0 per cent to Kshs. 36,167 million in 2002 from Kshs. 25,659 million in 2001. This was attributed to the continued improvement in the road infrastructure. Though there was a decline in fuel volumes throughput, the Pipeline sub-sector posted an increase in value output by 6.6 per cent to Kshs. 6,886 million compared with Kshs. 6,462 million registered in 2001. The improved services in the port of Mombasa led to a marginal increase in marine output value by 0.8 per cent from Kshs. 9,477 million in 2001 to Kshs. 9,549 million.

Table 14.1: Transport and Communications - Value of Output, 1998 – 2002 (KSh million)

	1998	1999	2000	2001	2002*
Road Transport	17,414	18,552	21,353	25,659	36,167
Railway Transport**	4,096	5,206	5,954	5,879	5,237
Marine Transport..	7,784	7,432	8,461	9,477	9,549
Air Transport	14,026	20,002	23,025	24,913	27,584
Services Incidental to Transport ..	4,036	3,274	3,750	4,284	5,012
Pipeline Transport	5,282	5,728	6,202	6,462	6,886
Communications	23,012	24,028	25,760	40,591	52,060
TOTAL	**75,650**	**84,222**	**94,504**	**117,265**	**142,495**

* *Provisional.*

** *Includes other revenue*

Road and Railway Transport

Road Transport

Road

14.3. Assessment of "Roads 2000 Programme," identified 57 per cent of the classified road network in the country to be in good condition and 43 per cent in poor condition. The assessment has remained the focal base for effective maintenance, and was approved by the government as well as the donors.

14.4. In year 2001/2002 the Roads Maintenance Levy Fund, as presented in Table 14.2, grew by 17.6 per cent to Kshs. 8,042 million from Kshs. 6,780 million in year 2000/2001. It is projected to increase to Kshs. 9,025 million by the year 2002/2003. Transit Toll collections is projected to increase from Kshs. 180 million in 2001/2002 to Kshs. 190 million in 2002/2003. Resealing and reconstruction carried out in the year 2001/2002 covered 1195.9 kilometres.

Table 14.2: Road Maintenance Funds, 1998/1999 -2002/2003 (Kshs. Million)

	1998/1999	1999/2000	2000/2001	2001/2002	2002/2003*
Fuel Levy	5,080	6,030	6,600	7,862	8,835
Transit Toll	160	160	180	180	190
Total	**5,240**	**6,190**	**6,780**	**8,042**	**9,025**

** Provisional*

14.5. The inability of the Kenya Railways to handle cargo effeciently in the port of Mombasa has increasingly shifted preference to the road transport sub-sector. The roads backed by the continued reconstruction and rehabilitation, today controls about 70 per cent of passenger and freight transportation. More travellers continued to prefer travelling by road rather than the railway. Consequently, passenger traffic earnings increased by 25.0 per cent to Kshs. 16,745 million in 2002 from Kshs. 13,394 million in 2001. Road freight traffic earnings rose by 58.4 per cent to Kshs. 19,422 million in 2002 up from Kshs. 12,265 million recorded in 2001. Excess haulage road traffic in absence of efefctive control measures has taken a heavy toll on Kenyan roads.

Table 14.3: Earnings from Road Traffic, 1998 – 2002 (KSh Million)

	1998	1999	2000	2001	2002*
Passenger Traffic	9,494	9,764	10,026	13,394	16,745
Freight Traffic	7,920	8,788	11,477	12,265	19,422
Total	**17,414**	**18,552**	**21,503**	**25,659**	**36,167**

** Provisional*

New Vehicles Registration

14.6. Newly registered motor vehicles rose by 25.4 per cent in 2002 to 32,638 from 26,024 in 2001, as shown in Table 14.4. New registration for buses decreased by 16.9 per cent from 490 in 2001 to 407 in 2002, indicating a fall in demand in bus' transportation. Registration of minibuses/matatus went up by 11.1 per cent to 3,996 in 2002. Registration of lorries/trucks rose by 49.6 per cent to 1,919 registered vehicles from 1,283 in 2001. This was due to the continued ineffecient services in railway transportation, encouraging a demand for lorries/trucks for transportation of goods from the port of Mombasa to hinterland. A significant increase of 42.5 per cent on station wagons was also realised, while saloon cars registered an increase of 27.6 per cent in 2002.

Table 14.4: New Registration of Road Vehicles, 1998 – 2002 (Number)

Type of Vehicle	1998	1999	2000	2001	2002*
Saloon Cars..	11,126	8,917	6,514	8,258	10,534
Station Wagons..	5,175	4,251	4,004	4,733	6,746
Panel Vans, Pick-ups, etc.	7,295	6,984	4,413	4,747	5,834
Lorries/Trucks..	2,578	2,087	1,104	1,283	1,919
Buses and Coaches.. ..	887	866	466	490	407
Mini Buses/Matatu..	874	872	1,751	3,598	3,996
Special Purposes Vehicles	25	29	23	87	29
Trailers..	539	567	331	603	503
Rollers, Graders, Cranes	63	70	46	69	54
Wheeled Tractors..	1,160	1,112	510	575	678
Crawler Tractors..	5	6	3	20	28
Motor and Auto Cycles..	1,986	2,127	1,065	1,559	1,907
Three Wheelers	5	4	6	2	3
**Total.. .. ..

Table 14.6: Railway Traffic, 1997/1998 - 2001/2002

	Unit	1997/1998	1998/1999	1999/2000	2000/2001	2001/2002*
Freight:						
Tonnes	'000'	1,688	2,200	2,400	2,330	2,227
Tonne-km	million	1,111	1,492	1,557	1,603	1,538
Revenue	Kshs. mill.	3,154	4,514	4,727	4,660	4,514
Revenue per tonne-Km ..	cts	284	303	332	290	293
Passenger:						
Journeys	'000'	2,843	4,700	4,200	5,517	4,794
Passenger-Km	million	432	306	302	216	288
Revenue	Kshs. mill.	268	288	227	202	147
Revenue per passenger-Km.	cts	62	94	75	94	51
Total Revenue	Kshs. mill.	**3,422**	**4,802**	**4,954**	**4,862**	**4,662**

*Provisional

14.9. The inability to react rapidly to market dynamics and failure to embrace changes made the railway to lose its traditional business to competitors. The failure to modernise petroleum tank carriers, buy new locomotives and provide charge commercial rates are some of the shortcomings of the Corporation. Container freight , an earlier business purely for the Railway is today lucrative business for the road transport industry. Corporation operation expenditure has been increasing without corresponding increase in revenue collection.

Marine Transport

14.10. Mombasa port total cargo loaded recorded an increase of 19.9 per cent while cargo offloaded reflected a decrease of 3.7 per cent as detailed in Table 14.7. Total transit traffic increased by 5 per cent in 2002, where transit outward grew by 24.5 per cent. This was occasioned by the managerial restructuring that led to realisation of pragmatic and sustainable efficiency levels. The volume of container traffic continued to rise by 5.1 per cent to 305,427 containers as compared to 290,500 in 2001. The number of ships docking also went up by 54.8 per cent to 1,720 ships in 2002 against 1,111 in 2001. Oils loaded increased by 6.2 per cent while the Oils offloaded decreased by 7.4 per cent.

Table 14.7: Freight handled at Mombasa Port, 1998- 2002

	1998	1999	2000	2001	2002*
Containers Traffic (No.)	248,451	232,417	236,928	290,500	305,427
Ships Docking (No.)	960	979	991	1,111	1,720
Cargo Loaded (000 Tonnes):					
Dry Cargo	1,783	1,613	1,530	1,802	2,176
Oils	136	232	192	196	208
Transit Outward	239	285	301	273	340
Total	**2,158**	**2,130**	**2,023**	**2,271**	**2,724**
Cargo Landed (000 Tonnes):					
Dry Cargo	4,408	3,915	4,271	4,470	4,358
Oils	2,234	2,428	3,133	4,132	3,826
Transit Inward	888	1,025	1,153	1,844	1,875
Total	**7,530**	**7,368**	**8,557**	**10,446**	**10,059**
Total Freight Handled	**9,688**	**9,498**	**10,580**	**12,717**	**12,783**

*Provisional

14.11. Kenya Ports Authority, in its efforts to improve its performance and efficiency reduced charges per container at Nairobi container depot by 47 per cent thus reducing the gap with international rates. The move puts Mombasa Port at a competitive footing with Ports of Dar es Salaam and Durban, and nearer to the better rated Dubai. The Authority has also concessionalised some berths to Magadi Soda Company and Bamburi Portland Cement. A modernisation of cruise tourism complex is in the offing.

Pipeline Transport

14.12. The Kenya Pipeline Company (KPC), which is the principal transporter of white petroleum products from the Refinery and Kipevu Terminal in Mombasa, earned gross revenue of Kshs. 6,886 million in 2002 compared to Kshs. 6,462 million earned in 2001, an increase of 6.6 per cent. However throughput volumes dropped by 2.0 per cent due to decrease in demand on some of the products. The volume of light diesel went down by 9.0 per cent to 913.5 thousand cubic metres from 1,003.4 thousand cubic metres in 2001. The low demand in motor spirit (regular) led to lowered volume of transportation by 12.7 per cent to 154.5 thousand cubic metres from 177.0 thousand cubic metres in 2001. Jet fuel pumped increased by 8.3 per cent to 692.2 thousand cubic metres in 2002 from 639.4 thousand cubic metres pumped in 2001.

Table 14.8: Pipeline Throughput of White Petroleum Products, 1998 – 2002 (000 cu. Metres)

	1998	1999	2000	2001	2002*
Motor Spirit (Premium)……..	615.0	631.0	598.6	624.3	625.2
Motor Spirit (Regular)……..	185.6	192.4	184.2	177.0	154.5
Kerosene Illuminating Oil……	373.0	443.5	397.8	372.8	375.7
Light Diesel Oil……..	821.5	876.9	980.7	1,003.4	913.5
Jet Fuel……..	579.8	639.4	622.0	639.4	692.2
Total	**2,574.9**	**2,783.2**	**2,783.3**	**2,816.9**	**2,761.1**

**Provisional*

Air Transport

Air Traffic

14.13. The global air transport industry, influenced by the after effects of the September 2001 and November 2002 terrorist attacks in U.S.A and Mombasa-Kenya respectively, gave rise to low travel worldwide. The effects, however, did not affect the Kenya Civil Aviation much, possibly because of lack of direct traffic to U.S.A. Nevertheless the poorly performing tourism industry, ever since the social-political disturbances of the late 1997, continued to slow the growth of air traffic. Kenya Airways was still unable to penetrate U.S.A air space due to a condition earlier demanded by the IATA, that Directorate of Civil Aviation (D.C.A) be separated from Government. However, the peaceful elections-held in December 2002-boosted recovery. It is expected that the volume of air traffic, especially passenger traffic, would escalate to the levels of the years proceeding 1997.

14.14. Flights handled at Nairobi (JKIA) and Mombasa (MIA) recorded an increase of 8.3 per cent to 67,787 flights in 2002 as compared to 62,572 in 2001. International flights increased by 13.0 per cent to 36,030 in 2002 from 31,898 in 2001. There was a slight improvement on domestic air travelling of only 3.5 per cent in 2002 to 31,757 flights from 30,674 flights in 2001. Domestic flights to and from Mombasa increased by 7.8 per cent in 2002.

Passenger Traffic

14.15. Total passenger transport, though adversely affected by the Tourism Industry that has been performing poorly, increased by 3.4 per cent as reflected in Table 14.9. Arrivals in all airports increased by 4.8 per cent in 2002 to 2,147 thousand passengers up from 2,049 in 2001. Likewise the departures went up by 4.4 per cent to 2,152 from 2,061 in 2001. The transit traffic was on a decrease, falling by 20.0 per cent, due to some airlines preferring to over-fly our sky due to escalating costs in refuelling, and negative publicity against Kenya in Europe and America, together with the recurrent uprisings in some parts of Africa. Passenger traffic on the domestic flights registered a marginal increase of 0.3 per cent in 2002 compared to 3.7 per cent gains in 2001. Kenya Airways had a decline in passenger traffic of 17.2 per cent from 462 thousand passengers in 2001 to 382 thousand passengers. This was due to the impact of high competition from other airlines that had not only encroached on its major routes but also applied fare cuts tact. Regional Air and Africa One have of late abandoned the fiercely competed routes, sighting low trade.

Table 14.9: Airports Passenger Traffic, 1998 – 2002 (000 No.)

		1998	1999	2000	2001	2002*
	Arrivals	1,087	1,248	1,376	1,383	1,458
Nairobi (JKIA) -	Departures	1,051	1,205	1,358	1,399	1,472
	In Transit**	211	215	211	187	127
	Total	**2,350**	**2,668**	**2,945**	**2,968**	**3,057**
	Arrivals	370	416	428	413	426
Mombasa (MIA)	Departures	370	424	427	419	426
	In Transit**	73	50	46	19	39
	Total	**812**	**890**	**901**	**851**	**891**
	Arrivals	1,457	1,664	1,804	1,796	1,884
Sub – total	Departures	1,422	1,629	1,785	1,818	1,898
	In Transit**	284	265	257	206	166
	Total	**3,163**	**3,558**	**3,847**	**3,819**	**3,948**
	Arrivals	7	10	18	15	14
Eldoret	Departures	5	9	17	15	13
	In Transit**	6	5	7	1	1
	Total	**18**	**23**	**42**	**32**	**28**
	Arrivals	192	210	247	237	249
Others	Departures	186	200	236	229	240
	In Transit**	9	11	12	12	9
	Total	**386**	**421**	**495**	**478**	**498**
	Arrivals	1,655	1,884	2,069	2,049	2,147
TOTAL	Departures	1,612	1,837	2,038	2,061	2,152
	In Transit**	298	281	276	219	175
	Total	**3,566**	**4,002**	**4,383**	**4,329**	**4,474**

*Provisional

**Transit passengers are those passing-by the airports to a different destination

Freight Traffic

14.16. The cargo traffic handled in all the airports increased by 19.0 per cent in year 2002 as shown in Table 14.10. The two main airports, Nairobi and Mombasa recorded an increase of 24.0 per cent on the cargo loaded and 11.4 per cent on the offloading. There was a significant decline of 67.0 per cent on unloaded mails handled in both airports, mainly attributed to competition from the many couriers registered in the business, and other new modes of communication. Kenya Airways, having performed poorly on the passenger traffic, gained tremendously on cargo, achieving a rise of 17.5 per cent from 24 thousand tonnes in 2001 to 28 thousand tonnes in 2002.

14.17. The Kenya Airports Authority aims to enhance better service delivery for the flights by replacing the obsolete flight information display system, expansion of cargo apron capacity, increase of passenger apron and rehabilitation of the runaways.

Table 14.10: Commercial Airfreights, 1998 – 2002 (000 Tonnes)

Airport	Item	1998	1999	2000	2001	2002*
	Cargo: Unloaded ..	39,538	31,183	37,918	40,161	45,419
	Loaded	76,747	94,369	101,702	98,986	123,385
Nairobi	**Mail:** Unloaded ..	911	734	728	292	96
(JKIA)	Loaded ..	479	335	296	173	109
	Total	**117,674**	**126,621**	**140,643**	**139,612**	**169,009**
	Cargo: Unloaded ..	1,328	1,329	1,435	1,507	1,243
	Loaded	1,807	1,021	1,280	1,962	1,769
Mombasa	**Mail:** Unloaded ..	8	1	0	4	2
(MIA)	Loaded ..	26	24	24	24	31
	Total	**3,170**	**2,376**	**2,740**	**3,497**	**3,045**
	Cargo: Unloaded ..	40,866	32,512	39,353	41,668	46,661
	Loaded	77,226	94,703	101,997	99,159	123,494
Sub - Total	**Mail:** Unloaded ..	919	735	728	296	98
	Loaded ..	76,773	94,393	101,725	99,010	123,416
	Total unloaded ..	**41,785**	**33,247**	**40,082**	**41,963**	**46,759**
	Total loaded	**153,999**	**189,096**	**203,723**	**198,169**	**246,909**
	Cargo: Unloaded ..	6,112	4,133	4,724	9,635	12,560
	Loaded	84	79	244	472	3
Eldoret	**Mail:** Unloaded ..	-	-	4	0	-
	Loaded ..	-	-	4	3	-
	Total	**6,196**	**4,212**	**4,976**	**10,110**	**12,563**
	Cargo: Unloaded ..	1,220	421	708	325	1,203
	Loaded	3,817	19,268	23,239	38,599	36,721
Others	**Mail:** Unloaded ..	1	5	1	0	-
	Loaded ..	0	5	1	-	-
	Total	**11,234**	**23,911**	**28,924**	**49,035**	**50,487**
	Cargo: Unloaded ..	48,198	37,067	44,785	51,628	60,425
	Loaded ..	81,127	114,050	125,480	138,230	160,218
TOTAL:	**Mail:** Unloaded ..	919	741	733	296	98
	Loaded ..	76,773	94,398	101,730	99,013	123,416
	Total cargo unloaded ..	**49,117**	**37,807**	**45,518**	**51,924**	**60,522**
	Total cargo loaded ..	**157,901**	**208,448**	**227,210**	**237,243**	**283,633**
	GRAND TOTAL	**207,018**	**246,255**	**272,729**	**289,167**	**344,156**

*Provisional

Postal and Telecommunications Services

Postal Services

14.18. Tables 14.11 and 14.12 show the performance of the various sub-sectors in Postal and Communication services. Stiff competition from courier and money agency services coupled with recession economic conditions prevailing in the country continued to have a devastating effect on the services provided by Postal Corporation of Kenya. Nevertheless, the Corporation registered a gross profit of Kshs. 11 million. Money and Postal orders handled continued to diminish by 24.3 per cent and 46.4 per cent respectively to 1,371 and 29 thousand in year 2002. Correspondence handled however grew by 1.2 per cent from 172 million in 2001 to 174 million in 2002. The number of post offices was reduced from 893 in 2001 to 889 in 2002, while the Express Mail Services stations (courier outlets) were increased from 70 in 2001 to 75 in 2002. This was in line with the demand for direct delivery services for parcels as is carried out by the other competitors. Other courier outlets registered (other than the EMS) by the CCK increased by 8.1 per cent from 296 in 2001 to 320 in 2002. Though there has been a continuous increase in installation of private letter-boxes, the demand for the same has continued to decrease, falling to 304 thousand in 2002 from 323 thousand in 2001.

Table 14.11: Postal and Telecommunication Services, 1998 - 2002

Description	Unit	1998	1999	2000	2001	2002*
Post Offices..	No.	1,033	941	890	893	889
Total Courier Outlets (Licensed)	No.	-	-	185	296	320
Total		**1,033**	**941**	**1,075**	**1,189**	**1,209**
Private Letter Boxes:-						
Installed	000 No.	340	345	387	394	396
Rented..	000 No.	301	305	300	323	304
Registered and Insured Items Posted.	000 No.	2,101	1,961	1,951	1,834	1,815
Total correspondence handled	Millions	403	147	114	172	174
Parcels handled	000 No.	175	161	65	172	173
Money Orders..	000 No.	1,791	1,726	1,800	1,812	1,371
Postal Orders	000 No.	71	68	32	55	29
Telephone Exchange:-						
Capacity ..	000 No.	403	411	444	446	508
Connections ..	000 No.	280	296	304	326	332
Public Call boxes (Telephone Booths):						
Coin Phones	No.	7,263	8,397	8,388	8,293	8,225
Card Phones	No.	212	876	1,061	799	2,493
Mobile Telephone	000 No.	9	15	85	630	1,068
Manual Telephone Calls made	000 No.	3,700	3,500	3,861	5,412	3,098
Telex Subscribers	No.	1,100	1,000	685	527	506

*Provisional

Telecommunications

14.19. Telephone connections recorded a marginal growth of 1.7 per cent to 332 thousand connections in 2002 from 326 thousand in 2001. The sluggish growth is attributed to stiff competition from the mobile phones. There was a remarkable performance in the telephone exchange capacity that expanded by 13.7 per cent from 446 thousand lines in 2001 to 508 thousand lines in 2002. Coin pay phones registered a decrease of 0.8 per cent while the card-phones which offer a pre-paid service, more than tripled to record 2,493 in 2002.

14.20. The number of subscribers continued to increase from 630 thousand in the year 2001 to 1,068 thousand in year 2002, an increase of 69.6 per cent. Over 80 towns had access to the cellphone service network by the end of 2002, while several road/highways were wholly connected. One of the service providers, Kencell, introduced Wireless Access Protocol (WAP) services, the first one in the country, for assisting customers in the network connections.

14.21. Outgoing international telecommunication traffic registered a marginal decline of 0.1 per cent while in-coming traffic recorded a growth of 3.6 per cent. Availability of cheaper and efficient means of communication such as E-mail and Voice Over Internet Protocol (VOIP) have overshadowed the telex, telegraph and bureau fax services that continued to decrease in use. There is also proposal to privatise telephone facilities in the rural areas with an intention to increase the tele-density from the current one line per 100 persons to 10 lines per 100 persons by the year 2010.

Table 14.12: External Telecommunications Traffic, 1998 – 2002

	1998	1999	2000	2001	2002*
Telephone service-million paid minutes:					
Outgoing	29.2	29.2	25.99	24.31	24.29
Incoming	71.5	67.1	67.68	64.23	66.54
Telex service-million paid minutes:					
Outgoing	0.2	0.1	0.36	0.05	0.03
Incoming	0.3	0.4	0.12	0.05	0.03
Telegraph service-million paid words:					
Outgoing	0.1	0.1	0.16	0.02	0.00
Incoming	0.2	0.2	0.07	0.08	0.04
Bureau fax outgoing:					
Documents	6,191	10,271	5,506	2,977	3,939
Pages	7,621	13,140	7,189	3,856	5,647
Bureau fax incoming:					
Documents	2,276	2,304	1,517	1,252	901
Pages	4,062	3,852	2,480	2,157	1,713

*Provisional

14.22. Telkom has endeavoured to offer competitive services especially on fixed lines. Several exchange centres have been merged as part of an ongoing restructuring to promote efficiency, aiming to retain only six exchanges countrywide with the state-of-the-art service capability. Mobile phones' providers also anticipate to rollout further network with an ultimate goal of connecting all households at affordable rates, install card-phones (Kencell has already installed payphones in 44 towns across the country) and other essential phone services such as news-breaking.

14.23. The large mobile phones customer base is likely to over stretch the operators' network, and may result in low quality services. Moreover the current operators emphasis is bent on improving quality of service, which could slow down the expansion of their network and compromise universal coverage targets. Hence a third mobile phone services' provider is expected to enter the market soon to ease pressure on the two existing networks.

Information and Mass Media

Radio and TV permits

14.24. Since 1999 radio and TV permits, issued at a fixed fee, have continued to register a negative growth. In year 2002 the number of radios sold and licensed went down by 10 per cent to 62,000 radios from the previous figure of 69,000 in 2001, as presented in Table 14.13. The liberalisation of airwaves and commodity markets gave way to mass sales and purchases of radios and TV sets without issuance of permits. This has continued to deny Government the revenue. Some of the licensed dealers too, and all roadside equipment dealers, do not issue permits. The number of television sets sold and licensed has also been diminishing due to the same reason.

Table 14.13: New Radios and T.V. Sets sold and licensed, 1998 – 2002 (000 Number)

	1998	1999	2000	2001	2002*
Radios	75	104	85	69	62
Television Sets.	28	43	38	37	35

*Provisional

Broadcasting stations

14.25. The new radio and TV stations licensed in earlier years decentralised from Nairobi and expanded services to other towns/zones in 2002. Six out of the twelve TV Broadcasters assigned with frequencies were on air in 2002, though not in all the frequencies assigned to them. Eighteen out of twenty-three radio broadcasters were on air too, but still not utilising all the licensed frequencies due to the continued depressed economic situation and low investor confidence.

Daily and weekly newspaper

14.26. The turnover - boosted by increasing advertising revenue, last year's party mergers and election period sales - was significantly favourable. English daily Newspapers' sales increased by 14.2 per cent to 1,430.9 million copies sold in 2002 as compared to 1,253.4 copies sold in 2001. The Swahili daily Newspapers' sales also increased by 7.9 per cent from 88.9 million copies in 2001 to 95.9 million copies in 2002. The English and Swahili Weekly Newspapers recorded a 13.2 per cent and 4.8 per cent rise in sales respectively. Coast Express, a newly launched weekly newspaper, recorded an impressive attraction in the coast region both to the readers and advertisers.

Table 14.14: Local Daily/Weekly Average Newspapers in Circulation, 1998 – 2002 (Million Copies)

	1998	1999	2000	2001	2002*
Daily Newspapers-					
English	257.1	262.5	473.3	1,253.4	1,430.9
Swahili	35.0	36.0	38.2	88.9	95.9
Other Newspapers-					
English Weeklies	528.6	540.1	556.1	364.3	412.6
Swahili Weeklies..	42.0	43.6	45.3	20.1	21.1

**Provisional*

Chapter 15 Findings of the 1999 Kenya Population and Housing Census

Background

Kenya has conducted six censuses. The first census was held in 1948, more or less simultaneously with those of Uganda, Tanganyika and Zanzibar, all of which were conducted under the auspices of the East African Statistical Department. It enumerated 5,407,599 persons. The second census was held in August 1962, and enumerated 8,636,263 persons. This census preceded Kenya's independence by some 15 months and, therefore, was thought to be somewhat irregular owing to the hostile socio-political climate at that time. The third (and the first census proper) was conducted in 1969 and enumerated 10,956,501persons. The fourth census was held in 1979 and enumerated 15,327,061 persons. The fifth census was conducted in 1989 and enumerated 21,448,774, which was later adjusted upwards to 23 million. Recent re-working of the calculations of the 1989 census in the light of the results of 1999 census suggest that the count may have been exaggerated.

15.2. The 1999 Population and Housing Census was the sixth census to be conducted in Kenya, and the fourth decennial census since Independence, and enumerated 28,686,607 persons. A uniform schedule was used for the conventional households and institutional populations, and was double-sided to facilitate the use of optical character readers (scanners), which were used for the data capture. All the questions asked in 1989 were repeated, except for those on literacy, occupation and work status, and the date of death of last-born children. But new questions on duration of residence, highest level of education reached, and total children ever born (previously obtained by summing those at home, elsewhere and dead) were added. The questions on Housing were also expanded to include the number of dwelling units and rooms occupied by the household. Three short questionnaires were also used to enumerate hotel residents, persons in institutions such as hospitals and refugee camps, travellers and vagrants. The census was followed by a sample post-enumeration survey in 2000, which provided valuable additional information on fertility and mortality.

15.3. Upon the release of the preliminary reports (two volumes) in January 2001, CBS embarked on a comprehensive and ambitious in-depth analysis exercise, which brought together subject matter experts from government, Public universities as well as local and international consultants. This exercise has culminated in nine analytical reports addressing various topical areas namely Population Dynamics, Fertility and Nuptiality, Mortality, Migration, Population Projections, Education, Labour Force, Gender Dimensions and, finally, Housing Conditions and Household Amenities. Additionally, a Popular Report and a Census Atlas have been compiled highlighting the findings in a simplified form for wider dissemination. This Chapter presents the salient findings of these reports.

Fertility and Nuptiality

15.4. Analysis of data on children ever born and on births occurring in the 12 months preceding the census indicate that the Total Fertility Rate (TFR) declined from about 7.8 in the 1970s to 6.6 in the 1980s and to 5.0 in the 1990s. This translates into a similar decline in crude birth rate, the number of live births per 1000 persons in the population, from 54 in the 1960s to 48 in the 1970s, 41 in the 1980s, and then further to 38 in the 1990s.The innovators of this fertility decline are mainly younger women with primary and post-primary education who use effective contraceptives as well as marry late delaying child bearing. Mean age at marriage for women increased from 21.6 years in 1989 to 22.3 years in 1999, while mean age at first birth increased from 20 years in 1989 to 21 years in 1999.

15.5. This decline in fertility has been confirmed by various other sources including the 1989 Kenya Demographic and Health Survey that reported the first episode of decline, and all the subsequent ones in 1993 and 1998 have indicated that Kenya is well launched into the demographic transition.

15.6. Fertility was much lower in the urban areas (3.9) compared to rural areas (5.8). Regional analysis depicts Nairobi with the lowest fertility of 3.0 children per woman, and North-Eastern Province with the highest fertility of 7.0. Fertility was also lowest among women who had attained secondary and above education (4.8) and highest amongst those with no education (6.8), although the largest drop in fertility was noted among women who had attained primary education.

15.7. As shown in Table 15.1, it is projected that Kenya's fertility will decline further to a TFR of 3.2 by 2015-2020, which implies that it will still be above replacement level.

Table 15.1 Model Age-Specific and Total Fertility Rates for Kenya, 1990-2020

Age Group	1990-95	1995-2000	2000-05	2005-10	2010-15	2015-20
10-14	0.0039	0.0030	0.0024	0.0019	0.0016	0.0014
15-19	0.1533	0.1273	0.1113	0.0987	0.0907	0.0856
20-24	0.2659	0.2252	0.2008	0.1816	0.1703	0.1638
25-29	0.2472	0.2094	0.1868	0.1690	0.1585	0.1526
30-34	0.1962	0.1652	0.1465	0.1318	0.1229	0.1176
35-39	0.1375	0.1147	0.1007	0.0897	0.0828	0.0785
40-44	0.0620	0.0509	0.0441	0.0386	0.0351	0.0328
45-49	0.0079	0.0064	0.0054	0.0046	0.0041	0.0037
TFR	**5.37**	**4.51**	**3.99**	**3.58**	**3.33**	**3.18**

Source: Republic of Kenya (Forthcoming). 1999 Population and Housing Census. Analytical Report Volume III: Population Dynamics of Kenya.

15.8 Estimates made from the children ever born, children dead and survival status of last birth indicate that infant and child mortality declined steadily between 1962 and 1989, but rose in the 1990s, especially for children of younger mothers. Infant Mortality Rate (IMR) declined from 119 in the 1960s to 88 in the 1970s, and then to 66 in the 1980s, but increased to 77 in the 1990s. There has also been an apparent upsurge in adult mortality in the recent past, largely attributed to the increased incidence of HIV/AIDS among women and men in the reproductive age brackets, and which has affected more women than men. Crude Death Rate (CDR), therefore, initially declined from 17 in the 1960s to 14 in the 1970s, and further to 10 in the 1980s, but thereafter rose to 12 in the 1990s. Subsequently, there was initially a consistent increase in life expectancy from 49 in the 1960s to 54 in the 1970s, and then to 59 in the 1980s but thereafter a reduction to 57 in the 1990s.

15.9. Table 15.2 depicts the differentials in life expectancy by age and gender. The life table gives an expectation of life of 52.8 years for males and 60.4 years for females. These figures show appreciable declines in the life expectancies derived from the 1979-89 life tables of 57.9 for males and 65.9 for females. The life expectancies at age 15, which summarize adult mortality, show an even greater decline of 46.6 for males and 54.3 for females for 1989-99 compared with 52.3 and 60.1 for 1979-89 respectively.

Table 15. 2: Expectation of Life at Birth by Sex and District, 1979-89 and 1989-99

Province/	Life Expectancy at Birth (Years)					
District	Males		Females		Both	
	1979-89	1989-99	1979-89	1989-99	1979-89	1989-99
Kenya	**57.9**	**52.8**	**65.9**	**60.4**	**61.9**	**56.6**
Nairobi	**65.3**	**54.1**	**66.8**	**59.8**	**66.1**	**57**
Central	**67.7**	**60.4**	**69.1**	**68**	**68.4**	**64.2**
Kiambu	66.7	53.4	69	59.2	67.9	56.3
Kirinyaga	66.7	58.3	68.6	67.3	67.7	62.8
Maragua	-	60.2	-	67.3	-	63.7
Murang'a	67.6	59.1	68.9	67.1	68.3	63.1
Nyandarua	70.1	59.5	69.5	67.9	69.8	63.7
Nyeri	69.3	60.2	69.6	67.7	69.5	63.9
Thika	-	53	-	58.1	-	55.6
Coast	**55.8**	**52**	**57.2**	**58.3**	**56.5**	**55.1**
Kilifi	54.3	50.7	57.6	56.5	56	53.6
Kwale	53.4	51.7	54.1	54.2	53.8	53
Lamu	57.6	54.9	56.8	57	57.2	56
Malindi	-	52.2	-	56.4	-	54.3
Mombasa	57.4	52.7	59.8	53.9	58.6	53.3
Taita Taveta	60.2	54.4	59.8	61.3	60	57.9
Tana River	55.9	52.6	55.1	55	55.5	53.8
Eastern	**66.7**	**57.6**	**67.7**	**65.5**	**67.2**	**61.5**
Embu	69.7	60.7	69.4	71.9	69.6	66.3
Isiolo	57.5	54.3	57.7	60.9	57.6	57.6
Kitui	61.6	53	63.3	61.1	62.6	57.1
Machakos	67.5	55.1	69.3	62.8	68.4	59
Makueni	-	53.9	-	60.4	-	57.2
Marsabit	60.3	57.4	60.8	64	60.6	60.7
Mbeere	-	59.2	-	66.8	-	63
Meru Central	69.2	61.8	69.1	67.6	69.2	64.7
Meru North	-	58.4	-	63.3	-	60.8
Moyale	-	55.7	-	56.9	-	56.3
Mwingi	-	55.7	-	65.7	-	60.7
Nithi (Meru S.)	-	61.7	-	67.7	-	64.6

Table 15. 2 Expectation of Life at Birth by Sex and District, 1979-89 and 1989-99 (continued)

Tharaka	-	48.9	-	56.2	-	52.6
N/Eastern	**55.3**	**62.2**	**54.1**	**61.5**	**54.7**	**61.9**
Garissa	56.1	60	53.8	58.7	55	59.4
Mandera	56.6	61.4	54	60.5	55.3	61
Wajir	54.9	61.3	51.9	62.3	53.4	61.8
Nyanza	**49.5**	**41.7**	**53.5**	**48**	**51.5**	**44.8**
Bondo	-	38.3	-	43.9	-	41.1
Gucha (Kisii S.)	-	52.4	-	61.3	-	56.8
Homa Bay	-	35.9	-	40.7	-	38.3
Kisii Central	56.5	50.5	60.8	60	58.7	55.2
Kisumu	47.2	37.8	50.7	43.2	49	40.5
Kuria	-	49.8	-	55.4	-	52.6
Migori	-	37.8	-	42.8	-	40.3
Nyamira (Kisii N.)	-	59.2	-	67.2	-	63.2
Nyando	-	37.7	-	42.9	-	40.3
Rachuonyo	-	39.4	-	44.4	-	41.9
Siaya	46.3	36.9	50.1	43	48.2	40
Suba	-	36.5	-	42	-	39.3
Rift Valley	**60.9**	**59.1**	**62.8**	**66.4**	**61.9**	**62.7**
Baringo	58.8	58.3	59.1	64.9	59	61.6
Bomet	-	62.2	-	70.1	-	66.1
Buret	-	57.8	-	63.3	-	60.6
Kajiado	61.9	60.3	61.9	67.1	63.3	63.7
Keiyo	-	62.8	-	69.6	-	66.2
Kericho	63.9	54.8	67.2	62.5	65.6	58.6
Koibatek	-	63	-	69	-	66
Laikipia	67.5	61.6	68.6	68.1	68.1	64.9
Marakwet	61.6	63.2	61.4	68	61.5	65.6
Nakuru	65.6	52.9	67.9	58.2	66.8	55.6
Nandi	63.1	56.6	66.2	63.7	64.7	60.2
Narok	61	59.5	65	67.6	63	63.5
Samburu	56.9	58	60.9	63.4	58.9	60.7
Trans Mara	-	59.7	-	58.2	-	58.9
Trans Nzoia	61	57.1	62.5	63.3	61.8	60.2
Turkana	44.1	54.8	45.3	59.1	44.7	56.9
Uasin Gishu	65.1	57.6	66.6	63.6	65.9	60.6
West Pokot	49.2	55.4	50	61.3	49.6	58.3
Western	**55.6**	**49.8**	**57.7**	**55.8**	**56.7**	**52.8**
Bungoma	58.9	54.3	60.7	61.5	59.8	57.9
Busia	52.8	41	52.7	46.6	52.8	43.8
Butere/Mumias	-	45.3	-	51.6	-	48.5
Kakamega	55.4	50.1	57.7	56.6	56.6	53.3
Lugari	-	57.4	-	64	-	60.7
Mt. Elgon	-	56.5	-	65.4	-	61
Teso	-	48.8	-	52	-	50.4
Vihiga	-	53.2	-	58.7	-	55.9

Note: Districts without values for the 1979-89 period were created after the 1989 census
Source: Republic of Kenya (Forthcoming). 1999 Population and Housing Census. Analytical Report Volume V: Population Dynamics of Kenya.

15.10 Regional variations in mortality within the first 5 years of life still persist in the country. For instance, in the 1990s, children born in Nyanza (112 per 1000) and Western (101 per 1000) provinces were three times more likely to die by age 5 as compared to those born in Central Province (37 per 1000). Mortality based on the absence of AIDS is lower than that taking into account the effect of the epidemic. For instance, the estimates derived from the 25-29 and 30-34 age groups indicate infant and under-5 mortality rates of 67 and 106 without the AIDS adjustment, and 76 and 119 with the adjustment.

Migration and Urbanisation

15.11 This section discusses recent and lifetime internal migration patterns as well as voluntary and involuntary international migration patterns as depicted by the 1999 census.

Recent Migration

15.12 Recent migration refers to migratory movements that took place about a year before the census. Analysis of the 1999 census data indicates that in-migration to urban areas was markedly higher than that to rural areas. In-migrants in Nairobi and Mombasa accounted for 17 per cent and 16 per cnet of their respective total population. The population of both Coast and Rift Valley provinces comprised about 6 per cent in-migrants, while the traditional out-migration provinces such as Eastern, North-Eastern, Nyanza and Western had only small percentages of in-migrants.

15.13 During the period under discussion, the two neighbouring provinces of Nyanza and Western produced the highest percentage of out-migrants, save for Nairobi, which exceeded the two presumably because of urban residents returning to their rural homes. Two districts, Murang'a (Central province) and Kisumu (Nyanza province), reported more than 10 per cent of out-migrants, followed closely by Siaya and Homa Bay (in Nyanza Province), and Kakamega (in Western Province).

Lifetime Migration

15.14 Lifetime migration refers to movement of persons whose places of birth are different from their places of enumeration at the time of a census. The exact date of movement cannot be determined as migration that occurred some years earlier places migrants in the same category as those who moved a week or day before the census.

15.15 Analysis of the 1999 census data shows that more than one-half of lifetime in-migrants lived in urban areas. Three provinces namely Nairobi, Coast and Rift Valley – unlike all other provinces, continued to be destinations of such migrants. The trend and pattern of migration for the years 1979-1999 remained consistent, suggesting that the reasons for in-migration for the individual provinces had not changed substantially. On the other hand, Nyanza and Western provinces had out-migrants equivalent to about one-fifth of their populations. All the other provinces, with the exception of North-Eastern (with an extremely low proportion), generated between 14 per cent and 22 per cent for out-migrants. This pattern of out-migration is similar to that for the period 1979-1989, thus reinforcing the hypothesis that the reasons for out-migration from the very provinces had remained the same over time. The key sending areas included Murang'a, Nyeri, Machakos, Homa Bay, Kisumu, Rachuonyo, Kakamega and Vihiga. This trend has persisted throughout Kenya's census enumerations.

Chapter 16 Comparative Analysis of 1998/99 Labour Force Survey and the 1999 Census Results

Overview

Planning and mobilization of a country's human resources is critical for wealth creation and development and hence require timely and reliable statistics on the labour force characteristics. The labour resource is so central in the production processes and its efficient utilization can immensely contribute to the fight against porverty. To meet this data requirement, the Government in 1998/99 conducted a detailed Integrated Labour Force Survey inorder to update available labour force data, and also gathered labour force information during the 1999 Kenya Population and Housing census. This chapter provides a comparative analysis of the survey and the census.

Scope and Coverage

16.2. The 1998/99 Integrated Labour Force Survey (ILFS) was conducted in all administrative districts of Kenya as constituted in 1989; excluding Turkana, Samburu and Marsabit districts. The survey also covered the urban areas only of the North Eastern Province. It utilised the National Sample Survey and Evaluation Programme (NASSEP III) frame, which was created after the 1989 Population and Housing Census. The frame had 1,139 clusters from which 12,814 households were randomly selected for interview. The survey collected more labour force particulars compared to the census.The survey data were collected between December 1998 and January 1999. The census data collection was done in the entire Republic on the night of 24th/25th August 1999.

Analytical Framework

16.3. The method used in analysing the results for both the population census and the ILFS is the labour force framework adopted by the 1982 International Conference of Labour Statisticians (ICLS). The framework categorises a population into two mutually exclusive classes: the economically active and the economically inactive. The economically active population (the labour force) consists of the employed as well as the unemployed persons.

The Economically Active Population

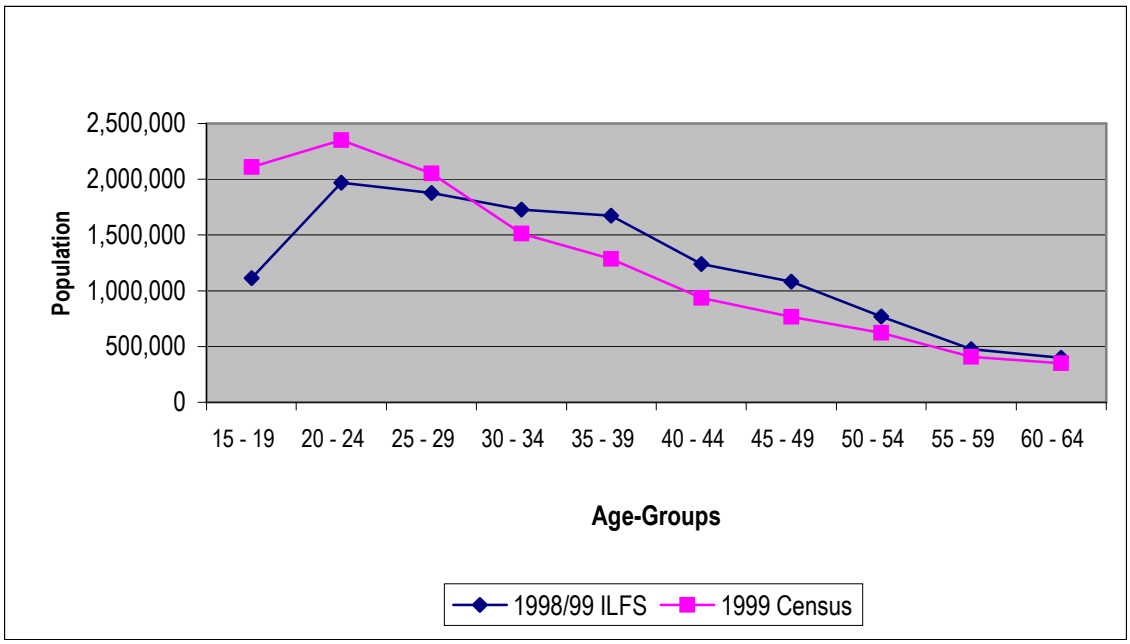
16.4. In the Labour Force Survey, the employed were persons who reported to be either working or holding a job but were absent from that job during the last week prior to when the survey was carried out. The definition of the unemployed included persons who reported to be without work but either looking for work during the reference week or available for work but not looking for work in the last week (because they had either been temporary laid off or their type of work was out of season). In the census, the employed were persons who reported to have worked and those holding jobs but absent from their jobs (on leave or sick) during the 7 days preceding the census night. The unemployed were persons who reported to be without work but available and looking for work and those available for work but not looking for work, either because they had tried in vain to secure work during the recent past (discouraged workers) or they had been temporarily laid off and had no formal job attachment. Therefore, relaxing the "without work and not looking for work" was effected by including temporary lay-offs and out of season workers. From the above definitions, it is likely that the target population of the economically active was larger for the census.

16.5. Table 16.1 compares the results of the economically active persons aged 15-64 years from the survey and the census whereas Figure 16.1 gives a graphical presentation of the same. In the Labour Force Survey, an estimated 77.4 per cent of the population aged 15-64 was reported to be economically active. The economically active population was made up of 10.5 million employed persons and 1.8 million unemployed persons. The majority (58.8 per cent) of the active population was in the age bracket 20-39 years. In the census, the economically active population aged 15–64 years was estimated at 12.4 million persons and comprised of 11.1 million employed persons and 1.3 million unemployed persons. They were mostly concentrated within the youthful population aged 15–29 years, with the age group 20–24 years absorbing the largest share of 19 per cent, followed by the age groups of 15–19 (17.0 per cent) and 25–29 (16.6 per cent) years. A declining trend in the percentage of the labour force was observed from the peak at age group 20–24 years down through the older age groups in both cases. The overall totals also tend to agree.

Table 16.1: Age Distribution of the Economically Active Population Aged 15- 64 Years, 1998/99 ILFS and 1999 Census

Age Group	1998/99 ILFS		1999 Census	
	Number	%	Number	%
15 - 19	1,114,126	9.0	2,110,647	17.0
20 - 24	1,968,483	16.0	2,350,353	19.0
25 - 29	1,875,950	15.2	2,053,047	16.6
30 - 34	1,727,531	14.0	1,513,701	12.2
35 - 39	1,673,343	13.6	1,284,603	10.4
40 - 44	1,241,355	10.1	937,090	7.6
45 - 49	1,080,857	8.8	767,330	6.2
50 - 54	769,038	6.2	622,299	5.0
55 - 59	476,874	3.9	406,855	3.3
60 - 64	398,675	3.2	349,678	2.8
Total	12,326,232		12,369,603	

Figure 16.1: Age Distribution of the Economically Active Population



Educational Attainment of the Labour Force

16.6. Study of the educational achievement or skills of the labour force is essential so as to facilitate the matching of supply and demand of human resources in the labour market. In the absence of data on occupations and vocational training in the census, the analysis is based only on the highest level of formal education completed. As shown in Table 16.2, the proportion of economically active population without formal education was 16.9 per cent according to the census results compared to 16.0 per cent in the ILFS. Majority of the economically active population aged 15–64 were primary school leavers, their proportion being over 50 per cent in both cases. The proportion of the economically active population that had completed secondary education was 26.2 per cent in the census and 31.3 per cent in ILFS. Less than 2 per cent had university education in both cases.

Table 16.2: Distribution of the Labour Force (15-64 Years) by Educational Attainment, 1998/99 ILFS and 1999 Census

Highest Educational Attainment	1998/99 ILFS		1999 Census	
	Number	% Share	Number	% Share
None	1,973,166	16.0	2,088,888	16.9
Pre-Primary	50,594	0.4	30,541	0.2
Primary	6,207,006	50.4	6,864,944	55.4
Secondary	3,861,661	31.3	3,248,669	26.2
University	225,659	1.8	162,552	1.3
Not Stated	8,146	0.1	9	-
Total	**12,326,232**		**12,395,603**	

- negligible

Labour Force Participation Rates

16.7. A commonly used summary measure of a population's participation in the labour market is the labour force participation rate. It is the ratio of the labour force in a given age or age group to the total population in the same age or age group. A low rate indicates low participation of the target population in the production of goods and services for the nation.

16.8. The participation rates presented are for persons aged 15–64 years, who are broadly defined as the productive population in most social and economic systems and used in computing dependency ratios. The presentation of the participation rates for the "standard" working-age also facilitates international comparisons. The data collected on ILFS included those aged above 5 years, classifying children aged 5–14 years as unemployed distorts the computation of participation rates, since many countries have labour laws regulating the minimum age for entering the labour market, especially in some risky sectors.

Age and Sex 16.9. Table 16.3 gives age-specific labour force participation rates for the ILFS and 1999 census data. The overall labour force participation rate was 82.6 per cnet in 1999 census, and the rates were lowest for the 15–19 age group (62.6 per cent) but increased along the age spectrum to peak at the age group 45–49 years (91.6 per cent) before declining gradually to 85.4 per cent in the cohort aged 60–64 years.

16.10. In ILFS, overall labour force participation rate stood at 73.6 per cent for the population aged 15 - 64 years. The labour force participation rate for males of 74.7 per cent was higher compared to 72.6 per cent for females. This pattern of participation rates is 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 participation rates are lowest for the 15-19 age group, but increase along the age spectrum to about 95.2 per cent for the age group 40 – 44 before levelling to 80. 1 per cent for the cohort aged 60 – 64 years. The low participation rates in the 15–19 age group is attributed to the age cohort still being in school, mainly at secondary level. The data shows that that the labour force participation rates for females were generally lower than those for males in both ILFS and census.

Table 16.3: Labour Force Participation Rates for Population Aged 15–64 Years by Sex and Age Group, 1998/9 ILFS and 1999

	Participation Rates (%)					
Age-Group	1998/99 ILFS			1999 Census		
	Male	Female	Total	Male	Female	Total
15 - 19	28.1	30.5	29.3	62.3	62.9	62.6
20 - 24	66.6	69.8	68.3	89.0	79.1	83.7
25 - 29	91.5	87.7	89.4	96.5	81.6	88.7
30 - 34	96.6	91.6	94.1	97.7	83.3	90.4
35 - 39	97.4	92.3	94.8	97.7	84.3	90.9
40 - 44	97.5	90.7	95.2	97.7	84.5	91.1
45 - 49	95.6	90.7	93.4	97.7	85.5	91.6
50 - 54	94.0	86.9	90.3	97.4	84.8	91.1
55 - 59	87.8	82.5	85.1	93.0	84.0	88.3
60 - 64	85.0	77.4	80.9	90.4	81.0	85.4
Total	**74.7**	**72.6**	**73.6**	**87.5**	**78.0**	**82.6**

Economically Inactive Population 16.11. The economically inactive are herein defined using the classification of usual in activity status. In the 1999 Population and housing census, persons not in labour market were asked whether they were; (a) full-time students, (b) retired, (c) home-makers (d) incapacitated or (e) had other reasons which could not be identified with any of the four listed options. In the ILFS, the economically inactive population was considered to cover persons aged 15 - 64 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.

16.12. The findings from the ILFS and the census of the economically inactive population aged 15-64 years are presented in Table 16.4. The results indicated that 3.6 m persons and 2.6 m persons were economically inactive from the ILFS and Census respectively. The majority of the inactive population were in the age group 15-19 comprising mainly of full-time students.

Table 16.4: Inactive Population Aged 15-64 Years by Age Group, 1998/99 ILFS and 1999 Census (Number)

	1998/99 ILFS			1999 Census		
Age-Group	Male	Female	Total	Male	Female	Total
15 - 19	1,236,699	1,112,571	2,349,270	625,609	633,396	1,259,005
20 - 24	237,550	247,517	485,067	144,004	314,089	458,093
25 - 29	52,301	113,630	165,931	39,522	220,883	260,405
30 - 34	21,766	72,902	94,668	19,042	141,573	160,615
35 - 39	22,459	69,280	91,739	15,610	113,694	129,304
40 - 44	20,884	48,080	68,964	11,600	80,127	91,727
45 - 49	22,481	44,779	67,260	9,625	60,939	70,564
50 - 54	24,030	58,739	82,769	8,838	51,892	60,730
55 - 59	33,963	53,144	87,107	15,664	38,147	53,811
60 - 64	35,804	70,653	106,457	18,661	40,970	59,631
Total	1,707,937	1,891,295	3,599,232	908,175	1,695,710	2,603,885

Distribution of Working Population

16.13. The employed or the working persons analysed in both the ILFS and the census are those aged 15 –64 years who reported to have either held a job or undertaken an activity for pay, profit or family gain during the week prior to the survey or 7 days prior to the census night. As shown in Table 16.5 below, rural areas accounted for 83.0 per cent of the working population in the census. Rural areas also exhibited near gender equality in employment. However, gender inequality existed in urban areas, as 38.3 per cent of the working population were females. In the ILFS, rural areas absorbed 70.1 cent of the employed persons, where majority were engaged in farm related activities as self-employed and unpaid family workers. With the exception of North Eastern Province coverage of which was restricted to urban areas, the lowest levels of employment were witnessed in Western and Coast Provinces.

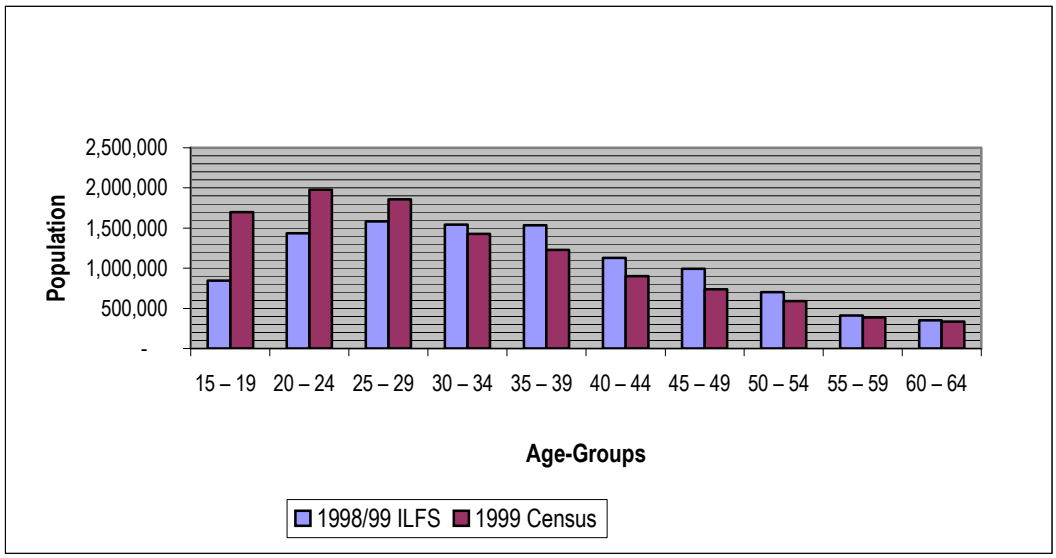
16.14. Gender analysis shows that there were slightly more female than male workers in rural areas, but the converse held in urban areas. Figure 16.2 presents a graphical representation of the employed population aged 15-64 years for the survey findings and the census.

Table 16.5: Distribution of Working Population Aged 15–64 by Sex and Rural-Urban Residence, Number

Sex	Kenya		Rural		Urban	
	ILFS	Census	ILFS	Census	ILFS	Census
Total	10,525,609	11,144,771	7,457,133	8,824,978	3,068,477	2,319,793
Males	5,473,809	5,838,353	3,652,290	4,390,779	1,821,518	1,447,574
Females	5,051,800	5,306,418	3,804,842	4,434,199	1,246,958	872,219
Sex Ratio*	108.4	110.0	95.9	99.0	146.1	166.0

**Males per 100 Females*

Figure 16.2: Distribution of the Employed Population Aged 15-64 Years, 1998/99 ILFS and 1999 Census



Employment and Unemployment Rates

16.15. The employment rate is computed as the proportion of employed persons to the total labour force (economically active population). The standard working age 15–64 years is usually preferred in computing the employment rate and its complement, the unemployment rate. This preference is based on the fact that persons aged 15–64 years constitute the economically productive population whose employment level or rate gives some indication of the dependency burden. Also, as mentioned earlier, many countries have labour laws regulating the minimum age for entering the labour market.

16.16. The unemployment rate is computed as the proportion of the unemployed persons to the economically active population (the labour force). Interest in the unemployment problem in Kenya is not new. The 1999 census and the ILFS collected labour force particulars for persons aged 5 years and above, the unemployment rates presented in this section are for persons aged 15–64 years for international comparision. Two factors have largely contributed to the prevailing high unemployment rates in the country. First is the weak performance of the economy, which has largely constrained growth in wage employment in the private sector during the last decade. Secondly, public sector reforms have led to restrictive employment, retrenchment of workers in the sector and privatisation of non-strategic government institutions. These reforms also resulted in downsizing of the Civil Service and government parastatals which used to be the biggest employers in the country.

16.17. Unemployment rates by age and sex for both ILFS and 1999 census are presented in Table 16.6. The 1998/99 ILFS showed that unemployment in the country stood at 14.6 per cent while the census put it at 10.1 per cent from census data. The ILFS data further gives an urban unemployment rate of 25.1per cent while the census put it at 17.7 per cent and rural unemployment rate of 9.4 per cent respectively. The 1999 census results underscore the unemployment problem by giving an urban unemployment rate of 17.7 per cent. The rural unemployment was 9.4 per cent and 7.9 per cent for ILFS and census respectively. The unemployment rates for females were higher than for the males in both the 1998/99 ILFS and the census.

The age-sex structure shows that the proportion of the unemployed youth in the labour force was high, especially in the early ages of 15–24 years for both sexes during census. A declining trend occurr in unemployment rates through the older ages until age group 50–54 years where increases are observed. Gender analysis shows that unemployment rates for females in all the age-groups were higher than those for males.

Table 16.6: Unemployment rates for population aged 15-64 years

	Total (%)		Males (%)		Females (%)	
	ILFS	Census	ILFS	Census	ILFS	Census
Region						
Rural	9.4	7.9	8.3	6.6	10.4	9.1
Urban	25.1	17.7	12.5	13.6	38.1	23.6
Total	14.6	10.1	9.8	8.4	19.3	11.9
Age						
15 - 19	24.3	19.4	21.8	14.5	26.4	24.2
20 - 24	27.1	15.9	19.0	14.2	33.9	17.6
25 - 29	15.5	9.4	8.2	8.6	21.6	10.3
30 - 34	10.8	5.7	4.8	5.2	16.8	6.2
35 - 39	8.4	4.3	5.0	4.0	11.8	4.6
40 - 44	9.1	3.9	7.8	3.6	10.6	4.3
45 - 49	8.2	3.8	4.9	3.6	12.5	4.2
50 - 54	8.7	5.0	6.3	4.7	11.1	5.5
55 - 59	13.5	4.5	14.2	3.9	12.7	5.1
60 - 64	11.7	4.5	7.5	2.7	15.7	6.4
Total	14.6	10.1	9.8	8.4	19.3	11.9

Conclusion 16.18. The small differences in the results are largely attributed to methodologies and the definitions used. The period when the ILFS and census were carried out is different and scope of coverage varies. The survey tended to overstate employment levels, and conversely understate unemployment situation due to difficulties in domesticating international concepts when designing survey instruments. However, the results from both the ILFS and the census showed some consistency in trend as shown by the figures and tables.

Chapter 17

Poverty Mapping in Kenya
(The case of Nairobi City)

Introduction

The initial concerns of most developing economies was to promote growth, with the belief that the proceeds of growth would automatically trickle down to the poor. This did not work out as expected and rather resulted in deepening of poverty levels. The plight of the poor has in the recent past brought to the fore the discussions on how to alleviate poverty in almost every socio-economic and political fora.

Measures to improve the quality of life by reducing poverty are therefore receiving greater attention than ever before the world over. Many countries have produced their poverty profiles and developed poverty reduction strategies under the PRS process. The PRS processes are being built on existing national strategies, with serious attention being paid to broadening participation and sharpening poverty diagnosis and monitoring.

Rationale for poverty mapping

17.2. This chapter shows how by combining survey and census data the analysis of well-being information at lower levels of administration can be enhanced. The mapping of this information further helps in the visualization of the well-being of differentials at various levels. Nairobi City is used to demonstrate how through this approach pockets of poverty within the city can be revealed and targetted rather than relying on overall poverty figures at high levels of dissagragation like the district which conceals alot of intra district divisional differentials. This approach will help in reducing the cost of fighting poverty. Rather than have a blancket intervention that will be thinly spread across a religion, the identified pockets of poverty can directly be targetted to achieve maximum effect.

Before this approach of combining census with survey data to produce estimates at lower levels, poverty estimates were available only upto the district level.

Providing information on the spatial heterogeneity of poverty can therefore greatly assist in identifying where the poor live and what causes their poverty.

Background of the approach

17.3. Welfare and poverty always have a spatial dimension. What this implies is that incidence of poverty in an area can be attributed to a variety of life style and environmental factors, including where people live. Characteristics of these locations (including socio-demographic and environmental exposure) offer a valuable source for poverty research studies such as the determinants of poverty.

The utilisation of small area estimate techniques developed for poverty mapping makes it possible to use small sample surveys and census population data to estimate poverty rates for small geographical areas such as division, location and sub-location. Since the census does not contain household expenditure information (necessary for the derivation of poverty lines) this can be inferred by applying the expenditure from the smaller sample surveys, which then allows for the estimation of poverty statistics at lower levels. In this example, data from the WMSIII (sample) survey was used to infer census household expenditure. This Chapter focuses on two measures of poverty: the "headcount index" and the "poverty gap". The "headcount index" measures the proportion of the total population in a given area whose consumption is below the poverty line. The "poverty gap" provides information on how far below the poverty line the poor are on average. it captures the resources that would be needed to lift all the poor out of poverty assuming perfect targetting of cash transfers. It is obtained by adding up all the shortfalls of the poor (assuming that the non poor have a shortfall of zero) and dividing this total by the population.

Preliminary results of poverty mapping in Nairobi

17.4. The 1997 WMSIII poverty analysis from the WMS data of 1997 only that is about 50 per cent of the population of Nairobi were falling below the absolute poverty line of Kshs 2,648. Poverty mapping research has enabled the estimation of poverty estimates for 8 divisions, 49 locations and 110 sub locations in Nairobi alone. These estimates indicate huge spatial variations especially between locations as shown in Tables 17.1 17.2 and 17.3, and which are spatially depicted in maps 1 and 2 below.

Table 17.1 shows the variation in poverty headcount indices among the 8 divisions of Nairobi. Overall, the estimated headcount index for Nairobi is 44 per cent and this varies by division from a low of 32 per cent in Westlands division to a high of 58.5 per cent in Makadara Division. The mapping technique also enables policy implementors to target where majority of the poor are by estimating the number of poor people. It is clear from the Table that 75 per cent of the poor are concentrated in 5 divisions each of which contribute over one hundred thousand poor people. The poor in Westlands are on average 11.4 per cent below from the poverty line compared to 24 per cent in Makadara.

Summary of the Method

Table17.1: Estimates of Poverty in Nairobi by Division*

DIVISIONS	Headcount FGT0 (%)	Poverty Gap FGT1 (%)	Number of Households	Total** Population	Number of Poor People
CENTRAL Div.	44.6(2.7)	14.9(1.4)	64,845	205,225	91,530
MAKADARA Div.	58.5(4.3)	23.9(3)	55,140	184,541	107,956
KASARANI Div.	47.6(2.9)	16(1.5)	104,031	320,739	152,672
EMBAKASI Div.	41.6(2.6)	13.6(1.3)	127,430	408,921	170,111
PUMWANI Div.	46.4(2.8)	16.3(1.6)	51,687	183,468	85,129
WESTLANDS Div.	32.2(2.9)	11.4(1.6)	59,604	188,107	60,570
DAGORETTI Div.	46.2(2.9)	15.4(1.5)	71,333	229,612	106,081
KIBERA Div.	40.7(2.4)	13.7(1.2)	86,257	271,111	110,342
NAIROBI	44.3(2.7)	15.2(1.5)	620,327	1,991,724	884,126

Numbers in parentheses are the estimated standard errors

*Provisional Results

**Total population may not exactly correspond to the census numbers because of rounding and also because some households were purged during analysis

Figure 1: Poverty in Nairobi by Location

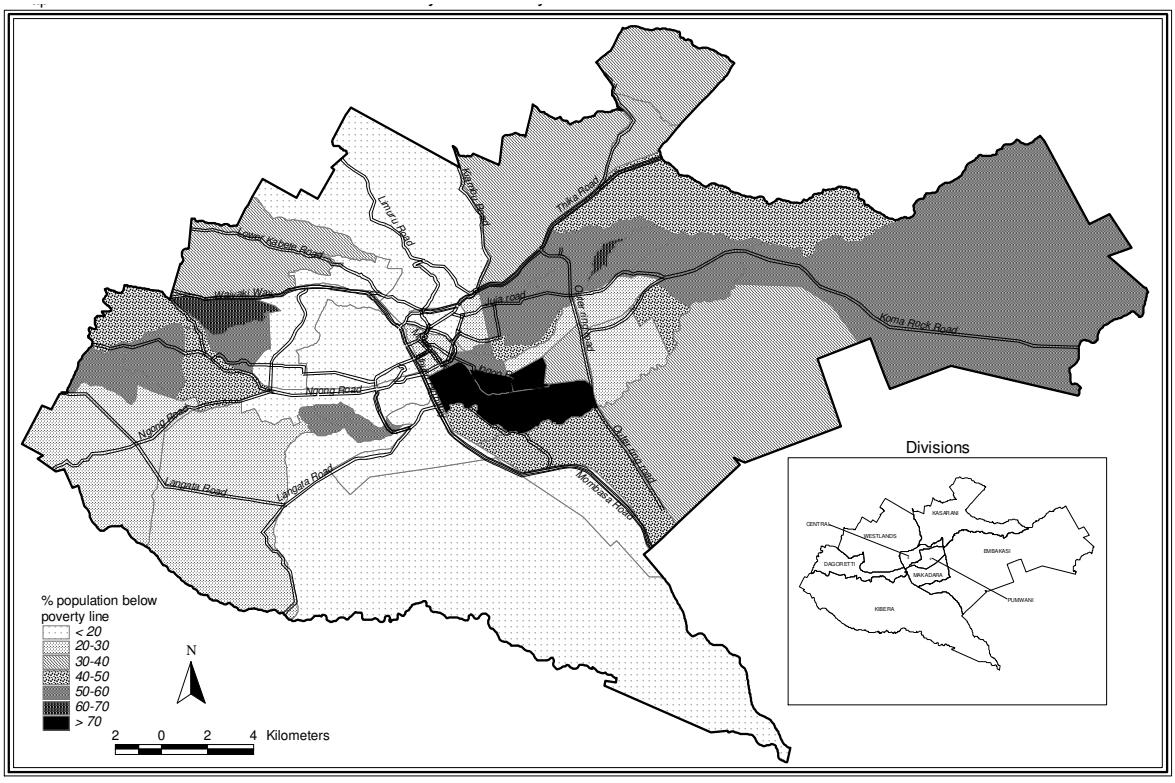


Table 17.2 below presents the indices of poverty at the location level. The results are grouped by division. At the location level there is more heterogeneity in headcount poverty where poverty ranges from 6 per cent respectively in Nairobi West location in Kibera Division and Lavington location of Westlands' disivison to a high of about 76 per cent in Makongeni location of Makadara Division. The table clearly gives a picture of the expected direction in variations of poverty among Nairobi locations. ere are 17 locations whose headcount measures 50 per cent and above.

Table 17.2: Estimates of Poverty in Nairobi by Division and Location*

	Headcount	Poverty Gap
DIVISIONS/Location	**FGT0 (%)**	**FGT1 (%)**
CENTRAL Div.	**44.6(2.7)**	**14.9(1.4)**
STAREHE Loc.	21.4(3.2)	6.2(1.2)
KARIOKOR Loc.	27.7(3.1)	8.4(1.4)
MATHARE Loc.	53.1(4.1)	17.9(2.3)
HURUMA Loc.	53.8(4.1)	18.3(2.3)
NGARA Loc.	17.3(2.7)	4.9(1)
MAKADARA Div.	**58.5(4.3)**	**23.9(3)**
MAKONGENI Loc.	76.7(4)	33.7(3.7)
MAKADARA Loc.	35.3(5)	12.5(2.5)
MARINGO Loc.	69.5(4.7)	28.7(3.6)
VIWANDANI Loc.	76.1(4.3)	32.4(3.6)
MUKURU NYAYO Loc.	49.2(4.8)	19.2(3.3)
KASARANI Div.	**47.6(2.9)**	**16(1.5)**
KARIOBANGI Loc.	54.5(3.7)	18.6(2.1)
KOROGOCHO Loc.	59.6(4.3)	21.1(2.8)
KAHAWA Loc.	32.4(3.8)	9.9(1.8)
GITHURAI Loc.	32.3(2.9)	9.7(1.3)
RUARAKA Loc.	53.7(3.9)	18.2(2.2)
ROYSAMBU Loc.	35.8(3.5)	11.3(1.8)
KASARANI Loc.	42.1(2.9)	13.5(1.6)
EMBAKASI Div.	**41.6(2.6)**	**13.6(1.3)**
EMBAKASI Loc.	38.2(3.5)	12.1(1.8)
MUKURU KWA NJEN Loc.	46(4.7)	15.1(2.4)
UMOJA Loc.	25.8(2.7)	7.8(1.1)
KAYOLE Loc.	39.6(4)	12.7(1.8)
NJIRU Loc.	55.6(4.5)	19.2(2.6)
DANDORA Loc.	51.3(4)	17(2)
KARIOBANGI S. Loc.	25.9(4.5)	7.7(2)
RUAI Loc.	52.7(4.4)	17.9(2.5)
PUMWANI Div.	**46.4(2.8)**	**16.3(1.6)**
EASTLEIGH NORTH Loc.	54.4(4.4)	20.5(3.2)
EASTLEIGH SOUTH Loc.	46.8(3.5)	15.8(1.9)
PUMWANI Loc.	54.7(4.9)	18.9(3)
BAHATI Loc.	26.7(4.3)	8(2)
KAMUKUNJI Loc.	49.2(4.2)	16.4(2.6)
WESTLANDS Div.	**32.2(2.9)**	**11.4(1.6)**
PARKLANDS Loc.	11.3(2.6)	3.2(0.9)
KITISURU Loc.	40(4.4)	13.7(2.3)
HIGHRIDGE Loc.	19.7(2.9)	6.2(1.3)
KANGEMI Loc.	61.9(5.7)	23.3(3.7)
KILIMANI Loc.	9.8(2.6)	2.7(0.8)
LAVINGTON Loc.	8.9(2.3)	2.5(0.7)
DAGORETTI Div.	**46.2(2.9)**	**15.4(1.5)**
WAITHAKA Loc.	49.8(4.5)	16.4(2.2)
MUTUINI Loc.	56.7(4.7)	19.6(2.7)
UTHIRU/RUTHMITU Loc.	47.6(3.6)	15.6(1.8)
KAWANGWARE Loc.	53.4(3.9)	18.2(2.2)
RIRUTA Loc.	45.1(3.8)	14.5(1.9)
KENYATTA/GOLF C Loc.	11.6(2.5)	3.2(0.8)
KIBERA Div.	**40.7(2.4)**	**13.7(1.2)**
KIBERA Loc.	56(4.4)	19.3(2.6)
LANGATA Loc.	25(2.5)	7.5(1.1)
KAREN Loc.	19.1(2.8)	5.4(1)
MUGUMOINI Loc.	18(2.6)	5.1(0.9)
NAIROBI WEST Loc.	7.8(2.4)	2.1(0.8)
LAINI SABA Loc.	49.7(3.5)	16.4(1.8)
SERA NGOMBE Loc.	53.5(4.8)	18.2(2.5)

Numbers in parentheses are the estimated standard errors

*Provisional Results

**Total population may not exactly correspond to the census numbers because of rounding and also because some households were purged during analysis

17.5. In central division poverty ranges from 17 per cent in Ngara location to about 54 per cent in Huruma location. Among the sublocations in this division, headcount poverty ranges from 8.4 per cent in Ngara West sublocation to 56 per cent in Mathare and Kia Maiko sublocations. In this Division 83 per cent of the poor are found concentrated only in two locations- Mathare and Huruma locations.

17.6. In Makadara Division over 37 per cent of the poor are found in one location- Viwandani. Kasarani Division on the other hand has seven locations and the analysis further indicates that over two-thirds of the poor are concentrated in three locations namely Korogocho, Kariobangi and Ruaraka .

17.7. In Embakasi division 82 per cent of the poor live in four locations of Dandora, Kayole, Mukuru Kwa Njenga and Umoja. Similarly, in the richest Division of Westlands(with 5 locations), 58.5 per cent of the poor are concentrated in one location of Kangemi. Dangoreti Division, which has one of the least poor sublocations (Golf Course), has 69.4 per cent of the poor concentrated in two of its six locations, namely Kawangware and Riruta. Likewise, in Kibera Division, 86 per cent of the poor are concentared in three of its seven locations of Kibera, Sera Ngombe and Laini Saba. Kibera location alone (one of Nairobi's well known slum areas) contributes 41 per cent of the poor in the division.

17.8. Combining location-level poverty estimates with community based data opens up opportunities for comparing the relative contribution of spatial/community level factors such as market access or agricultural potential to household –level factors (such as level of education or household size). Such an analysis can lead to much more specific, targeted poverty actions.

Chapter 18 Highlights of the Agriculture Module Report

Background

This chapter presents the highlights of the Agriculture module conducted as part of Welfare Monitoring Survey III (WMSIII) of 1997. The first Welfare Monitoring Survey was conducted in 1992 and the second in 1994. The WMS III was designed to capture national welfare indicators to access the effects and impacts of the Structural Adjustment Programmes implemented by the Government in the 1980s and 1990s. Phase I of the survey covered the core welfare Indicators and household expenditures and consumption modules based on the Core Welfare Indicator Questionnaire (CWIQ) a tool developed by the World Bank. The results were used to analyse the poverty situation in Kenya presented in Poverty report in Kenya Vol. I and II.

Land Ownership

18.2. The results show that 64.6 per cent of the households had men as holders of title deeds while a mere 6.0 per cent of the total households have women title deed holders in the country. The proportion of households with title deed held by parents was 29.2 per cent. In all the six provinces, over 60.0 per cent of the households' title deed holders were men, with Nyanza and Western provinces leading with 71.0 per cent and 69.9 per cent respectively. Land holding by women is negligible with Central Province having the highest women title deed holders of about 10.6 per cent followed by Rift Valley with 6.1 per cent. The remaining Provinces had less than 5 per cent of women title deed holders. Parents' holds fairly large proportion of title deed in every Province, with more than 25 per cent in all the provinces.

Table 18.1: Distribution of Households with Holdings by Title Deed Holder and Province, 1997

Province	Number	Husband	Wife	Both	Parents
Central	450,837	61.5	10.6	0.2	27.8
Coast	40,400	61.7	0.8		37.6
Eastern	205,354	60.5	3.5	0.2	35.8
Nyanza	247,627	73.8	2.7	0.5	23.0
Rift Valley	370,443	60.8	6.1	0.4	32.7
Western	238,280	70.5	3.5	0.1	25.9
National	1,550,888	64.6	6.0	0.3	29.2

Land holding composition

18.3. Land fragmentation into small uneconomical units has been on the increase largely due to population growth. The majority, about 61.5 per cent of the households have at least one parcel, while about 23.5 per cent of the households have two parcels of land. Only 14.4 per cent of households had three or more parcels. All the Provinces have over 50 per cent of the households with one parcel of land except in Nyanza with 39.8 per cent.

Table 18.2: Percentage Distribution of Households with Holdings by Parcel and Province,

Province	Number	One Parcel	Two Parcels	Three Parcels	More Than Three
Nairobi	4,305	100	0.0	0.0	0.0
Central	629,326	66.2	23	7.5	3.3
Coast	118,934	54.5	33.4	8.7	3.4
Eastern	547,358	54.3	26.5	13.1	6.1
Nyanza	527,057	39.8	29.4	17.6	13.3
Rift Valley	651,127	75.4	16.5	4.9	3.2
Western	397,118	72.2	20.8	5.6	1.5
National	2,873,184	61.5	23.5	9.6	5.4

Crops Grown

18.4. Table 18.3 shows the distribution of the households by specific crops within these broad categories. Within the category of food crops, maize had the highest number of households (39 per cent), followed by beans (25 per cent). Potatoes, sorghum and peas had 10.9 per cent, 7.0 per cent and 6.8 per cent respectively, while the rest of the food crops have less than 5 per cent of the total households. Coffee, nuts, tea and sugarcane within the category of industrial crops have 39.0 per cent, 20.7 per cent, 17.6 per cent and 11.3 per cent of the total households respectively. Under horticultural crops, vegetables are leading with 84 per cent of the total households, while fruits, and herbs and spices had 10.2 per cent and 5.8 per cent respectively.

18.5 Eastern Province has the highest proportion of households (24.7 per cent) growing food crop followed by Central (20.8 per cent), Rift Valley (18.3 per cent) and Nyanza (16.8 per cent) while the Western and Coast Provinces have 15.2 per cent and 4.1 per cent respectively.

18.6. Central Province leads in the proportion of households (32.8 per cent) within the industrial crops category. However, other notable Provinces are Nyanza (24.2 per cent), Eastern (17.8 per cent) and Western (13.2 per cent). On specific industrial crops, coffee has the highest proportion of households (60 per cent) in Central Province, followed by Eastern Province (30.7 per cent).

18.7. Within the Horticultural crops category, Central province has the highest proportion of households (34.5 per cent) growing horticultural crops. Eastern, Rift Valley and Western have 19.1 per cent, 17.4 per cent and 12.8 per cent of the total households respectively.

Table 18.3 Percentage Distribution of Households by Crop

Category/commodity	Central	Coast	Eastern	Nyanza	Rift Valley	Western	Number
Food Crops							
Maize	20.6	4.2	20.9	17.1	22.8	14.4	3,341,996
Rice	7.4	59.7	9.8	15.3	2.6	5.2	54,721
Wheat	19.8	0.1	22.8	10.2	47.2		43,478
Millet	1.4	0.8	29.6	18.9	32.7	16.5	322,987
Sorghum	0.3	1.0	25.7	49.8	3.5	19.7	588,311
Other Cereals		49.7		4.1	7.6	38.7	6,037
Beans	24.4	1.2	25.0	11.5	22.0	15.9	2,176,053
Potatoes	49.8	0.4	8.0	9.8	15.6	16.4	941,284
Cassava	1.4	13.7	5.1	40.9	5.1	33.7	342,476
Grams	7.9	11.2	63.5	11.6	3.9	1.9	139,975
Peas	7.7	13.0	68.2	2.4	3.3	5.4	603,306
Dolicos	2.1	6.5	91.4				21,336
Other Food Crops	44.0	1.1	30.6	8.5	3.8	11.9	55,685
Total	**20.8**	**4.1**	**24.7**	**16.8**	**18.3**	**15.2**	**8,637,644**
Industrial Crops							
Tea	38.9		19.2	26.9	9.7	5.3	169,119
Coffee	60.0	0.2	30.7	7.4	1.1	0.6	375,463
Sugarcane	2.7	0.2	5.2	25.7	12.2	53.9	109,200
Cotton	1.0	14.8	41.7	28.7	0.3	13.5	31,419
Pyrethrum	37.4		1.6	9.0	52.0		46,333
Tobacco	9.5	0.6	9.1	42.5	9.4	28.9	30,760
Wattle	52.3			8.6	39.1		844
Nuts		22.6	0.5	53.0	1.9	22.1	199,296
Total	**32.8**	**5.3**	**17.8**	**24.2**	**6.7**	**13.2**	**962,435**
Horticultural Crops							
Vegetables	38.4	3.5	13.3	10.7	19.2	14.8	640,393
Fruits	20.8	19.3	25.6	19.6	11.6	3.0	77,760
Herbs and Spices	1.7	0.6	92.6	3.4	0.4	1.3	43,833
Total	**34.5**	**5.0**	**19.1**	**11.2**	**17.4**	**12.8**	**761,986**

Note:
Other Cereals: *Oats and Sim Sim* Other Food Crops: *Yams, Arrow roots, Pumpkins and Soya beans*
Nuts: *Cashew nuts, Ground nuts, Coconuts, Bambara nuts*

Livestock Reared

18.8. Table 18.4 shows the distribution of households by livestock reared. Cattle (grade and zebu) have the highest proportion of households (35 per cent). This is followed by chickens (30 per cent) and goats (15.4 per cent). At the provincial level, the highest proportion of households (43.1 per cent) with grade cattle are found in the Central Province followed by Rift Valley (32.7 per cent) and Eastern (14.0 per cent) while for zebu cattle, Nyanza has the highest proportion of households (26.0 per cent) followed by Eastern (23.8 per cent), Rift Valley (21.6 per cent) and Western (19.8 per cent). Rift Valley Province has the highest number of households (21.9 per cent) for chickens though followed closely by Nyanza and Eastern with 21.5 per cent and 20.0 per cent, respectively. Eastern Province leads with the proportion of households (32.9 per cent) keeping goats.

Table 18.4: Percentage Distribution of Type of Livestock Raised in the Past 12 Months

Type of Livestock	Central	Coast	Eastern	Nyanza	Rift Valley	Western	Number
Grade Cattle	43.1	1.5	14.0	4.1	32.5	4.8	931,308
Zebu Cattle	6.9	2.0	23.8	26.0	21.6	19.8	1,137,253
Sheep	22.6	2.4	10.1	17.0	36.2	11.7	609,065
Goats	16.4	7.6	32.9	18.9	18.4	5.6	909,893
Pigs	34.1	0.2	28.9	11.8	11.5	13.5	49,606
Donkeys	1.7	2.6	55.8	15.1	23.4	1.4	96,305
Chickens	17.5	3.6	20.0	21.5	21.9	15.5	1,775,875
Other Poultry	22.8	14.2	13.7	16.8	8.2	24.3	343,767
Other Livestock	15.3	2.8	21.2	18.1	30.3	12.4	65,107

Grazing Practices

18.9. Table 18.5 shows the major grazing practices namely zero, paddock and open grazing. Open grazing has the highest number of households (27.2 per cent) followed by zero-grazing (12.4 per cent) and then paddock grazing (8.1 per cent). Analysis by Province shows that, Central leads in the proportion of households (38.3 per cent) practising zero-grazing while Rift Valley has the highest number of households (19.1 per cent) with paddock grazing. Western Province has the highest percentage of households (42.6 per cent) with open grazing, though closely followed by Rift Valley (36.5 per cent), Nyanza (35.8 per cent) and Eastern (34.2 per cent).

Table 18.5: Percentage Distribution of Households by Grazing practices

Province	Zero grazing		Paddock Grazing		Open Grazing	
	per cent	Number	per cent	Number	per cent	Number
Central	38.3	293,277	4.6	34,966	11.8	90,626
Coast	3.8	9,416	2.0	4,958	19.7	49,283
Eastern	22.3	157,167	6.9	48,737	34.2	240,805
Nyanza	2.7	17,034	11.3	71,201	35.8	225,028
Rift Valley	3.2	28,498	19.1	172,006	36.5	328,530
Western	3.5	18,024	2.3	11,822	42.6	218,555
National	12.4	524,680	8.1	343,690	27.2	1,153,321

Agricultural credit

18.10. The survey results show that about half of the households reported that they required agricultural credit. The trend is the same at provincial level. The distribution of the households who need, and those who do not need, agricultural credit is even across the Provinces and districts. The only exception is Nairobi Province with very small proportion of those who need credit (approximately 0.02 per cent) majority of the total households who received agricultural credit in the previous twelve months, about 64 per cent, sourced it from cooperatives societies. The second most important source of agricultural credit was other sources (18.9 per cent) while family/friends was the third source with 9.7 per cent. AFC, commercial banks and local traders provided limited of agricultural credit to small scale farmers with 1.9 per cent and 1.5 per cent respectively of the households who sourced from them in the previous twelve months. Central Province had the highest proportion of the households that received agricultural credit from various sources in the last twelve months. Further more, majority of these households were from Murang'a District and the rest from the remaining four Districts. Eastern Province was second in receiving credit with about 17.5 per cent of the households.

The Province with the smallest proportion of households who received agricultural credit in the previous twelve months was Coast with about 0.1 per cent. While a high proportion of the households complained of the high interest rate, difficulty in accessing credit and high risk involved in taking credit.

18.11. In terms of provinces, majority of households in Central province had no problem in accessing credit. This could be attributed to the high percentage of households with title deeds in the Province. The title deeds are mainly used as collateral in banks and lending institutions. Eastern province was second with 28.7 percent of households reporting that they have no difficulty in getting credit.

Fertilisers 18.12. Table 18.6 below shows the distribution of households in 1997 by fertiliser use. Overall, 52.8 per cent of the households used the same quantity of fertiliser during the interview season. The households that used more fertiliser were 29.2 per cent and only 1 per cent could not tell the quantity they used. In all the Provinces, the majority of the households used the same quantity of fertilisers. In Central, Coast, Eastern and Rift Valley Provinces, more than 50 per cent of the households used the same amount of fertiliser while Nyanza and Western Provinces had at least 40 per cent of the households.

Table 18.6 Distribution of Households by Fertiliser Use (per cent)

Region	Number	More this season	The same	Less this season	Don't know
Central	569,860	28.4	59.8	11.5	0.3
Coast	28,008	33.4	59.0	6.6	1.1
Eastern	258,471	24.1	54.9	19.3	1.8
Nyanza	233,057	32.6	39.9	24.6	2.9
Rift Valley	459,429	9.9	52.6	16.6	0.8
Western	245,612	31.0	46.0	22.6	0.3
Nation	1,794,438	29.2	52.8	17.1	1.0

Main Source of Fertiliser 18.13. The main source of fertiliser indicates the channels through which the farmer got access to this input. The extensive application of manure may be due to factors such as availability, cost, and extension information among others. Availability of fertiliser has important policy implications due to the resultant impact on increased agricultural production and crop yields.

18.14. As shown in Table 18.7 the distribution of households by main source of fertiliser. Nationally, the main sources of fertiliser were the local market (32.8 per cent) and stockists/merchants (32.7). The results show that significant proportion of households used farm manure.

18.15. Analysis at the Province level shows that most households in the Coast (64.5 per cent), Eastern (43.7 per cent), Nyanza (43.8 per cent) and Western (35.3 per cent) provinces utilise farm manure as the main source of fertiliser. In Central and Rift Valley provinces, the most important sources of fertiliser were stockists/merchants and local market respectively. In all provinces except for Central and Eastern extension agents and marketing boards play insignificant roles in the provision of fertilisers to farmers.

Table 18.7 Distribution of Households by Main Source of Fertiliser (per cent)

Region	Number	Farm manure	Local market	Stockists/	Extension agent	Marketing board
				merchants		
Central	537, 788	16.7	30.1	36.3	3.6	13.3
Coast	22,007	64.5	8.7	20.7	3.4	2.7
Eastern	256,077	43.7	21.1	14.4	13.8	7.0
Nyanza	216,894	43.8	31.2	20.8	1.9	2.3
Rift Valley	429,304	4.4	47.0	46.6	0.3	1.6
Western	233,210	35.3	29.7	30.9	4.1	0.0
Nation	1,695,279	24.3	32.8	32.7	4.1	6.0

Livestock extension services

18.16. About 66.0 per cent, of the households interviewed in 1997 who received Artificial Insemination (AI) services in the previous twelve months found it satisfactory. The households who found the service satisfactory were mostly from Central Province (approximately 69 per cent. The remaining 27.2 per cent of the households who found it satisfactory are from the rest of the provinces (Coast, Eastern, Nyanza, Rift Valley and Western). In addition it is worth noting that the majority of the households who found the service unsuccessful, too expensive or too far away with a proportion of 4.3 per cent, 8.1 per cent and 5.2 per cent, respectively, were also found in Central province. This is an indication that central Province is a major consumer of the service as opposed to the other Provinces and contrary to the fact that the highest numbers of animals are found in other Provinces such as Rift Valley.

Veterinary extension services

18.17. All private veterinary doctors are the most important source of veterinary services in the provinces covered during the survey. Over 50.0 per cent of households with sick animals took them to private veterinary doctors. The Government is the second most important in provider of veterinary services with 34.7 per cent. Only 7.0 per cent of households with sick animals did not seek treatment for their animals. Overall, central province had the highest proportion of households who sought treatment for their animals. The province similarly led in taking their sick animals to the private veterinary doctors. Rift Valley is second and is closely followed by Coast and Eastern respectively.

Main source of quality maize seed

18.18. The survey data indicate that 46.7 per cent of the households sourced their quality maize seeds from the local market nationally while 25.5 per cent of the households used own seeds and 22.3 per cent bought seeds from the Stockists/ Merchants. The percentage of households, who got their seeds from neighbours, marketing boards or other sources, was 2.8, 1.4 and 1.3 percent respectively.

18.19. Regionally, the majority of households in the Provinces sourced their seeds from the local market with the exception of those in Central and Nyanza Province, who mainly sourced from Stockist/Merchants and own, respectively.