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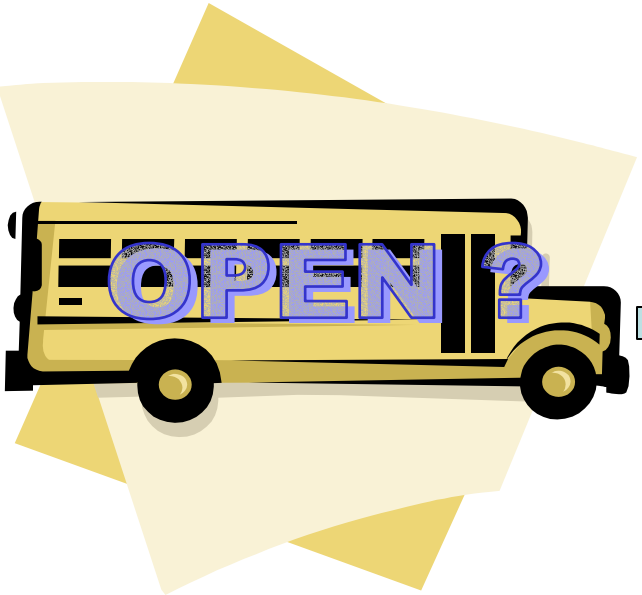
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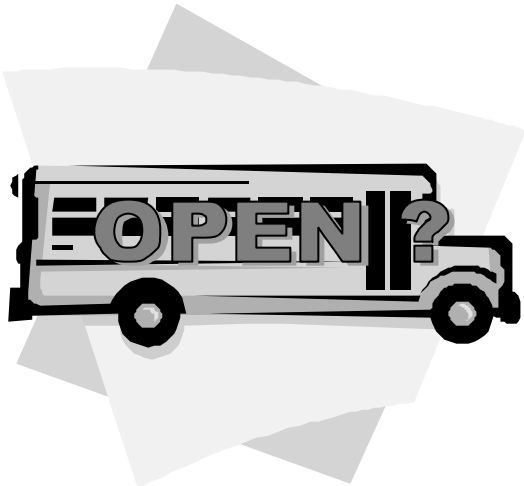
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Prepared by

Economic Survey 2004



Social Scene

The Government's overall expenditure in the social sector increased by 16.6 percent from Ksh 93,975.47 million in 2002/2003 to Ksh 109,570.16 million in 2003/2004 financial year. The increase in expenditure was mainly due to the implementation of the Free Primary Education Programme and the salary increase awarded to teachers by the Government. The total school enrolment in primary schools increased by 17.6 per cent, equivalent to 1,077.1 thousand pupils, from 6,131.0 thousand in 2002 to 7,208.1 thousand in 2003. Enrolment in secondary schools increased modestly from 819,227 in 2002 to 862,907 in 2003. The number of teachers in primary schools went up slightly from 178,037 in 2002 to 178,622 in 2003, with the pupil teacher ratio worsening from 34:1 in 2002 to 40:1 in 2003.

The number of health facilities increased marginally by 1.3 percent from 4,499 in 2002 to 4,557 in 2003, while hospital beds and cots increased by 4.5 percent from 60,657 to 63,407 in the same period. The number of registered medical personnel rose by 2.6 percent from 59,049 in 2002 to 60,599 in 2003.

There was a general rise in reported crime in 2003. Crimes reported to Police went up by 9.8 percent, from 70,423 in 2002 to 77,430 in 2003. Reported cases of rape also went up by 14.4 percent from 984 in 2002 to 1,126 in 2003, while child defilement and incest increased by 15.8 percent from 1,021 cases in 2002 to 1,182 in 2003. Violence against women rose by 9.6 percent from 9,901 cases in 2002 to 10,852 cases in 2003.

The total number of convicted prisoners in 2003 stood at 94,220, representing an increase of 18.6 percent, from the 2002 level of 79,442 convicts. Out of this number, 10,128 were females while 84,092 were males. The daily average population in prisons increased by 8.9 percent from 38,292 prisoners in 2002 to 41,713 prisoners in 2003. About 38.0 percent of the prison population comprised of remand persons, aggravating the problem of overcrowding which calls for speedy dispensation of cases.

Employment, Earnings and Consumer Prices

With moderate recovery of the economy, employment outside small-scale farming and pastoralists activities reached 7,338,600 in 2003 from 6,851,600 in 2002. The informal sector created 458,800 new jobs constituting 94.3 percent of all new jobs created outside small-scale agriculture. Employment in the modern sector grew by 1.6 percent compared with the growth of 1.3 percent in 2002. The modern sector created 27.9 thousand new jobs, with majority of the jobs being created in the Manufacturing, Agriculture, and Fishing industries.

Total wage payments in the private sector rose by 18.3 percent in 2003 compared to a growth of 17.0 percent in 2002. Public sector accounted for 36.2 percent of the total wage bill in the modern sector in 2003.

The average annual inflation rate increased significantly from 2.0 percent in 2002 to 9.8 percent in 2003 while underlying inflation, which excludes food commodities, rose marginally from 2.6 percent to 3.6 percent. The increase in real average earnings was lower than that of the previous year, registering a marginal growth of 2.9 percent compared to 12.7 percent in 2002.

List of Acronyms

ACP	African Caribbean and Pacific
AFC	Agricultural Finance Corporation
AGOA	African Growth and Opportunities Act
AIBK	Association of Insurance Brokers of Kenya
AIDS	Acquired Immune Deficiency Syndrome
ASAL	Arid and Semi Arid Lands
ATS	Automated Trading Systems
BEC	Broad Economic Category
BEE	Business Expectation Enquiries
BSE	Bovine Spongiform Encephalopathy
CBIK	Centre for Business Information in Kenya
CBOs	Community Based Organisations
CCK	Communications Commission of Kenya
CDR	Crude Death Rate
CDs	Central Depository
CEDAW	Convention on the Elimination of all forms of Discrimination Against Women
CIS	Cooperative Insurance Scheme
COFREP	Coffee Factories Rural Electrification Programme
COMESA	Common Market for Eastern and Southern Africa
CPI	Consumer Price Index
CPR	Contraceptive Prevalence Rate
CRC	Convention on the Rights of the Child
DAEs	Dynamic Asian Economies
DAP	Daily Average Population
DBK	Development Bank of Kenya
EAC	East African Community
EACBBP	East African Community Cross Boarder Biodiversity Project
E-MAIL	Electronic Mail
EMCA	Enforcement Compliance Measures of Environmental Management and Coordination
EMIS	Education Management Information System
EMS	Expedite Mail Services
EPC	Export Promotion Council
EPZ	Export Processing Zones
EU	European Union
GDP	Gross Domestic Product
GEF	Global Environmental Fund
GFCF	Gross Fixed Capital Formation
GNP	Gross National Product
GoK	Government of Kenya
GWH	Giga Watts per Hour
HCDA	Horticultural Crop Development Authority
HIPC	Highly Indebted Poor Countries
HIV	Human Immuno Deficiency Syndrome
HMO	Health Maintenance Organisations
ICDC	Industrial and Commercial Development Corporation
ICLS	International Centre for Labour Statistics
ICPD	International Conference on Population and Development
ICT	Information and Communication Technology

IDA	International Development Assistance
IDB	Industrial Development Bank
IDF	Import Declaration Form
IFAD	International Fund for Agricultural Development
ILFS	Integrated Labour Force Survey
IMR	Infant Mortality Rate
IPO	Initial Public Offering
IPP	Independent Power Producers
ITN	Insecticide Treated Net
JKUAT	Jomo Kenyatta University of Agriculture and Technology
KBS	Kenya Bus Services
KCC	Kenya Cooperative Creameries
KCPE	Kenya Certificate of Primary Education
KCSE	Kenya Certificate of Secondary Education
KDHS	Kenya Demographic and Health Survey
KPC	Kenya Pipeline Corporation
KPLC	Kenya Power and Lighting Company
KPRL	Kenya Petroleum Refineries Limited
KRA	Kenya Revenues Authority
KRB	Kenya Roads Board
KRBA	Kenya Retirement Benefits Authority
Ksh	Kenya Shillings
KTTC	Kenya Technical Teachers Training Centre
KUTIP	Kenya Urban Transport Infrastructure Project
KW	Kilo Watts
KWS	Kenya Wildlife Services
LASDP	Local Authority Service Delivery Action Plan
LATF	Local Authority Transfer Fund
LPG	Liquefied Petroleum Gas
M2	Narrow Money Supply
M3	Broad Money Supply (money supply be Central Bank, Commercial Banks, and Non Banking Financial Institutions)
M3X	Broad Money Supply (comprises M3 and currency holding by resi dents)
M3XT	Broad Money Supply (M3X, Treasury Bill Holdings by the non bank public)
MDG	Millennium Development Goals
MIGA	Multilateral Investment Guarantee Agency
MKW	Mega Kilo Watts
MoH	Ministry of Health
MOLG	Ministry of Local Government
MP	Member of Parliament
MRL	Maximum Residue Levels
MTB	Ministerial Tender Board
MTEF	Medium Term Expenditure Framework
MTT	Mobile Tax Team
MW	Mega Watts
NASCOP	National Aids and STIs Control Programme
NBFIs	Non Banking Financial Institutions
NCC	Nairobi City Council
NCPB	National Cereals and Produce Board

NCPD	National Council for Population Development
NDA	Net Domestic Assets
NEMA	National Environment Management Authority
NEPAD	New Partnership for African Development
NFA	Net Foreign Assets
NFE	Non Formal Education
NGOs	Non Governmental Organizations
NHC	National Housing Corporation
NHIF	National Hospital Insurance Fund
NPL	Non Performing Loans
NSHIF	National Social Health Insurance Fund
NSSF	National Social Security Fund
NWC&PC	National Water Corporation and Pipeline Corporation
NYS	National Youth Service
ODS	Ozone Depleting Substances
OECD	Organization of Economic Cooperation and Development
OMO	Open Market Operations
OPEC	Organization of Petroleum Exporting Countries
PCF	Prototype Carbon Fund
PER	Public Expenditure Review
PIP	Pesticide Initiative Programme
POSB	Post Office Savings Bank
PTP	Passed Proficiency Test
REP	Rural Electrification Programme
REPO	Re-Purchase Agreement
SAPS	Structural Adjustment Programme
SARS	Severe Acute Respiratory Syndrome
SITC	Standard International Trade Classification
SMEs	Small Medium Enterprises
STABEX	Stabilization of Export Earnings
STI	Sexually Transmitted Infections
TAC	Technical Advisory Committee
TEUs	Twenty Foot Equivalent Units
TFR	Total Fertility Rate
TLB	Transport Licensing Board
TREO	Tax Remission for Export Office
TSC	Teachers Service Commission
UETC	Uganda Electricity Transmission Company
UK	United Kingdom
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention Climate Change
USA	United States of America
VSAT	Very Small Aperture Technology
VA	Value Added
VAT	Value Added Tax
VCTS	Voluntary Council Centres
VOIP	Voice Over Internet Protocol
WAP	Wireless Access Protocol
WMS	Welfare Monitoring Survey
WPP	Water Purification Points
WTO	World Trade Organization

Chapter 1
International Scene

Introduction

The world economy showed signs of a robust growth in 2003 after a modest recovery in 2002. High growth momentum was attained in North America, Japan, United Kingdom and Asia. This rebound was mainly due to stabilising of oil prices since May 2003 as a result of geopolitical stability and highly stimulative fiscal and monetary policies in the USA. In addition, an upsurge of activity in Japan further enhanced the growth of global economy. Despite the economic recovery, global unemployment level worsened in 2003. Inflation was contained at 1.8 in 2003 and is expected to slowdown further to 1.4 in 2004.

1.2. Financial market conditions improved globally. OECD-wide GDP, which had been performing below potential since 2001, recovered remarkably to reach 3.0 per cent in the second half of 2003. However, OECD region recorded an overall GDP growth of 2.0 per cent in 2003. The extent of macroeconomic stimulus among the major economies varied widely. In the United States and the United Kingdom the stimulus was quite significant, while it was relatively low in the Euro area and Japan. In Europe, balance sheet problems in the business sector continued to hamper investments.

1.3. In the currency market, the US dollar depreciated by 12.0 per cent in nominal effective terms, since its peak in 2002. This fall was matched by a substantial appreciation of the Euro, the Canadian dollar, the Sterling pound and other industrial countries' currencies. Globally, current account imbalances recorded mixed performances, in particular Japan had a surplus of US $ 122.9 billion while the US deficit widened further to US $ 548.6 billion in 2003 from US $ 481 billion in 2002.

1.4. Recovery was fragile in most of the Latin American countries with a number of them facing debt problems and political uncertainties. In the Middle East, a quick end of the war in Iraq restored both business and consumer confidence but the insecurity that prevailed raised vulnerability of these economies. However, GDP growth improved in 2003 compared to 2002 as a result of rise in oil production.

1.5. In sub-Saharan Africa (excluding South Africa),GDP growth was estimated to have grown by 3.6 per cent in 2003, which was low for a developing region. This growth was occasioned by improved macroeconomic policies, debt relief under Highly Indebted Poor Countries (HIPC) initiatives and improved commodity prices. High rate of HIV/AIDS prevalence, adverse weather conditions and political instability continued to hamper growth in the region.

Country / Regional Analysis

1.6. **USA:** The economy suffered a series of adverse shocks in the first half of 2003, mainly due to the war in Iraq, but improved markedly in the second half. Real GDP growth for 2003 was 2.9 per cent on account of highly stimulative fiscal and monetary policies. In addition, growth was boosted by consumption that was spurred by increase in the disposable income resulting from tax reductions. Military expenditure went up considerably and further increased demand.

1.7. Despite the robust domestic demand, unemployment rose to 6.1 in 2003 from 5.8 recorded in 2002. There was significant depreciation of the dollar in mid-May as a result of low interest rates and investor concerns about the large U.S. current account deficit. Government financial account deteroriated significantly due to tax cuts and additional military spending.

1.8. **Japan:** The economy rebounded in 2003 from a downturn that had been witnessed in the previous two years. Real GDP growth was 2.7 per cent in 2003 compared to 0.2 per cent in 2002. This impressive growth was attributed to an increase in business investment and a steady rise in private consumption. However, the impact of this recovery was not sufficient to cushion deflation and unemployment significantly.

1.9. Restructuring in the corporate sector led to higher profitability, while sound macroeconomic policy supported increase in demand. There was a serious shortage of capital in one of the leading private banks. However, the Bank of Japan responded rapidly by injecting funds into it, thereby restoring financial stability in the market.

1.10. **Germany:** There was sharp decline in exports and weak domestic demand in the first half of 2003 that resulted to a drop in output. Growth of GDP is estimated to have stagnated in 2003 compared to 0.2 per cent in 2002. Investment in fixed assets has been on a declining trend since 2000 while final demand has remained relatively low. General government deficit is estimated to have exceeded 4.0 per cent of GDP in 2003. Unemployment on the other hand, rose from 8.1 per cent in 2002 to 8.9 per cent in 2003.

1.11. **The Euro Area**: Growth in this region is estimated to have slowed down in 2003 , recording a GDP growth of 0.5 per cent compared to 0.9 per cent in 2002. Gross fixed investments have been on a decline since 2002. Total domestic demand grew by 1.2 per cent in 2003 compared to 0.4 per cent in 2002. The Euro appreciated substantially particularly against the dollar. Unemployment worsened to 8.8 in 2003 compared to 8.4 in 2002.

1.12. **France:** The GDP declined in the first half of 2003, as a result of weak domestic demand and sharp fall in exports. The decrease in exports was occasioned by strong appreciation of the Euro. In the second half of 2003, the economy started to pick up albeit sluggishly.

1.13. As a result of slow growth in the first quarter of 2003, consumer demand slowed while the weak investment culminated into a decline in GDP growth in the second quarter. However, in the third quarter there was strong growth in exports and domestic demand. Unemployment rose modestly; from 9 per cent in 2002 to 9.6 per cent in 2003.

1.14. **Canada:** Output slowed down in 2003 as a result of adverse shocks and sharp appreciation of Canadian dollar against the US dollar. The Bank of Canada responded to the slow growth and decline in inflation by lowering interest rates. Additional public spending underpinned economic activity. Real GDP growth declined to 1.8 per cent in 2003 from 3.3 per cent in 2002. Among domestic shocks experienced in 2003 was the outbreak of Severe Acute Respiratory Syndrome (SARS), which negatively affected tourist inflow and Bovine Spongiform Encephalopathy (BSE) that compelled other countries to restrict beef imports from Canada.

1.15. **The Russian Federation**: The economy has continued to exhibit strong growth for the last four years. GDP growth is estimated to have risen from 4.3 per cent in 2002 to 6.3 per cent in 2003. This growth was relatively broad-based and was particularly strong in the oil and oil machine-building industries as well as domestically oriented sectors, among them transport, communication, construction and retail.

1.16. Growth was mainly supported by increase in household consumption, increase in fixed investments and to a certain extent by stock building. Monetary policy was dominated by conflicting goals as Central Bank tried to control the rising inflation while limiting the real exchange-rate appreciation. As a result of large purchases of foreign reserves by central bank, there was a sharp acceleration in growth of monetary supply. Inflation fell mainly due to the government's drive to hold down regulated monopoly tariffs.

1.17. **South America:** The economic recovery that started in 2002 continued into 2003 characterised by export demand, improved terms of trade for commodities and adjustments in fiscal and monetary policies in many countries within the region.

1.18. In Brazil, there was a recession in the first half of 2003 mainly attributed to weak domestic demand. However, there was a pick up in activity in the second half of 2003 that was partly driven by low interest rates. In Argentina, a strong growth was evident, which was attributable to strong political leadership. Similarly Chile's economy was characterized by pick up in activity but Venezuela's economy remained subdued.

Table 1.1 Key Economic Indicators & Projections for Some Selected Industrial Countries (OECD)*

	2001	2002	2003	2004
	(percentage changes from previous period)			
Real GDP -				
United States	0.3	2.4	2.9	4.2
Japan	0.4	0.2	2.7	1.8
European Union	1.7	1.1	0.7	1.9
Total OECD ..	0.9	1.8	2.0	3.0
Real total domestic demand -				
United States	0.4	3.0	3.1	4.3
Japan	1.1	-0.5	2.3	1.1
European Union	1.3	0.8	1.4	2.0
Total OECD ..	0.6	1.9	2.4	2.4
Inflation (GDP deflators)				
United States	2.4	1.1	1.6	1.2
Japan	-1.6	-1.7	-2.5	-1.3
European Union	2.4	2.5	2.1	1.8
Total OECD ..	2.9	2.1	1.8	1.4
	(US $billion)			
Current balances-				
United States	-394	-481	-548.6	-575.8
Japan	88	113	122.9	155.0
European Union	1	57	6.7	15.8
Total OECD ..	-267	-288	-408	405.2
	(Per cent of labour force)			
Unemployment-				
United States	4.8	5.8	6.1	5.9
Japan	5.0	5.4	5.3	5.2
European Union	7.3	7.7	2.1	8.1
Total OECD ..	6.4	6.9	7.1	7.0
	(Percentage changes from previous year)			
World Trade growth** ..	0.3	2.6	4.0	7.8

Source: OECD Economic Outlook no. 74 December, 2003

* *Assumptions underlying the projections include:*

- *no change in actual and announced fiscal policies;*
- *unchanged exchange rates from 3rd November, 2003 '; in particular $1 = ¥ 118.20 and .873 euro*

** *Growth rate of the arithmetic average of the world import volumes and world export volumes*

- *Cut off date for other information used in the compilation of the projections was 7th, November 2003*

1.19. **Mexico:** Exports to the United States were weak in the first half of 2003 and domestic demand remained subdued. Consequently, growth of real GDP was sluggish but strengthened in the second half of 2003, as exports to the US improved. Current account deficit narrowed mainly due to high oil prices and weak domestic demand. Inflation rose from 4.6 per cent in 2002 to 5.2 per cent in 2003, while unemployment rose from 2.7 per cent to 3.0 per cent within the same period.

1.20. **Dynamic Asian Economies (DAEs):** Benefits of financial sector, corporate governance and other structural reforms undertaken in the wake of the 1997 financial crisis were evident in 2003 in the DAEs. However, cases of non-performing loans and corporate debts were high in some countries and also increased in other countries where they had been previously low . Outbreak of SARS curtailed growth in the second quarter of 2003. The worst-hit economies included Hong Kong, Chinese Taipei, and Singapore. The outbreak was contained in June, and economic activities strongly rebounded thereafter.

1.21. **China:** As experienced in the DAEs, the outbreak of SARS in the second quarter of 2003 resulted in sharp slowdown of economic performance. The economy however ,recorded an overall GDP growth of 8.4 per cent in 2003 compared to 8.0 per cent in 2002. Economic activity regained momentum in the second half of 2003 mainly due to robust domestic demand and rise in business capital spending. Gains from exports were outweighed by growth in imports resulting in a decrease in current account surplus.

1.22. Fixed investments, government infrastructure spending and investment in real estate also facilitated growth. Business capital was spurred by strong growth in bank lending. Naturally, China's accession to World Trade Organisation has been very instrumental to its growth.

1.23. **Africa**: Growth in most of the Sub-Saharan Africa was moderate while that of the North African countries was slow. Due to the slow expansion of the North African economies, unemployment has been rising due to a rapidly growing labour force.

1.24. Severe economic and political crisis that has prevailed in Zimbabwe since 1997 continued into 2003, causing further deterioriation in macroeconomic imbalances. On the other hand, countries that have adopted prudent fiscal management continued to gain from the efforts.

1.25. Significant progress was made in reducing inflation and advancing structural reforms in some countries in North Africa. However, growth remained slow, a phenomenon that may be associated with over-reliance on oil, restrictive trade practices, weak institutions and a bloated public sector.

1.26. The year 2003 was characterised by positive steps in conflict resolutions particularly in Sudan, Somalia and Liberia. However, HIV/AIDS continued its devastating consequences mainly in the Sub-Saharan Africa economies. Southern African countries were the worst hit with infection rates for Botswana, Zimbabwe and South Africa estimated at 36, 25 and 13 per cent respectively.

1.27. In view of this, there has been need to develop and implement credible HIV prevention programmes while at the same time revamping the health sector. Ultimately there is need for governments, private sector and non-governmental organizations to sensitise the public on the fact that conquering the menace squarely lies on individuals.

1.28. Developing basic infrastructure and Information and Communication Technology (ICT) has remained Africa's priority for sustainable and rapid economic development. It is against this backdrop that private foreign finance is essential in complementing the traditional funding of credit and aid.

Commodity Prices

1.29. Table 1.2 presents selected world commodity prices. Most prices went up in 2003 compared to 2002. The most notable price increases were for cotton, timber and tea. On the other hand, cocoa beans recorded the highest price decline. Price of crude oil went up by 12.7 per cent and 15.6 per cent for Dubai and U.K. Brent respectively. The leap in oil prices was attributed to the war in Iraq and the strike in Venezuela.

Table 1.2 Selected World Commodity Price, 2001-2004

Commodity	Units	2001	2002	2003	2004*
Wheat	$/MT	127	149	146	158
Maize	$/MT	90	99	105	108
Rice	$/MT	173	192	199	201
Barley	$/MT	94	109	105	99
Sugar					
Free Market	cts/lb	8	6	7	6
United States	cts/lb	21	21	21	21
EU	cts/lb	24	25	27	28
Coffee					
Other milds	cts/lb	62	60	64	63
Robusta	cts/lb	27	31	38	37
Tea	cts/kg	198	179	194	202
Cocoa Beans	$/MT	1,088	1,779	1,753	1,546
Cotton (wool)					
Fine	cts/kg	623	644	702	657
Coarse	cts/kg	332	566	659	594
Timber (Sawnwood)					
Hardwood	$/M3	488	517	550	545
Softwood	$/M3	283	273	285	284
Petroleum					
U.K. Brent	$/bbl	24	25	29	29
Dubai	$/bbl	23	24	27	28
Natural Gas					
US Domestic Market	$/000M3	143	121	198	183

* Prices for the 1st Quarter

Source: IMF, Research on Commodity Prices

Outlook

1.30. Broadly, the world economic outlook is favourable, particularly, if the oil prices remain stable and the expected world trade expansion materializes. The momentum in US, Japan, UK and other industrialized economies is likely to be maintained in 2004.

1.31. Growth in Africa has greatly been reliant on commodity prices, conflict resolutions, governance and donor aid. Despite high prevalence of crime and HIV/AIDS and electioneering year in South Africa, the economy is likely to remain stable. Macroeconomic stability is also likely to be maintained in Namibia, Botswana and most of the North African states. With the signing of a peace deal in Sudan, a suitable environment for economic growth is likely to be achieved. On the contrary , peace plan in Somalia is likely to take long to materialise. The outlook for emerging markets has continually been shaped by developments in industrialised countries, external financial conditions, geopolitical factors and country-specific developments.

1.32. In the USA, despite being an electioneering year, growth momentum is likely to be maintained. Real GDP is projected to grow by 4.2 per cent and 3.8 per cent in 2004 and 2005 respectively. In the event of this growth, unemployment is likely to decline slightly from 6.1 per cent in 2003 to 5.9 per cent in 2004 and drop further to 5.2 per cent in 2005.

1.33. The combination of large public and external deficits in the US could be a source of exchange rate instability. A sudden weakening of the dollar could discourage imports to the US thereby weakening recovery of the European economies. This would result to larger disparities in recovery within the two regions.

1.34. Activity in the Euro area is expected to rise, as a result of the rebound in world trade, In 2004, growth within the region is projected to reach 1.8 per cent. Improved corporate balance sheets and supportive monetary stance are also expected to play a major role in boosting growth.

1.35. Unemployment may peak at 9.0 per cent in 2004 before declining marginally to 8.7 per cent in 2005. Inflation is likely to remain subdued, while substantial gains are expected from creation of a fully integrated and competitive European market.

1.36. In Japan, activity is likely to be sustained especially due to the expansion in the world trade. However, this growth may favour certain manufacturing industries and therefore unlikely to reduce unemployment substantially or end deflation. Deflation is expected to continue into 2004 and thus monetary policy is expected to focus on ending it. Income and consumption taxes base are planned to be expanded in 2004, a step that is likely to partially offset the tax cuts that were introduced in 2003. There are indications that the economy will pick in 2004, particularly in the second half, as a result of growth in exports.

1.37. In China, strong growth is likely to be maintained in 2004, albeit at a slightly slower pace than in 2003. Current account balance is also projected to fall sharply from US $ 16.3 billion in 2003 to US $ 8.0 billion in 2004 before rising to US $ 15.6 billion in 2005. Inflation is projected to remain at less than 2 per cent in the next two year. Although the government investment in infrastructure might go down in 2004, non-state investment is likely to meet the shortfall thereby maintaining the level of 2003.

Chapter 2
Domestic Economy

Overview

The economy showed signs of recovery in 2003 after a subdued growth in the last five years. A real growth rate of 1.8 per cent was realised in 2003 compared to a revised growth of 1.2 per cent in 2002. Almost all sectors posted moderate growths with Agriculture (1.5 per cent), Manufacturing (1.4 per cent), Building and Construction (2.2 per cent), and Finance, Real estate and Business services (3.0 per cent). On the other hand,Transport, Storage and Communication and Trade, Restaurants and Hotels recorded slower growths of 1.5 per cent and 1.4 per cent respectively in 2003 compared to 2002.

2.2. Several factors, however, hampered enhanced economic recovery. These included the poor state of infrastructure, low foreign direct investments, and the spill-over effect of the previous years' economic downturn.

2.3. International oil prices rose moderately in the first quarter of 2003 before falling in April 2003. Prices started rising in May 2003 to reach US $ 30.05 per barrel in December 2003 compared to US $ 27.15 per barrel in December 2002. This trend was due to reduced supply of oil as a result of war in Iraq.

2.4. Overall inflation rose significantly from 2.0 per cent in 2002 to 9.8 per cent in 2003. This was occasioned by shortage of food commodities in the first quarter of 2003 and increase in oil prices during the second half of the year. Underlying inflation rose from 2.6 per cent in 2002 to 3.6 per cent in 2003.

2.5. Most institutions in the financial sector registered increased profits while a number of them reduced the non-performing loans portfolios. Interest rates fell dramatically in 2003, as the government domestic borrowing dropped due to anticipated resumption of donor funding. There was remarkable improvement in the capital market; in particular the NSE 20 share index more than doubled from 1,363 points in December 2002 to 2,738 points in December 2003. Market capitalization grew from KSh 112 billion in December 2002 to KSh 318 billion in December 2003, while annual turnover in the bond market grew by 25 per cent from KSh 33.6 billion in 2002 to KSh 42 billion in 2003. The improved performance was associated with increased investor optimism and rising capital returns compared to the falling treasury bill interest rates.

2.6. Kenyan exports grew by 4.0 per cent in 2003 compared to an increase of 8.2 per cent in 2002. The gains were however more than offset by imports which rose by 9.4 per cent in the same period. Subsequently the trade deficit grew by 11.6 per cent from KSh. 88,427 million in 2002 to KSh 98,690 million in 2003. Main exports were horticultural produce, coffee and tea, while the major components of imports were petroleum products, Industrial machinery and transport equipment. During the World Trade talks in Cancun Mexico in 2003, developing countries including Kenya lost an opportunity to win concessions on agricultural reforms as the talks collapsed due to ideological differences.

Developing countries were also pushing for reduction of world trade distortions, particularly agricultural subsidies which undermine market prices. On the other hand, developed countries were lobbying for implementation of trade issues discussed in Singapore which include trade facilitation and transparency in government procurement among others.

2.7. The integration of the three East African countries into a custom union edged closer to reality as member states continued with their efforts towards harmonization of the union requirements. The Kenyan consumers are likely to benefit from reduction in import duties and subsequently low prices of imported goods from the member countries once the union comes into effect.

2.8. Several workshops on economic recovery, poverty reduction and investments conferences were held in 2003. Key development partners, private and foreign investors cited high rate of insecurity and disharmony within the political arena as major bottlenecks to economic growth. In addition, poor state of infrastructure, corruption and bureaucracy continued to be main impediments to growth.

Agriculture

2.9. The sector grew by 1.5 per cent in 2003 compared to 0.8 per cent registered in 2002. This growth was driven by increased production of maize, wheat, coffee, tea and dairy produce due to favourable weather conditions experienced in most parts of the country.

2.10. There was decreased food production in some parts of the country particularly the Coastal Agricultural areas and parts of Western pastoralist region attributed to poor shorts rains. Production of beans went down in 2003 although prices remained fairly stable due to imports from Uganda and Rwanda.

Maize:

2.11. Favourable rainfall experienced in the maize growing areas led to increased production from 26.0 million bags in 2002 to 28.0 million bags in 2003. However, there was an unusual price increases during the harvesting period in key production areas of Eldoret and Kitale in 2003. This was attributed to competition between National Cereals and Produce Board (NCPB), maize millers and shortage of supply from Tanzania, which is the main exporter of the commodity to Kenya. NCPB purchased substantial amount of maize in an effort to attain the required target for Strategic Grain Reserve of 270,000 MT for purposes of famine relief and commercial stock.

Wheat

2.12. Production of wheat in 2003 rose to 64.4 thousand tonnes from 60.1 tonnes produced in 2002. A total of 502.1 thousand tones were imported to satisfy domestic demand.

Coffee:

2.13. Quantity of coffee produced during 2002/03 crop year stood at 554 thousand tonnes compared to 519 thousand tonnes in 2001/02 crop year. This was attributed to measures which the government spelt out for effective, efficient and transparent management of cooperative societies. Low international prices coupled with high input costs impacted negatively on the performance of the sub-sector.

Tea

2.14. Output of processed tea rose by 2.3 per cent in 2003. This growth was attributed to favourable weather conditions and improved international prices coupled with government's efforts to streamline the sub-sector. During the year, five new tea processing factories were commissioned in some tea growing areas.

Sugarcane

2.15. Protest by sugar cane farmers against the decision to reduce cane prices and subsequent failure to deliver cane to the factories from February to April 2003 reduced the production of sugar by 6.6 per cent from 4.5 million tonnes in 2002 to 4.2 million tonnes in 2003. The quantity of imported sugar increased by 40 per cent in 2003.

Cotton

2.16. Output of cotton remained relatively unchanged at 1,100 tonnes despite increased demand in Export Processing Zones. The price per 100kg bale increased modestly from KSh 1,729.60 in 2002 to KSh. 1,791.00 in 2003.

Livestock

2.17. Pastoralists in Northern and Eastern areas of the country, notably Garissa, Ijara, Wajir, Mandera, Tana River and parts of Isiolo districts experienced substantial rainfall during the short rains which improved pastures in the fourth quarter of 2003. Consequently prices of cattle rose significantly and milk production also went up. Pastoralists districts in the Western parts of the country suffered a season of poor rains. The worst affected districts included Marsabit, Kajiado, Turkana, Narok, Laikipia and Baringo.

Horticulture:

2.18. Exports of fresh horticultural produce increased by 10.0 per cent from 121.1 thousand tonnes in 2002 to 133.2 thousand tonnes in 2003. Sales of horticultural produce stood at Ksh. 28.8 billion in 2003 from Ksh. 26.7 billion in 2002. Exports of cut flowers accounted for 45.8 per cent followed by fruits at 36.5 per cent while vegetables contributed 17.7 per cent.

Trade, Restaurants and Hotels

2.19. Overall visitor arrivals in the country increased by 14.0 per cent from 1,001,300 in 2002 to 1,146,100 in 2003. The arrivals were mainly people on business, transit and other purposes. In the first quarter of 2003, the number of visitors on holidays went up as a result of reduction in international airfare, aggressive marketing by Kenya Tourism Board and private operators and improved security. In subsequent months however, the number of visitors declined due to travel advisory against Kenya as a result of terrorists' threats.

2.20. Although conference activities increased, the bed occupancy rate dropped from 42.0 per cent in 2002 to 33.0 per cent in 2003. Tourism earnings in-

creased from KSh. 21,734 millions in 2002 to KSh. 25,768 million. Trade, Restaurant and hotels sector registered a slower growth of 1.4 per cent in 2003 compared to 1.6 percent in 2002.

Producer of Government Services

2.21. Real GDP for this sector increased by 1.6 per cent in 2003 compared to 0.9 per cent in 2002. This was against a background of increased government allocation to areas of higher socio-economic concern in line with its policy aimed at poverty reduction in the country. Provisions for free primary education increased from Ksh 2.8 billion in 2002/03 to Ksh 9.0 billion in 2003/04 while allocation for road construction rose from Ksh 13.3 billion to Ksh 16.9 billion in 2003/04.

Building and Construction

2.22. The building and construction industry particularly development of infrastructure is the engine of Economic Recovery as contained in Economic Recovery Strategy Paper. To this effect, several initiatives have already been made to revamp the sector including construction, rehabilitation, resealing or re-carpeting of roads throughout the country. The sector recorded a growth of 2.2 per cent in 2003 compared to 0.3 per cent in 2002.

2.23. Government expenditure on roads went up from Ksh. 13.3 billion in 2002/03 to Ksh. 16.9 billion in 2003/04 fiscal year. In total, 780 kilometers of roads were either under construction, rehabilitation, resealing or re-carpeting. The National Housing cooperation completed 30 maisonettes at a cost of Kshs. 49.94 million during the year. Value of private buildings plans approved in main urban areas increased by 2.6 per cent from Ksh 10.61 billion in 2002 to Ksh 10.89 billion in 2003. However, value of building works completed decreased by 4.3 per cent from Ksh. 1.62 billion to Ksh 1.55 billion in the same period. Due to increased activities and use of cement in the construction of roads, cement consumption went up from 1,212.3 thousand tonnes in 2002 to 1,267.0 thousand tonnes in 2003.

Energy

2.24. The country imports all her oil requirements mainly from the Middle East. This form of energy accounts for over 70 per cent of the total formal energy consumed in the country. In 2003, the country imported 3,234.6 tonnes of oil compared to 2,562.2 tonnes imported in 2002.

2.25. A total of 4,662.6 GWh of electricity was generated in 2003 compared to 4,685.8 GWh in 2002. Rationalisation of bulk tariff between KPLC and KenGen was completed in 2003 while negotiations with Independent Power Producers are in progress. The two public power companies also reached an agreement to convert debts owed by KPLC to KenGen into redeemable non-cumulative preference shares.

Finance, Insurance, Real Estate and Business Services

2.26. The prevailing monetary policy aims to contain inflation within single digit level and below 5.0 per cent mark and stimulate growth. However, the monetary, policy faced the challenge of an expansionary fiscal policy due to implementation of Free Primary education in public schools. The government depended more on domestic borrowing from non-bank public enterprises as opposed to borrowing from the banking system. As a result of the shift in government borrowing from commercial banks, interest rates fell to the lowest level as evidenced by the benchmark 91-day Treasury bill that averaged 1.41 per cent in December 2003. Average liquidity for the banking sector remained high at 46.0 per cent.

2.27. Domestic credit to private sector including other public bodies recorded 1.8 per cent growth while domestic credit to central and local government increased by 18.4 per cent. Several banks which had been posting losses in their balance sheet , recorded profits while the amount of non-performing loans declined.

2.28. Narrow money supply (M2) grew by 13.2 per cent, largely due to 30.5 per cent increase in currency and demand deposit of the banking system that was offset by 30.6 per cent decline in quasi-monetary deposits. An increase of 7.8 per cent in quasi-money deposits of NBFIs, coupled with an increase in M2 led to a 13.2 per cent growth in broad money supply (M3) aggregate. Similarly, broader money supply aggregates M3X and M3XT registered increases of 11.9 and 10.3 per cent respectively.

Transport, Storage and Communications

2.29. There were increased activities in virtually all sub-sectors of the transport and communications. The sector registered a growth of 1.5 per cent in 2003 compared to 2.6 per cent in 2002. The communications industry posted the highest value of output realised in transport and communications sector followed by air transport industry and the road transport industry.

2.30. Cargo traffic at the port of Mombasa recorded mixed performance; imports went up by 19.8 per cent while exports decreased by 14.2 per cent. Volumes of passenger and freight traffic handled at major airports rose modestly during 2003 except for cargo imported that reduced by 14 per cent. Domestic flights increased by 49.6 per cent while international flights decreased slightly. Output from road transport industry increased by 5.9 per cent.Total number of vehicles registered in 2003 rose to 33,917 vehicles from 32,638 vehicles registered in 2002.

Manufacturing

2.31. In 2003 the sector showed signs of recovery. A growth of 1.4 per cent in 2003 was recorded compared to 1.2 per cent in 2002. The recovery is mainly attributed to zero rating of excise duty and related taxes for industrial inputs, stakeholder efforts to promote exports opportunities of manufactured products, enactment of strict anti-dumping and counterfeiting and duty legislation to curb restrictive practices that disadvantage local manufacturers. In addition, the AGOA initiative and the COMESA trading arrangements continued to impact positively on manufacturing sector.

2.32. High cost of power has continued being a major bottleneck to the manufacturing sector in Kenya. This has been in spite of the sector principally being a key player in the country's economic revival. As a result, Kenyan products have not been able to effectively compete even with cheap imports within the domestic market. For a long time this sector has been faced with a number of problems among them insufficient credit, poor infrastructure, high tax rates and poor domestic demand attributable to dwindling disposable incomes.

Table 2.1 Gross Domestic Product, 1999 - 2003, KSh.million

	Current prices					Constant (1982) Prices				
	1999*	2000*	2001**	2002*	2003**	1999*	2000*	2001*	2002*	2003**
A. NON-MONETARY ECONOMY										
Forestry	1,871.9	2,158.3	2,357.6	2,709.6	2,964.5	762.3	770.7	788.5	805.1	813.1
Fishing	148.6	155.4	172.3	225.6	252.6	29.7	29.5	32.5	33.7	34.5
Building and Construction	2,599.8	2,667.4	3,136.2	3,765.1	4,108.6	1,620.4	1,628.5	1,642.6	1,664.0	1,700.6
Water Collection	1,612.0	1,830.0	1,955.1	2,284.4	2,460.0	634.4	650.3	668.5	685.9	696.8
Ownership of Dwellings	9,022.0	9,522.7	9,718.9	9,884.1	10,316.5	2,710.0	2,747.0	2,791.1	2,833.0	2,877.9
TOTAL NON-MONETARY ECONOMY	**15,254.3**	**16,333.8**	**17,340.1**	**18,868.8**	**20,102.3**	**5,756.9**	**5,826.0**	**5,923.3**	**6,021.6**	**6,123.0**
B. MONETARY ECONOMY										
1. Enterprises and Non-Profit Institutions										
Agriculture	139,936.0	124,253.0	131,298.0	129,583.0	136,919.0	25,425.0	24,896.0	25,221.0	25,425.0	25,809.0
Forestry	5,759.8	6,830.0	7,630.0	8,768.2	9,872.8	1,415.4	1,387.6	1,400.2	1,411.6	1,422.9
Fishing	1,790.2	1,871.8	2,075.8	2,314.9	2,536.6	312.4	305.8	308.2	309.7	319.0
Mining and Quarrying	993.8	1,142.9	1,260.2	1,441.7	1,618.6	252.0	254.2	256.8	258.9	265.3
Manufacturing	79,121.0	88,714.6	96,968.5	110,853.3	131,614.4	13,732.5	13,540.2	13,648.5	13,810.9	14,004.3
Building and Construction	24,470.0	26,466.2	30,024.6	34,228.0	39,761.8	2,530.3	2,492.0	2,479.2	2,487.6	2,542.4
Electricity and Water	5,822.0	6,332.0	6,937.5	8,943.2	10,130.8	1,054.4	1,011.2	1,026.0	1,038.3	1,059.1
Trade, Restaurants and Hotels	138,030.8	162,391.0	193,782.6	224,276.0	250,333.4	12,947.2	13,077.4	13,247.4	13,459.4	13,647.8
Transport, Storage& Communications	45,616.8	50,338.5	57,972.0	72,550.0	84,665.8	6,202.0	6,328.6	6,531.1	6,702.1	6,802.9
Finance, Insurance, Real Estate and Business Services	76,078.0	69,750.0	74,174.0	70,099.0	89,041.0	10,904.1	10,945.0	11,054.5	11,142.9	11,476.9
Ownership of Dwellings	24,368.8	27,263.6	31,614.9	36,547.9	36,547.9	5,796.6	5,877.8	5,983.0	6,072.7	6,176.0
Other Services	27,790.4	31,986.4	42,906.2	50,584.7	50,584.7	3,569.6	3,587.8	3,623.8	3,660.0	3,726.0
Less:Imputed Bank Service Charges	(42,178.0)	(30,758.0)	(28,433.0)	(26,776.0)	(34,495.0)	(4,195.1)	(4,245.6)	(4,326.2)	(4,412.7)	(4,452.4)
TOTAL	**527,599.6**	**566,582.0**	**640,060.6**	**710,802.5**	**809,131.7**	**79,946.4**	**79,457.9**	**80,453.5**	**81,366.4**	**82,799.0**
2. Private Households (Domestic Services)	7,293.6	8,099.4	8,932.4	9,222.8	9,926.9	2,920.4	2,990.0	3,067.8	3,138.4	3,213.7
3.Producers of Government Services										
Public Administration	14,792.6	17,190.1	23,857.7	26,402.5	31,173.4	. .	. .	. .	. .	. .
Defence	1,718.3	2,289.9	2,532.9	2,777.6	2,789.8	. .	. .	. .	. .	. .
Education	56,532.3	57,195.1	57,626.2	63,481.2	75,344.8	. .	. .	. .	. .	. .
Health	7,465.6	8,242.7	8,046.6	9,335.8	10,587.0	. .	. .	. .	. .	. .
Agricultural Services	2,950.6	3,828.0	3,756.7	3,971.4	4,223.9	. .	. .	. .	. .	. .
Other Services	5,449.3	5,675.2	5,227.9	5,125.2	5,143.9	. .	. .	. .	. .	. .
TOTAL	88,908.7	94,421.0	101,047.9	111,093.7	129,262.9	15,077.9	15,181.9	15,286.7	15,418.1	15,664.8
TOTAL MONETARY ECONOMY	**623,801.9**	**669,102.4**	**750,040.9**	**831,119.1**	**948,321.5**	**97,944.6**	**97,629.8**	**98,807.9**	**99,922.9**	**101,677.5**
TOTAL NON-MONETARY AND MONETARY ECONOMY	639,056.2	685,436.2	767,380.9	849,987.8	968,423.8	103,701.5	103,455.8	104,731.2	105,944.5	107,800.5
ESTIMATED POPULATION (million)	29.4	30.2	30.8	31.5	32.2	29.4	30.2	30.8	31.5	32.2
GROSS DOMESTIC PRODUCT PER CAPITA KSh.	21,736.6	22,690.6	24,902.0	26,969.2	30,075.3	3,527.3	3,424.8	3,398.6	3,361.5	3,347.8

* Revised

** Provisional

Table 2.2 Growth of Gross Domestic Product, 1999 - 2003, Percentages

	Current Prices					Constant (1982) Prices				
	1999-00	2000-01	2001-02*	2002-03**	1999-03**	1999-00	2000-01	2001-02*	2002-03**	1999-03***
A. NON-MONETARY ECONOMY										
Forestry	15.3	9.2	14.9	9.4	12.2	1.1	2.3	2.1	1.0	1.7
Fishing	4.6	10.9	30.9	12.0	14.2	(0.9)	10.2	3.6	2.6	3.3
Building and Construction	2.6	17.6	20.1	9.1	12.1	0.5	0.9	1.3	2.2	0.7
Water Collection	13.5	6.8	16.8	7.7	11.1	2.5	2.8	2.6	1.6	2.6
Ownership of Dwellings	5.6	2.1	1.7	4.4	3.4	1.4	1.6	1.5	1.6	1.6
TOTAL NON-MONETARY ECONOMY	**7.1**	**6.2**	**8.8**	**6.5**	**7.1**	**1.2**	**1.7**	**1.7**	**1.7**	**1.6**
B. MONETARY ECONOMY										
1.Enterprises and Non-Profit Institutions										
Agriculture	(11.2)	5.7	(1.3)	5.7	(0.5)	(2.1)	1.3	0.8	1.5	0.3
Forestry	18.6	11.7	14.9	12.6	14.4	(2.0)	0.9	0.8	0.8	0.6
Fishing	4.6	10.9	11.5	9.6	9.1	(2.1)	0.8	0.5	3.0	0.1
Mining and Quarrying	15.0	10.3	14.4	12.3	13.0	0.9	1.0	0.8	2.5	1.2
Manufacturing	12.1	9.3	14.3	18.7	13.6	(1.4)	0.8	1.2	1.4	0.4
Building and Construction	8.2	13.4	14.0	16.2	12.9	(1.5)	(0.5)	0.3	2.2	(0.2)
Electricity and Water	8.8	9.6	28.9	13.3	14.9	(4.1)	1.5	1.2	2.0	(0.0)
Trade, Restaurants and Hotels	17.6	19.3	15.7	11.6	16.0	1.0	1.3	1.6	1.4	1.5
Transport, Storage and Communications	10.4	15.2	25.1	16.7	16.7	2.0	3.2	2.6	1.5	2.3
Finance, Insurance, Real Estate and Business Services	(8.3)	6.3	(5.5)	27.0	4.0	0.4	1.0	0.8	3.0	1.0
Ownership of Dwellings	11.9	8.6	6.8	15.6	10.7	1.4	1.8	1.5	1.7	1.6
Other Services	15.1	15.0	16.7	17.9	16.2	0.5	1.0	1.0	1.8	1.1
Less:Imputed bank service charges.	(27.1)	(7.6)	(5.8)	28.8	(4.9)	1.2	1.9	2.0	0.9	1.9
TOTAL	**7.4**	**13.0**	**11.1**	**13.8**	**11.3**	**(0.6)**	**1.3**	**1.1**	**1.8**	**0.9**
2.Private Households (Domestic Services)	11.0	10.3	3.3	7.6	8.0	2.4	2.6	2.3	2.4	3.0
3.Producers of Government Services										
Public Administration	16.2	38.8	10.7	18.1	20.5					
Defence	33.3	10.6	9.7	0.4	12.9					
Education	1.2	0.8	10.2	18.7	7.4					
Health	10.4	(2.4)	16.0	13.4	9.1					
Agricutural Services	29.7	(1.9)	5.7	6.4	9.4					
Other Services	4.1	(7.9)	(2.0)	0.4	(1.4)					
TOTAL	**6.2**	**7.0**	**9.9**	**16.4**	**9.8**	**0.7**	**0.7**	**0.9**	**1.6**	**1.0**
TOTAL MONETARY ECONOMY	7.3	12.1	10.8	14.1	11.0	(0.3)	1.2	1.1	1.8	0.9
TOTAL NON-MONETARY AND MONETARY ECONOMY	7.3	12.0	10.8	13.9	11.0	(0.2)	1.2	1.2	1.8	1.0
Population Growth Rate	2.7	2.0	2.3	2.2	2.3	2.7	2.0	2.3	2.3	2.3
GROSS DOMESTIC PRODUCT PER CAPITA	**4.4**	**9.8**	**8.3**	**11.5**	**8.5**	**(2.9)**	**(0.8)**	**(1.1)**	**(1.4)**	**(1.3)**

* Revised

** Provisional

*** Average Annual Change

Table 2.3 Production Accounts, 2002 and 2003, KSh.million

	2002*					2003**				
			Gross Domestic Product (at Factor Cost)					Gross Domestic Product (at Factor Cost)		
	Gross Output at approx. Basic Prices +	Inter-mediate Con-sumption	Total	Labour Costs	Operating Surplus***	Gross Output at approx. Basic Prices +	Inter-mediate Con-sumption	Total	Labour Costs	Operating Surplus***
A. NON-MONETARY ECONOMY	23,152.0	4,283.2	18,868.8	180.7	18,688.1	24,913.9	4,811.7	20,102.3	197.2	19,905.0
B. MONETARY ECONOMY										
1.Enterprises and Non-Profit Institutions										
Agriculture	148,909.0	19,326.0	129,583.0	22,021.3	107,561.7	157,196.0	20,277.0	136,919.0	23,844.6	113,074.4
Forestry	9,897.2	1,128.9	8,768.2	5,349.0	3,419.2	11,144.0	1,271.1	9,872.8	5,825.0	4,047.9
Fishing	2,462.7	147.8	2,314.9	601.9	1,713.0	2,698.5	162.0	2,536.6	659.5	1,877.0
Mining and Quarrying	5,502.6	4,060.9	1,441.7	768.4	673.3	6,177.8	4,559.2	1,618.6	862.7	755.9
Manufacturing	684,700.0	573,846.7	110,853.3	43,492.3	67,361.0	726,700.0	595,085.6	131,614.4	56,391.6	75,222.8
Building and Construction	61,121.4	26,893.4	34,228.0	24,301.9	9,926.1	69,067.2	29,305.4	39,761.8	27,461.1	12,300.7
Electricity and Water	33,748.0	24,804.8	8,943.2	6,850.5	2,092.7	34,768.5	24,637.7	10,130.8	7,800.7	2,330.1
Trade, Restaurants and Hotels	448,731.4	224,455.4	224,276.0	84,283.0	139,993.0	474,030.3	223,696.9	250,333.4	92,623.3	157,710.0
Transport, Storage and Communications	145,808.4	73,258.4	72,550.0	31,582.7	40,967.3	158,550.9	73,885.1	84,665.8	39,501.3	45,164.5
Finance, Insurance, Real Estate and Business Services	91,250.0	21,151.0	70,099.0	36,133.0	33,966.0	117,408.2	28,367.2	89,041.0	39,481.4	49,559.6
Ownership of Dwellings	34,576.8	2,961.8	31,614.9		31,614.9	39,916.8	3,368.8	36,547.9		36,547.9
Other Services	93,274.3	50,368.2	42,906.2	31,321.5	11,584.7	109,766.7	59,182.0	50,584.7	33,433.9	17,150.7
Less: Imputed Bank Service Charges		26,776.0	(26,776.00)		(26,776.0)		34,495.0	(34,495.0)		(34,495.00)
Total	**1,759,981.8**	**1,049,179.4**	**709,145.5**	**286,705.5**	**422,440.0**	**1,907,424.7**	**1,098,293.0**	**809,131.7**	**327,885.1**	**481,246.6**
2.Private Households (Domestic Services)	9,222.8	-	9,222.8	9,222.8	-	9,926.9	-	9,926.9	9,926.9	-
3.Producers of Government Services	178,594.9	67,501.2	111,093.7	139,866.0	(28,772.3)	202,504.1	73,241.2	129,262.9	152,748.0	(23,485.1)
TOTAL MONETARY ECONOMY	1,947,799.6	1,116,680.5	831,119.1	435,794.3	395,324.7	2,119,555.7	1,171,234.2	948,321.5	490,560.0	457,761.5
TOTAL MONETARY AND NON-MONETARY ECONOMY	1,970,951.6	1,120,963.7	849,987.8	435,975.1	414,012.8	2,144,469.7	1,176,045.9	968,423.8	490,757.3	477,666.5

* Revised

** Provisional

*** Including consumption of fixed capital.

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

Table 2.4 shows the sectoral contribution to the overall GDP. Agriculture contribution has been declining while those of Manufacturing, Trade, Restaurant and hotels, and finance, insurance, Real Estate and Business services have remained relatively stable. Transport, Storage and Communications contribution has grown from 6.0 per cent in 1999 to 6.3 per cent in 2003.

Table 2.4: Gross Domestic Product Sector Shares at Constant (1982) Prices, 1999 - 2003, Percentage

	1999	2000	2001*	2002*	2003**
A. NON-MONETARY ECONOMY					
Forestry .	0.7	0.7	0.8	0.8	0.8
Fishing	0.0	0.0	0.0	0.0	0.0
Building and Construction	1.6	1.6	1.6	1.6	1.6
Water Collection	0.6	0.6	0.6	0.6	0.7
Ownership of Dwellings	2.6	2.7	2.7	2.7	2.7
	5.6	5.6	5.7	5.7	5.7
B. MONETARY ECONOMY					
1. Enterprises and Non-Profit Institutions					
Agriculture	24.5	24.1	24.1	24.0	23.9
Forestry	1.4	1.3	1.3	1.3	1.3
Fishing	0.3	0.3	0.3	0.3	0.3
Mining and Quarrying	0.2	0.2	0.2	0.2	0.3
Manufacturing	13.2	13.1	13.0	13.0	13.0
Building and Construction .	2.4	2.4	2.4	2.3	2.4
Electricity and Water	1.0	1.0	1.0	1.0	1.0
Trade, Restaurants and Hotels	12.5	12.6	12.6	12.7	12.6
Transport, Storage and Communications	6.0	6.1	6.2	6.3	6.3
Finance, Insurance, Real Estate and Business Services	10.5	10.6	10.6	10.5	10.5
Ownership of Dwellings	5.6	5.7	5.7	5.7	5.7
Other Services	3.4	3.5	3.5	3.5	3.5
Less: Imputed Bank Service Charges	-4.0	-4.1	-4.1	-4.2	-4.0
TOTAL	**77.1**	**76.6**	**76.8**	**76.8**	**76.7**
2. Private Households (Domestic Services) .	2.8	2.9	2.9	3.0	3.0
3. Producers of Government Services					
Public Administration					
Defence					
Education					
Health					
Agricutural Services					
Other Services					
TOTAL	**14.5**	**14.6**	**14.6**	**14.6**	**14.5**
TOTAL MONETARY ECONOMY	94.4	94.4	94.3	94.3	94.3
TOTAL MONETARY & NON-MONETARY ECONOMY	100.0	100.0	100.0	100.0	100.0

* Revised.
** Provisional.

Terms of Trade, Impact on per Capita Income

2.33. Table 2.5 presents the effects of the country's international terms of trade on real GDP for the period 1999 – 2003. Whereas the unadjusted real GDP grew by 1.8 per cent in 2003, the adjusted GDP expanded by 1.2 per cent in the same year. This was mainly on account of widening balance of trade. Adjusted per capita GDP contracted by 1.0 per cent in 2003. However, the contraction was lower compared to 1.8 per cent in 2002.

Table 2.5: Impact of Commodity Terms of Trade on Per Capita GDP, 1999 - 2003

	1999	2000*	2001*	2002*	2003**
1. Unadjusted GDP at constant Factor Cost (KSh.mn.)	103,701.5	103,455.8	104,731.2	105,944.6	107,800.5
2. Adjustment for changes in terms of trade (KSh.mn.)	-4,482.90	-5,491.40	-7,744.20	-8,550.46	-9,254.59
3. Adjusted GDP (KSh.mn.)	99,218.56	97,964.40	96,987.01	97,394.09	98,545.95
4. Population (millions)	29.50	30.20	30.80	31.50	32.20
5. Unadjusted per capita GDP (KSh)	3,520.91	3,424.79	3,398.63	3,361.50	3,347.84
6. Adjusted per capita GDP (KSh)	3,368.71	3,242.99	3,147.29	3,090.21	3,060.43
7. Growth in unadjusted per capita GDP***	1.42	-0.24	1.23	1.16	1.75
8. Growth in adjusted per capita GDP***	-5.32	-3.73	2.95	-1.81	-0.96

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

Use of resources

2.34. Table 2.6 shows analysis of GDP by expenditure approach. The table shows a growth in indirect taxes while subsidies stagnated for the fourth year running. The rise in indirect taxes was on account of improved tax collection by the Kenya Revenue Authority. Imports of goods and non-factor services continued to outweigh the corresponding exports thus maintaining a deficit in balance of trade. Public consumption grew by 6.0 per cent principally due to increases in salaries for the teachers and a rise in government expenditure in education and health sectors.

Table 2.6: Total Use of Resources at Current Prices, 1999 - 2003, Ksh. Million

	1999	2000	2001*	2002*	2003**
G.D.P. at Factor Cost	**639,056.2**	**685,436.2**	**767,380.9**	**849,987.8**	**968,423.8**
Of which:					
Non-Monetary	15,254.3	16,333.8	17,340.1	18,868.8	20,102.3
Monetary	623,801.9	669,102.4	750,040.9	831,119.1	948,321.5
Indirect Taxes	104,541.7	111,106.7	111,549.8	112,898.2	123,416.5
Subsidies	119.4	200.1	200.0	200.0	200.0
G.D.P. at Market Prices	**743,478.6**	**796,342.9**	**878,730.7**	**962,686.1**	**1,091,640.3**
+ Import of goods and non-factor services	232,232.4	289,523.1	317,745.3	302,758.0	321,929.0
- Export of goods and non-factor services	189,265.0	211,432.7	234,176.0	250,429.0	271,785.0
= Import Surplus	42,967.4	78,090.4	83,569.3	52,329.0	50,144.0
Total Resources available for Domestic Investment and Consumption	786,446.0	874,433.3	962,300.0	1,015,015.1	1,141,784.3
Gross Fixed Capital Formation	112,961.2	116,368.5	123,078.8	124,313.2	136,566.9
Change in Stocks	7,141.5	6,141.7	5,281.9	4,542.4	4,587.8
Gross Investment	120,102.7	122,510.2	128,360.6	128,855.6	141,154.7
Public Consumption	125,943.0	139,158.6	168,731.0	184,337.1	195,466.7
Private Consumption	540,400.3	612,764.5	665,208.4	701,822.3	805,162.8
TOTAL CONSUMPTION	**666,343.3**	**751,923.1**	**833,939.4**	**886,159.5**	**1,000,629.5**

* Revised.
** Provisional.

Financing of Capital Formation

2.35. Foreign investors showed more willingness to invest and do business in Kenya in 2003. However, concerns about cost of doing business in Kenya particularly in regard to poor state of infrastructure, corruption, bureaucracy and red tape procedures have also been raised. Table 2.7 shows financing of capital formation in the country for the period 1999-2003. The data shows that domestic savings financed about 73.3 per cent of total capital expenditure.

Table 2.7 Financing of Capital Formation, 1999 -2003, KSh million

	1999	2000	2001*	2002*	2003**
GROSS CAPITAL FORMATION:					
Gross Fixed Capital Formation	112,961.2	116,368.5	123,078.8	124,313.2	136,566.9
Changes in Stocks	7,141.5	6,141.7	5,281.9	4,542.4	4,587.8
TOTAL	120,102.7	122,510.2	128,360.6	128,855.6	141,154.7
FINANCING:					
Grants from Abroad	32,793.1	48,480.8	43,626.6	34,244.0	42,769.0
Net borrowing from Abroad	6,303.3	18,090.0	30,119.0	13,950.0	(5,144.00)
Domestic Saving	81,006.3	55,939.4	54,615.0	80,661.6	103,529.8
TOTAL	120,102.7	122,510.2	128,360.6	128,855.6	141,154.7

* Revised

**Provisional.

Factor Incomes and Gross National Product (GNP)

2.36. Table 2.8 presents the GNP for the period 1999 to 2003. Growth in factor incomes was more pronounced in enterprises with an increase of 14.4 per cent in 2003 compared to 9.2 per cent in the public sector over the same period. The total remuneration of employees grew by 12.6 per cent in 2003. The growth in the public sector was on account of increase in salaries for teachers, nurses, parliamentarians and the police force. In addition recruitment in teaching proffession and in the essential sectors within the civil service contributed to this growth. The GNP has for a long time remained larger than the GDP as a result of the country paying more factor incomes to the rest of the world than it receives.

Table 2.8: Gross National Product at Current Prices 1999-2003, Ksh. Million

	1999	2000*	2001*	2002*	2003**
FACTOR INCOMES:					
A. Non-Monetary Economy	15,254.3	16,333.8	17,340.1	18,868.8	20,102.3
B. 1. Remuneration of Employees :					
Enterprises	192,596.8	213,322.9	249,562.7	286,705.5	327,885.1
Private Households	7,293.6	8,099.4	8,932.4	9,222.8	9,926.9
Producers of Government Services	88,597.5	92,932.9	102,764.6	139,866.0	152,748.0
T0TAL .	288,487.9	314,355.2	361,259.7	435,794.3	490,560.0
2. Rental Surplus (including depreciation)	24,368.8	27,263.6	29,596.4	31,614.9	36,547.9
3. Other Operating Surplus (including depreciation)	310,945.2	327,483.6	359,184.7	363,709.8	421,213.8
TOTAL MONETARY ECONOMY	623,801.9	669,102.4	750,040.9	831,119.1	948,321.5
TOTAL FACTOR INCOMES = GROSS DOMESTIC PRODUCT (AT FACTOR COST)	639,056.2	685,436.2	767,380.9	849,987.8	968,423.8
Add:Indirect Taxes	104,541.7	111,106.7	111,549.8	112,898.3	123,416.5
Deduct:Subsidies	119.4	200.1	200.0	200.0	200.0
GROSS DOMESTIC PRODUCT AT MARKET PRICES	743,478.6	796,342.9	878,730.7	962,686.1	1,091,640.3
Add: Factor Incomes Received From Abroad .	2,230.0	3,426.0	3,618.0	2,786.0	4,526.0
Deduct: Factor Incomes Paid Abroad	13,426.0	13,566.0	13,142.0	14,036.0	11,222.0
GROSS NATIONAL PRODUCT	732,282.6	786,202.9	869,206.7	951,436.1	1,084,944.3

* Revised.

** Provisional.

Trends in Gross Fixed Capital Formation

2.37. Table 2.9 shows trends in additions to private and public fixed assets by type. Transport equipment had the highest growth of 6.1 per cent in 2003. Plant machinery accounted for the bulk of gross fixed capital formation with 42.8 per cent share to the total. Investment in information technology equipments has been on the rise as the economy tries to keep abreast with the world's Information and Communication Technology (ICT) trends. Likewise, the mobile telephone operators have invested heavily in the last three years, a move that has resulted in rapid expansion of the network coverage countrywide.

2.38. Sectoral Gross Fixed Capital Formation is presented in table 2.10. Manufacturing had the largest share of investments followed by transport, storage and communication. Electricity and water and Transport, storage and communication are the only sectors in which capital formation declined in 2003 compared to 2002.

Table 2.9 Gross Fixed Capital Formation by type of asset, 1999 -2003, KSh. million

	Current Prices					Constant (1982) Prices				
DWELLINGS:	1999	2000	2001	2002*	2003**	1999	2000	2001	2002*	2003**
PRIVATE:										
Non-Monetary										
Monetary	3,178.3	3,159.2	3,222.4	3,343.6	3,577.7	564.5	533.6	538.8	548.1	557.2
TOTAL	594.1	653.5	673.1	982.1	1,041.0	105.5	110.4	108.4	148.6	157.4
PUBLIC	3,772.4	3,812.7	3,895.5	4,325.7	4,618.7	670.0	643.9	647.2	696.7	714.6
TOTAL	1,496.1	1,547.2	1,384.7	1,475.4	1,652.3	265.7	261.3	222.9	223.2	249.7
NON-RESIDENTIAL BUILDINGS:	5,268.4	5,359.9	5,280.2	5,801.2	6,271.0	935.8	905.2	870.1	919.9	964.3
PRIVATE										
PUBLIC	1,482.6	1,488.9	1,944.3	2,568.5	2,948.8	249.6	239.8	307.5	398.8	406.6
TOTAL	8,055.2	7,455.2	7,136.1	8,199.1	9,664.8	1,356.1	1,200.5	1,128.6	1,273.2	1,353.2
OTHER CONSTRUCTION WORKS:	9,537.8	8,944.1	9,080.4	10,767.5	12,613.6	1,605.7	1,440.3	1,436.1	1,672.0	1,759.8
PRIVATE										
PUBLIC	9,580.5	9,215.7	10,152.7	9,473.3	10,071.7	1,716.9	1,521.8	1,610.1	1,459.7	1,490.8
TOTAL	18,114.6	20,665.6	21,501.8	21,044.1	21,960.8	3,246.3	3,447.5	3,464.9	3,242.5	3,250.6
LAND IMPROVEMENT AND PLANTATION DEVELOPMENT	27,695.1	29,881.3	31,654.5	30,517.4	32,032.5	4,963.3	4,969.2	5,075.0	4,702.2	4,741.3
PRIVATE										
PUBLIC	467.1	485.8	515.2	555.5	627.7	76.1	73.4	96.6	82.3	84.5
TOTAL	3.2	0.2	1.3	22.7	62.2	0.5	0.0	0.3	3.4	8.4
TRANSPORT EQUIPMENT:	29.7	486.1	516.6	578.2	689.9	76.6	73.4	96.8	85.7	92.8
PRIVATE										
PUBLIC	13,965.6	13,982.4	17,848.7	18,594.4	23,070.7	2,185.6	2,086.6	2,553.0	2,579.0	2,741.0
TOTAL	2,989.1	2,602.2	2,663.3	2,928.5	3,319.9	467.8	388.3	381.0	406.2	426.8
MACHINERY AND OTHER EQUIPMENT:	16,954.7	16,584.6	20,512.1	21,522.8	26,390.7	2,653.3	2,475.0	2,934.0	2,985.1	3,167.7
PRIVATE										
PUBLIC	42,476.0	43,204.1	43,578.9	43,991.8	47,063.7	6,330.3	6,150.9	5,801.2	5,582.7	5,835.6
TOTAL	10,480.9	11,842.9	12,381.2	11,055.8	11,379.7	1,562.0	1,686.1	1,648.2	1,403.0	1,402.3
BREEDING STOCK AND DAIRY CATTLE:	52,956.9	55,047.0	55,960.2	55,047.6	58,443.4	7,892.2	7,837.0	7,449.4	6,985.7	7,237.7
PRIVATE										
TOTAL:	78.0	65.6	74.9	78.6	125.9	14.2	13.1	14.0	14.0	21.2
Non-Monetary Dwellings	3,178.3	3,159.2	3,222.4	3,343.6	3,577.7	564.5	533.6	538.8	548.1	557.2
TOTAL PRIVATE	71,822.2	72,255.2	78,010.3	79,587.7	88,527.1	11,242.6	10,729.5	11,029.6	10,813.2	11,294.1
TOTAL PUBLIC***	41,139.0	44,113.3	45,068.5	44,725.5	48,039.8	6,898.4	6,983.7	6,845.8	6,551.4	6,690.9
TOTAL PRIVATE AND PUBLIC	112,961.2	116,368.5	123,078.8	124,313.2	136,566.9	18,141.1	17,713.2	17,875.4	17,364.6	17,984.9

** Provisional.

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

Table 2.10 Gross Fixed Capital Formation By Industry, 1999 - 2003, Ksh. Million

	Current Prices					Constant (1982) Prices				
	1999	2000	2001	2002*	2003**	1999	2000	2001	2002*	2003**
A. NON-MONETARY ECONOMY:	3,178.3	3,159.2	3,222.4	3,343.6	3,577.7	564.5	533.6	538.8	548.1	557.2
B. MONETARY ECONOMY:										
Enterprises and Non-Profit Institutions:										
Agriculture	7,731.9	8,304.3	8,523.9	9,147.2	9,787.7	1,184.5	1,216.3	1,202.2	1,233.7	1,303.6
Forestry	20.1	35.0	43.6	46.4	39.5	3.5	5.8	6.9	7.2	5.9
Fishing										
Mining and Quarrying	1,082.5	1,087.2	1,093.6	1,268.2	2,050.4	163.7	156.6	148.2	165.2	174.3
Manufacturing	23,869.0	23,977.6	25,439.2	26,652.4	28,581.8	3,687.4	3,481.2	3,517.8	3,520.0	3,546.5
Building and Construction	8,447.6	10,635.0	10,812.0	11,134.0	12,962.5	1,291.8	1,553.8	1,592.3	1,475.6	1,690.3
Electricity and Water	8,358.1	9,031.1	8,640.4	8,627.8	9,069.5	1,367.7	1,408.9	1,257.6	1,241.3	1,202.5
Trade, Restaurants and Hotels	3,755.6	3,505.0	4,302.2	4,815.1	5,995.6	581.0	511.1	605.9	661.1	760.3
Transport,Storage and Communications	25,620.0	24,383.4	25,595.1	25,630.7	26,790.5	4,119.6	3,877.6	3,776.6	3,773.0	3,581.5
Finance,Insurance,Real Estate and Business Services	5,114.5	5,212.4	6,198.0	6,321.1	7,371.1	838.9	758.4	895.5	848.5	949.2
Ownership of Dwellings	2,374.1	2,394.7	1,808.9	2,384.9	2,562.7	414.4	390.5	276.6	348.7	373.5
Other Services	4,769.5	5,284.4	5,984.6	5,160.0	5,782.1	729.3	764.2	832.5	674.6	710.5
TOTAL	91,142.8	93,850.1	98,441.7	101,187.8	110,993.5	14,381.9	14,124.2	14,112.0	13,948.9	14,298.0
Producers of Government Services										
Public Administration	6,518.8	6,078.8	7,236.2	6,596.1	7,564.9	1,090.8	973.7	1,104.5	987.6	1,047.5
Defence						-	-	-		
Education	1,956.6	2,054.8	2,170.8	2,296.0	2,637.2	311.6	328.2	328.7	335.0	369.0
Health	2,769.2	2,937.5	3,111.0	3,264.1	3,338.7	482.2	432.3	430.0	432.6	477.6
Agricultural Services	2,531.6	2,617.2	2,679.5	2,757.6	3,059.5	446.9	384.7	369.7	370.9	447.4
Other Services	4,863.9	5,671.0	6,217.3	4,868.0	5,395.5	863.1	936.4	991.7	741.4	788.3
TOTAL	18,640.1	19,359.2	21,414.8	19,781.8	21,995.8	3,194.6	3,055.5	3,224.6	2,867.6	3,129.8
NON-MONETARY ECONOMY	3,178.3	3,159.2	3,222.4	3,343.6	3,577.7	564.5	533.6	538.8	548.1	557.2
MONETARY ECONOMY	109,782.9	113,209.3	119,856.5	120,969.6	132,989.2	17,576.6	17,179.7	17,336.6	16,816.5	17,427.8
TOTAL	112,961.2	116,368.5	123,078.9	124,313.2	136,566.9	18,141.1	17,713.2	17,875.4	17,364.6	17,984.9
C. PERCENTAGE RATES OF GROWTH:										
Non-Monetary Economy	1.0	-0.6	2.0	3.8	7.0	-1.3	-5.5	1.0	1.7	1.6
Monetary Economy	-0.9	3.1	5.9	0.9	9.9	-4.8	-2.3	0.9	-3.0	3.6
TOTAL	-0.8	3.0	5.8	1.0	9.9	-4.7	-2.4	0.9	-2.9	3.6

* Revised

** Provisional.

Chapter 3
Social Scene

Overview

The Government's overall expenditure in the social sector increased by 16.6 per cent from Ksh. 93,975.47 million in 2002/2003 to Ksh.109,570.16 million in the 2003/2004 financial year. The increase in expenditure was mainly due to the implementation of the Free Primary Education Programme and the salary awards to teachers by the Government. The total school enrolment in primary schools increased from 6,131.0 thousand in 2002 to 7,208.1 thousand in 2003; with a massive influx into public schools. Enrolment in secondary schools increased modestly from 819,227 in 2002 to 862,907 in 2003. The number of teachers in primary schools went up slightly from 178,037 in 2002 to 178,622 in 2003 with the pupil teacher ratio worsening from 34:1 in 2002 to 40:1 in 2003.

3.2. The number of health facilities increased marginally by 1.3 percent from 4,499 in 2002 to 4,557 in the year 2003 while hospital beds and cots increased by 4.5 percent from 60,657 to 63,407 in the same period. The number of registered medical personnel rose by 2.6 percent from 59,049 in 2002 to 60,599 in 2003.

3.3. The number of adults who passed proficiency tests more than doubled from 4,500 in 2002 to 10,559 in 2003 while those who registered for Kenya Certificate of Primary Examination increased threefold to 6,634 in 2003. Grants to women group for community activities increased from Ksh.20 million in 2002 to Ksh.23.4 million in 2003.

3.4. There was a general rise in reported crime in 2003. Crimes reported to Police went up by 9.8 per cent, from 70,423 in 2002 to 77,430 in 2003. Reported cases of rape also went up by 14.4 per cent from 984 in 2002 to 1,126 in 2003 while child defilement and incest increased by 15.8 per cent from 1,021cases in 2002 to 1,182 in 2003. Violence against women rose by 9.6 per cent from 9,901 cases in 2002 to 10,852 in 2003.

3.5. The total number of convicted prisoners in 2003 stood at 94,220, representing an increase of 18.6 per cent, from the 2002 level of 79,442 convicts. Out of this number, 10,128 were females while 84,092 were males. The daily average population in prisons increased by 8.9 per cent from 38,292 prisoners in 2002 to 41,713 in 2003. About 38.0 per cent of prison population is comprised of remand persons, aggravating the problem of overcrowding which calls for speedy dispensation of cases by the Judiciary.

Social Sector Expenditure

3.6. Table 3.1 presents the total central government expenditure on social services from 1999/2000 to 2003/2004 financial years. The total central government expenditure on the social sector increased by 16.7 per cent from Ksh 93,975.47 million in 2002/2003 to Ksh. 109,570.16 in 2003/2004. Recurrent and development expenditures rose from Ksh. 82,751.47 million and Ksh. 11,223.99 million in 2002/2003 to Ksh. 95,280.51 million and Ksh. 14,289.63 million in 2003/2004, an increase of 15.1 and 27.3 per cent respectively. Recurrent and development expenditures for health rose by 10.8 and 4.5 percent respectively. Education sub-sector registered the highest expenditure increase of 20.8 per cent while expenditure on health rose by 9.2 per cent.

Table 3.1 Central Government Expenditure on Social Services, 1999/2000 - 2003/2004 (Ksh Million)

	1999/2000	2000/2001	2001/2002	2002/2003**	2003/2004*
RECURRENT EXPENDITURE-					
Ministry of Education Science & Technology***.	47,599.60	48,768.43	53,738.39	61,603.48	71,800.36
Ministry of Health+	9,335.80	14,870.25	10,527.39	14,448.49	16,004.71
Ministry of Labour and Human Resource Devel	678.4	825	1,048.19	1,464.76	1,483.12
Ministry of Home Affairs, National Heritage and Sports	3,220.40	3,882.26	6,581.57	5,234.74	5,992.32
SUB – TOTAL	60,834.20	68,345.94	71,895.54	82,751.47	95,280.51
DEVELOPMENT EXPENDITURE-					
Ministry of Education Science & Technology***..	660.2	1,093.36	2,597.32	4,814.44	8,434.38
Ministry of Health+	865.4	759.11	3,539.54	4,893.66	5,115.54
Ministry of Labour and Human Resource Development ..	147	334.38	493.26	389.23	297.4
Ministry of Home Affairs, National Heritage and Sports	83.6	356.04	890.26	1,126.66	442.33
SUB - TOTAL	1,756.20	2,542.89	7,520.38	11,223.99	14,289.65
TOTAL EXPENDITURE.	62,590.40	70,888.83	79,415.92	93,975.46	109,570.16

*Provisional.

**Budget estimates including supplementaries.

***Expenditure on the Ministry of Education Science and Technology

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

3.7. Table 3.2 shows the local government expenditures from 1999/2000 to 2003/2004 financial years. The total local government expenditure increased by 12.3 per cent between 2002/2003 and 2003/2004 financial years, with the largest proportion of 82.8 per cent of the expenditures committed to education and health. Over the same period expenditures on education and health increased by 1.5 percent and 16.6 per cent respectively.

Table 3.2: Local Government Expenditure on Social Services, 1999/2000 – 2003/2004, Ksh. Millions

Sector	1999/2000*	2000/2001*	2001/2002*	2002/2003*	2003/2004**
Education	631.1	693.7	718.2	822.4	834.67
Health	786.2	858.6	922.9	1,107.30	1,290.90
Other Social Services	100.2	253.6	231.2	356.78	442.6
Total Expenditure ..	1,517.50	1,805.90	1,872.30	2,286.48	2,568.17

* Provisional.

**Budget estimates including supplementaries.

3.8. Table 3.3 shows the expenditure of the Ministry of Education, Science and Technology for the financial years 1999/2000 to 2003/2004. The gross total expenditure for the ministry, stood at Ksh.80,234.74 million in the 2003/2004 financial year, representing an increase of 20.8 per cent from Ksh. 66,417.93 million spent in the 2002/2003 financial year. General administration and planning accounted for about 77.8 per cent of the ministry's total recurrent expenditure, while primary, secondary and higher education accounted for 8.3, 1.3 and 10.4 per cent of the ministry's total recurrent expenditure in 2003/2004 financial year respectively.

Table 3.3: Expenditure of the Ministry of Education, Science and Technology, 1999/2000 -2003/2004, Ksh. Millions

	1999/2000	2000/2001	2001/2002*	2002/2003*	2003/2004**
RECURRENT EXPENDITURE-					
General Administration and Planning	39,611.80	39,760.76	44,521.94	49,051.57	55,776.74
Pre-Primary Education	6.2	5.94	6.69	7.15	7.43
Primary Education	483.4	816.16	741.98	3,321.65	5,966.52
Secondary Education	595.8	697.69	667.31	667.88	945.42
Technical Education	726	875.18	865.77	865.72	500.54
Teacher Training	185.8	129.64	177.08	155.91	215.93
Special Education	81.6	103.19	54.49	120.41	187.39
Polytechnic Education	195.4	252.09	320.84	342.73	466.01
Higher Education***	5,449.80	5,862.89	6,382.29	6,808.94	7,483.27
Miscellaneous	263.8	264.89	-	261.52	251.11
SUB-TOTAL	47,599.60	48,768.43	53,738.39	61,603.48	71,800.36
DEVELOPMENT EXPENDITURE-					
General Administration and Planning	27.2	461.56	1,004.09	2,077.16	1,171.80
Pre-Primary Education	268.4	271.88	278.2	679.53	566.26
Primary Education	284.8	235.86	150.2	796.04	5,812.87
Secondary Education	2.4	9.3	3.1	52.19	150
Technical Education.	-	13.33	9.63	5	5
Teacher Training	2.8	33	608.1	74.66	96
Special Education	-	-	-	-	
Polytechnic Education	-	-	-	-	
Higher Education***	74.6	68.43	544	1,128.86	632.45
Miscellaneous	-	-	-	1	
SUB – TOTAL	660.20	1,093.36	2,597.32	4,814.44	8,434.38
GROSS TOTAL EXPENDITURE	48,259.80	49,861.79	56,335.71	66,417.93	80,234.74

* Provisional.

** Estimates including supplementaries.

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

3.9. The total development expenditure increased by 75.2 per cent from Ksh. 4,814.44 million in 2002/2003 to Ksh. 8,434.38 million in 2003/2004 financial year. Development expenditure on primary education accounted for 68.9 per cent of the total in 2003/2004. It increased seven fold from Kshs.796.04 million in the 2002/2003 financial year to Kshs.5, 812.87 million in the 2003/2004 financial year. However, there was a decline on development expenditure on general administration and planning; and on higher education by 43.6 and 44.0 percent respectively.

3.10. Table 3.4 shows the number of educational institutions between 1999 and 2003. The number increased slightly by 2.7 per cent from 51,123 in 2002 to 52,522 in 2003. The number of pre-primary units went up by 2.5 percent from 28,300 in 2002 to 28,995 in 2003. Public and private primary schools increased from 17,683 and 1,441 in 2002 to 17,822 and 1,674 in 2003 respectively. Similarly, the number of secondary schools in the country increased by 9.1 per cent from 3,667 in 2002 to 3,999 in 2003.

Table 3.4 Number of Educational Institutions*, 1999 – 2003 (Numbers)

Category	1999	2000	2001	2002	2003*
Schools:					
Pre-Primary	25,429	26,294	27,573	28,300	28,995
Primary:					
Public	17,054	17,381	17,544	17,683	17,822
Private	569	1,236	1,357	1,441	1,674
Total	17,623	18,617	18,901	19,124	19,496
Secondary:					
Public	2,785	2,888	3,242	3,247	3,547
Private	412	357	389	420	452
Total	3,197	3,207	3,621	3,667	3,999
Training Colleges:					
Primary	29	29	29	29	29
Secondary+	3	3	3	3	3
Universities					
Public	6	6	6	6	6
Private	8	9	11	13	17
TOTAL	46,281	48,150	50,127	51,123	52,522

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

3.11. **Pre-primary Education:** Enrolment in pre-primary schools increased by 2.5 per cent from 1,175,225 in 2002 to 1,204,606 in 2003. The number of trained teachers went up by 5.0 per cent from 49,889 in 2002 to 49,914 in 2003. The proportion of untrained teachers went down slightly from 50.6 in 2001 to 50.1 percent in 2003. There was an improvement in the pupil-teacher ratio from 30:1 in 2002 to 28:1 in 2003.

3.12. **Primary Education:** Table 3.5 presents primary school enrolment by standard /class and sex for the period 1999 to 2003. The total enrolment in primary schools rose by 17.6 per cent from 6,131.0 thousand in 2002 to 7,208.1 thousand in 2003. There was gender imbalance with 3702.8 thousand boys enrolled at all levels compared to 3,505.3 thousand girls, giving a sex ratio of 106:100. The massive influx in enrolment during the implementation of free primary education policy by the Government resulted in a significant rise of the gross enrolment ratio from 92 to 104 percent of the school going age population. Consequently, the national pupil/teacher ratio worsened from 34:1 in 2002 to 40:1 in the year 2003. It is however evident that a big proportion of pupils who join school in class one do not proceed to the next level or complete primary school indicating high repetition or dropout rates. A total of 586,961 candidates were registered for KCPE examinations in 2003 out of whom 303,907 were males and 284,054 were females.

Table 3.5 Primary School Enrolment by Standard and Gender, 1999 - 2003 ('000)**

	1999		2000		2001		2002		2003*	
Class	Boys	Girls	Boys	Girls	Boys	Girls	Boys	Girls	Boys	Girls
Standard 1	509.9	477	505.4	487.2	494.5	466.6	499.8	469.2	660.9	614.7
Standard 2	462.3	434.8	487.4	451.4	459.2	435.4	444.3	416	524	493.5
Standard 3	438.5	415.2	432	414.9	434.5	413.5	424.4	397.3	490.2	458.3
Standard 4	418.5	403.6	410.2	414.9	402.7	399	418.1	400	480.4	456.7
Standard 5	362.1	364.5	352.5	363.9	375.9	372.3	377.6	371.7	432	419.5
Standard 6	333.6	337.2	325.3	332.9	335.9	340.7	346.4	353.2	404.3	402.9
Standard 7	310.6	321.7	316.1	320.4	315.2	328	335.6	336.1	405.6	385.1
Standard 8	246.6	228	235.6	227.8	261.7	246.6	296.9	244.5	305.4	274.7
TOTAL	3,082.1	2,982.0	3,064.5	3,013.6	3,079.6	3,002.2	3,143.1	2,988.0	3,702.8	3,505.3
GRAND TOTAL	6,064.1		6,078.0		6,081.9		6,131.0		7,208.1	

*Provisional

** Revised (2000-2002)

Source : Ministry of Education, Science and Technology

3.13. Table 3.6 shows the number of primary school teachers by qualification and sex from 1999 to 2003. There were a total of 178,622 teachers in public schools in 2003, out of whom 73,972 were females and 104,650 males. The number of primary school teachers went up marginally by less than 1 percent from 178,037 reported in 2002. A significant proportion, 98.7 per cent of the teaching workforce in primary schools had been trained with about 72.7 per cent of them having attained P1 level. A significant proportion, 68.4 percent, of the untrained primary school teachers in 2003 were males, down from 72.9 percent reported in 2002.

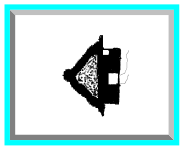
Table 3.6: Number of Primary Teachers by Qualification and Gender*, 1999 – 2003 (numbers)

	1999			2000			2001			2002			2003*		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
TRAINED															
Graduate	97	67	164	130	63	193	122	54	176	168	74	242	147	107	212
Approved	1,674	920	2,594	1,733	902	2,635	12,625	6,598	19,223	12,549	6,559	19,108	11,007	5,753	16,760
S1/Diploma	11,550	7,392	18,942	11,335	6,635	17,970	316	375	691	288	341	629	546	649	1,195
P1	71,147	54,343	125,490	69,338	51,662	121,000	74,288	53,250	127,538	74,076	53,098	127,174	75,597	54,188	129,785
P2	15,502	12,171	27,673	14,683	11,579	26,262	14,721	10,975	25,696	14,081	10,498	24,579	13,920	10,378	24,298
P3	2,513	2,788	5,301	2,261	2,685	4,946	2,027	2,401	4,428	1,859	2,201	4,060	1,818	2,154	3,972
TOTAL	102,483	77,681	180,164	99,480	73,526	173,006	104,099	73,653	177,752	103,020	72,772	175,792	103,036	73,228	176,264
UNTRAINED															
K.A.C.E.	-	-	-	-	-	-	-	-	-	-	-	-	24	28	52
K.C.E/K .C.S.E.	3,511	1,785	5,296	3,350	1,719	5,069	1,313	492	1,805	911	342	1,253	958	359	1,317
K. J. S. E	614	239	853	609	216	825	826	265	1,091	611	196	807	113	36	149
C. P. E/ Others	184	115	299	-	-	-	131	81	212	114	71	185	519	321	840
TOTAL	4,309	2,139	6,448	3,959	1,935	5,894	2,270	838	3,108	1,637	608	2,245	1,614	744	2,358
GRAND TOTAL	106,792	79,820	186,612	103,439	75,461	178,900	106,369	74,491	180,860	104,658	73,380	178,037	104,650	73,972	178,622

* 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



3.14. **Secondary Education:** Table 3.7 shows the enrolment in secondary schools by form and sex between 1999 and 2003. Total enrolment in secondary schools rose by 5.3 per cent from 819,227 in 2002 to 862,907 in 2003. More boys than girls were enrolled in secondary schools with a sex ratio of 108 boys to 100 girls. The total number of candidates registered for KCSE increased from 195,694 in 2002 to 207,730 in 2003 representing an increase of 6.2 per cent.

Table 3.7: Enrolment in Secondary Schools by Form and Sex, 1999 – 2003 (Numbers)**

	1999		2000		2001		2002		2003*	
Form	**Boys**	**Girls**	**Boys**	**Girls**	**Boys**	**Girls**	**Boys**	**Girls**	**Boys**	**Girls**
Form 1	105,231	95,773	108,116	97,196	112,174	103,425	116,221	105,231	116,954	111,802
Form 2	102,042	91,578	104,078	93,550	106,725	95,589	110,576	103,470	110,285	104,349
Form 3	92,003	81,666	98,610	87,346	103,339	90,351	105,179	93,366	108,833	102,954
Form 4	84,233	72,232	91,700	78,371	98,920	86,987	99,303	85,881	111,589	96,141
TOTAL	383,509	341,249	402,504	356,463	421,158	376,352	431,279	387,948	447,662	415,246
GRAND TOTAL	**724,758**		**758,967**		**797,510**		**819,227**		**862,907**	

*Provisional.

** Revised (2000-2002)

Source : Ministry of Education, Science and Technology

3.15. Table 3.8 shows the number of secondary school teachers by qualification and sex for the period 1999 to 2003. There were 46,445 secondary school teachers in 2003, representing an increase of 1.2 per cent from 45,901 teachers reported in 2002. There are about twice as many male secondary school teachers as females. About 96 per cent of the secondary school teachers are trained, with 65.6 per cent of them having attained graduate level training. Males constitute a bigger proportion, 81.2 per cent, of the untrained secondary school teachers.

Table 3.8: Number of Secondary Teachers by Qualification and Gender, 1999 – 2003 (Numbers)**

	1999			2000			2001			2002			2003*		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
TRAINED															
Graduate	15,271	9,148	24,419	15,211	8,942	24,153	18,105	10,523	28,628	18,527	10,768	29,296	19,281	11,206	30,487
Approved	3,585	1,637	5,222	3,545	1,616	5,161	8,283	4,125	12,408	8,476	4,221	12,697	8,197	4,082	12,279
S1/Diploma	5,690	2,977	8,667	5,612	2,967	8,579	1,067	629	1,696	1,092	644	1,736	1,029	607	1,636
TECHNICAL	810	305	1,115	805	299	1,104	185	85	270	189	87	276	267	123	390
SUB -TOTAL	25,356	14067	39,423	25173	13824	38,997	27,640	15362	43,002	28,285	15720	44,005	28,774	16018	44,792
UNTRAINED						-									
Graduate	925	225	1,050	734	136	870	1,052	192	1,244	1,077	196	1,273	950	173	1,123
Dip/Technical	206	103	309	166	57	223	452	157	609	463	161	623	393	137	530
SUB -TOTAL	1,131	328	1,359	900	193	1,093	1,504	349	1,853	1,539	357	1,896	1,343	310	1,653
GRAND TOTAL	26,487	14,395	40,782	26,073	14,017	40,090	29,144	15,711	44,855	29,824	16,077	45,901	30,117	16,328	46,445

* Provisional

* *Public schools data and excludes teachers on study leave, disciplinary cases and those performing non-teaching du

Source: Ministry of Education, Science and Technology

3.16. **Teacher Training Institutions:** Table 3.9 shows the number of teacher trainees enrolled by year and gender in public and private colleges between 1999 and 2003. The total number of teacher trainees enrolled in both public and private colleges increased by 4.8 per cent from 20,177 trainees in 2002 to 21,136 in 2003. Over the same period, the number that enrolled for P1 level course in public colleges rose by 6.8 per cent. A total of 2,222 trainees were enrolled in private colleges in 2003, the same as those enrolled in 2002. However, those enrolled for diploma courses decreased by 4.7 per cent from 2,225 in 2002 to 2,120 in 2003.

Table 3.9: Teacher Trainee Enrolment by Year and Gender, 1999- 2003 (Numbers)

TYPE OF INSTITUTION/	1999		2000		2001		2002		2003*	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Public Primary Teachers (P1)										
1st Year	1,827	1,735	3,796	3,842	4,358	4,018	4,269	4,122	4,316	4,210
2nd Year	1,657	1,459	3,194	3,484	3,952	3,381	3,871	3,468	3,963	4,305
SUB – TOTAL	3,484	3,194	6,990	7,326	8,310	7,399	8,140	7,590	8,279	8,515
Private Primary Teachers (P1)	1,069	1,113	1,158	1,306	1,243	1,268	1,089	1,133	1,044	1,178
Diploma Teachers										
1st Year	590	370	590	425	643	438	670	447	520	495
2nd Year	523	418	614	392	570	478	643	465	665	440
SUB – TOTAL	1,113	788	1,204	817	1,213	916	1,313	912	1,185	935
TOTAL	5,666	5,095	9,352	9,449	10,766	9,583	10,542	9,635	10,508	10,628
GRAND TOTAL	10,761		18,801		20,349		20,177		21,136	

*Provisional

Source: Ministry of Education, Science and Technology

3.17. **Technical Training Institutes:** Table 3.10 shows students enrolment by gender in Technical Training Institutions from 1999 to 2003. The overall number of student enrolment decreased slightly from 32,750 in 2002 to 32, 718 in 2003.Similarly, enrolment in other Technical Training Institutions dropped by 2 percent from 18,991 in 2002 to 18,611 in 2003. However, student enrolment in National Polytechnics rose by 2.5 per cent from 13,759 in 2002 to 14, 106 in 2003.

Table 3.10: Student Enrolment by Gender in Technical Institutions, 1999 – 2003 (Numbers)

INSTITUTION	1999		2000		2001		2002		2003*	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
National Polytechnics										
Kenya Polytechnic	2,720	1,739	2,979	1,228	4,523	1,385	4,586	1,984	4,488	2,016
Mombasa Polytechnic	1,784	1,141	1,943	801	3,567	1,092	3,149	1,401	2,647	1,390
Kisumu Polytechnic	689	441	646	266	785	240	947	410	937	421
Eldoret Polytechnic	664	425	833	343	647	515	1,527	660	1,523	684
Total	5,858	3,745	6,400	2,639	7,283	2,989	9,604	4,155	9,595	4,511
Other TTIs										
Technical Training Institutes	5,942	3,799	4,960	3,280	5,295	4,160	5,547	4,539	5,436	4,448
Institutes of Technology	4,875	2,040	4,380	2,895	4,674	3,672	4,898	4,007	4,800	3,927
Total	8,294	5,764	9,340	6,175	9,969	7,832	10,445	8,546	10,236	8,375
TOTAL	14,152	9,509	15,740	8,814	17,252	10,821	20,049	12,701	19,831	12,887
GRAND TOTAL	23,661		24,554		28,073		32,750		32,718	

Source: Ministry of Education, Science and Technology

* Provisional

3.18. **University Education:** Table 3.11 presents student enrolment by gender in universities for the period 1999/2000 to 2003/2004. Out of the total number of students enrolled in universities in 2003/2004, 85.9 per cent were in the six public universities. The number of students registered in public universities dropped by 2.6 per cent, from 59,593 in 2002/2003 to 58,017 in 2003/2004 while that in private universities went up by 4.5 per cent from 9,129 in 2002/2003 to 9,541 in 2003/2004. Nairobi, Moi, Egerton and Maseno Universities registered fewer students in 2003/2004 while Kenyatta University and Jomo Kenyatta University of Technology and Agriculture registered slightly a higher number compared to those registered in 2002/2003.

Table 3.11: Student Enrolment by Gender in Universities, 1999/2000 - 2003/2004 (Numbers)

INSTITUTION	1999/2000		2000/2001		2001/2002		2002/2003		2003/2004*	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Public Universities										
Nairobi	8,419	3,523	8,383	3,341	10,638	4,345	10,737	4,623	9,603	4,406
Kenyatta	4,188	3,008	4,510	3,019	10,638	4,314	10,737	4,998	10,753	5,023
Moi	3,483	2,312	4,753	1,960	5,469	2,310	6,275	2,638	5,804	2,812
Egerton	7,131	2,842	5,998	1,968	6,816	2,284	6,975	2,387	6,908	2,444
Jomo Kenyatta(JKUAT)	2,511	626	2,992	1,288	2,565	1,115	3,184	1,404	3,203	1,454
Maseno	2,338	1,385	2,596	1,538	2,531	1,518	3,505	2,130	3,429	2,178
SUB – TOTAL	28,070	13,696	29,232	13,114	38,657	15,886	41,413	18,180	39,700	18,317
Private Universities										
Private Accredited	3,186	3,816	3,093	4,050	3,122	4,089	3,476	4,163	3,650	4,371
Private Unaccredited`	777	346	876	472	949	511	748	742	763	757
SUB - TOTAL	3,963	4,162	3,969	4,522	4,071	4,600	4,224	4,905	4,413	5,128
TOTAL	32033	17858	33201	17636	42728	20486	45637	23085	44113	23445
GRAND TOTAL	49,891		50,837		63,214		68,722		67,558	

* Provisional

Enrolment data includes parallel programmes of the respective universities

Source: Ministry of Education, Science and Technology

Developments in the Education Sector

3.19. **Primary Education Teaching and Learning Materials:** There is a compelling need to provide more textbooks and learning materials for equity reasons. The capitation allocation currently stands at Ksh. 660 million per annum. Schools are expected to achieve a text book-pupil ratio of 1:3 in the lower primary and 1:2 in the upper primary. The expected life span of a textbook is 3 years hence schools will purchase fewer books after three years. However, the expenditure is likely to be slightly higher or about the same owing to the implementation of a new curriculum. The World Bank and the Government disbursement to all public primary schools for teaching and learning materials was Ksh. 3 billion in 2003.

3.20. **Secondary Schools Constituency Bursary Funds:** The cost of the secondary schools bursary scheme is about Ksh. 750 million per year. If administered transparently, the scheme can provide assistance to less than one half of those who qualify under the present criteria. There is therefore need for extra funds and improvement on policy/criteria to achieve the intended impact. The decentralization of the scheme to constituency level is aimed at streamlining disbursement to only those who qualify.

3.21. **Non Formal Education:** Community mobilization remains an important means of enhancing support for education. The Ministry of Education, Science and Technology is developing guidelines to support the community schools in slum areas with materials, books and school feeding programme. However, provision of teachers through the TSC will require further considerations because of the budgetary implications. The “hard-to-reach” children that include street children, orphans, HIV/AIDS affected and afflicted require a workable intervention for the country to achieve Education For All (EFA). Given the expanded demand for the NFE and its apparent role in helping the country achieve EFA goals, the MOEST is currently developing an all inclusive NFE policy.

3.22. **HIV/AIDS in Education Policy and Strategic Implementation:** HIV/AIDS is now widely understood to have an erosive effect on the performance and output of education systems. However, the education sector is handicapped in its activities by lack of relevant and dependable data. This shortcoming in the systemic capacity affects both routine system monitoring and the ability to benchmark and track HIV/AIDS impact. To address this gap, the Ministry of Education, Science and Technology is formulating an Education sector policy on HIV/AIDS. In developing effective decision support systems in the era of HIV/AIDS, the Mobile Task Team (MTT), the Ford Foundation and USAID are supporting the activities that focus on data and indicator needs within the Education Management Information System (EMIS).

Health

3.23. Information on disease surveillance, health personnel, institutions and facilities is critical in ensuring efficient resource allocation and effective implementation of cost-effective health-care strategies. Table 3.12 shows the distribution of health institutions and hospital beds and cots by province for the last two years. There were 4,557 health institutions in 2003 as compared to 4,499 in 2002, a marginal increase of 1.3 percent. Rift Valley Province reported the highest number of health facilities with a total of 1267 (27.8 percent), while North Eastern Province had the smallest number of health facilities, accounting for only 1.9 percent of the total.

3.24. The number of hospital beds and cots increased by 4.5 percent from 60,657 in 2002 to 63,407 in 2003, with majority of them located in Rift Valley Province. North Eastern Province continues to have the smallest number of hospital beds and cots, with a share of 3.0 percent of the total. Using the number of hospital beds and cots per 100,000 population as a performance measure, Coast Province emerges as the most well served province with a ratio of 31.4 per 100,000 while North Eastern Province is worst served with a ratio of 14.2 per 100,000.

Table 3.12: Health Institutions And Hospital Beds And Cots By Province, 2002 to 2003

Province	Number Of Health Institutions						Total		Hospital Beds And Cots			
	2002			2003*					2002		2003*	
	Hospital	H/ Centres	H/Sub Centre & Disp	Hosp	H/ Centres	H/Sub Centre & Disp	2002	2003	Number	No. Per 100,000 Population	Number	No. Per 100,000 Population
Nairobi	56	53	376	58	54	381	485	493	4891	21.2	5,011	21.6
Central	63	86	368	65	89	372	517	526	8,191	22.4	8,314	22.9
Coast	64	40	331	64	42	334	435	440	7,687	30.6	7,998	31.4
Eastern	63	79	689	65	80	692	831	837	7,412	15.3	7,822	15.4
N/Eastern	7	11	65	8	12	68	83	88	1,707	14	1,914	14.2
Nyanza	97	114	328	98	117	333	539	548	11,922	23.1	12,545	23.2
R/Valley	98	159	1,002	100	161	1,006	1,259	1,267	12,390	16.2	12,832	16.5
Western	66	92	192	68	94	196	350	358	6457	19.1	6,971	19.4
TOTAL	514	634	3,351	526	649	3,382	4,499	4,557	60,657	19.2	63,407	19.5

Source: Health Management Information System, Ministry Of Health

* Provisional

3.25. Table 3.13 shows contributions and benefits received by members of the National Hospital Insurance Fund from 1998/99 to 2002/03 financial years. Contributions net of benefits increased by 9.6 per cent from Ksh. 1,552.6 million in 2001/2002 to stand at Kshs.1, 701.86 million in 2002/03. Benefits to members also increased by 39 percent from Ksh.591,38million in 2001/02 to Ksh.822.0 million in 2002/03 while receipts by National Hospital Insurance Fund rose to Ksh.2,523.9 million in 2002/03 from Ksh. 2,143.9 in 2001/02, representing an increase of 17 .0 per cent.

Table 3.13: National Hospital Insurance Fund (1997/1998 –2001/2002) in Ksh. Millions

Year	Receipts	Benefits	Contributions net of Benefits
1998/1999	1,725.6	382.6	1,342.9
1999/2000	1,710.1	437.1	1,273.0
2000/2001	2,145.7	400.3	1,745.4
2001/2002	2,143.9	591.4	1,552.6
2002/2003	2,523.9	822.0	1,701.9

Source :National Hospital Insurance Fund

3.26. Table 3.14 shows the number of registered medical personnel for 2002 and 2003. During the period under review the number of registered medical personnel rose by 2.6 per cent from 59,049 in 2002 to 60,599 in 2003. Dentists accounted for only 1.3 per cent of the registered medical personnel. The ratio of medical personnel to 100,000 population went up slightly from 189.1 in 2002 to 192.1 in 2003. The number of medical personnel in Training Institutions increased by about 2.3 per cent from 8,075 in 2002/03 to 8,259 in 2003/04.

Table 3.14: Registered Medical Personnel, 2002 - 2003

	2002		2003*		In Training (Number)	
Type of Personnel	Number	No. Per 100,000 Population	Number	No. Per 100,000 Population	2002 /2003	2003 /2004*
Doctors	4,740	15.1	4,813	15.3	848	862
Dentists	761	2.6	772	2.7	169	178
Pharmacists	1,866	5.9	1,881	5.8	221	234
Pharmaceutical Technologists	1,399	4.3	1,405	4.3	155	169
Registered Nurses	9,753	31.0	9,869	33.1	1,267	1,281
Enrolled Nurses	29,094	94.6	30,212	100.2	3,882	3,940
Clinical Officers	4,778	15.2	4,804	15.7	878	891
Public Health Officers	1,174	3.3	1,216	3.6	194	215
Public Health Technicians	5,484	17.3	5,627	19.4	461	489
TOTAL	59,049	189.1	60,599	192.1	8,075	8,259

* Provisional.

Source: Health Management Information System, Ministry Of Health, 2004

3.27. Table 3.15 presents the number of medical trainees in government medical training colleges. There was a slower growth of 2.1 per cent in the number of medical trainees in 2003 as compared to 2002, with 29.1 percent and 12.4 per cent respectively of trainees being enrolled for diploma in community health and for diploma in clinical medicine. Out of the total number of trainees, 15.7, 68.8 and 15.5 per cent enrolled for certificate, diploma and higher diploma courses respectively.

Table 3.15: Middle Level Medical Trainees in Government Medical Training Colleges,1999 – 2003 (Numbers)

LEVEL OF TRAINING	1999	2000	2001	2002	2003	Total
Certificate in Community Health Sciences[1]	328	267	148	176	236	1,155
Certificate in Environmental Health Sciences	95	..	..	..	..	95
Certificate in Community Nutrition	21	-	..	..	..	21
Certificate in Medical Laboratory	..	-	30	51	135	216
Certificate in Medical Engineering	57	68	62	139	176	502
Plaster Technician Certificate	36	..	..	..	..	36
Certificate in Health Records & Information	42	47	..	..	28	117
Diploma in Community Health Sciences	518	651	605	851	951	3,576
Diploma in Community Nutrition	14	34	34	58	62	202
Diploma in Environmental Health Sciences	132	191	201	238	282	1,044
Diploma in Medical Laboratory Sciences	168	201	218	217	135	939
Diploma in Clinical Medicine	270	310	352	507	406	1,845
Diploma bridging Course in Medical laboratory	..	..	19	29	50	98
Diploma in Medical Engineering	..	11	13	16	45	85
Diploma in Dental Technology	14	15	20	52	28	129
Diploma in Health Records & Information	50	37	39	50	47	223
Diploma in Occupational Therapy	39	32	40	47	41	199
Diploma in Orthopaedic Technology	13	14	21	44	29	121
Diploma in Pharmacy	66	67	128	151	132	544
Diploma in Physiotherapy	32	37	42	40	44	195
Diploma in Medical Imaging Sciences	28	21	38	39	34	160
Higher Diploma in Medical education	..	30	38	..	..	68
Higher Diploma in Pharmacy	8	5	7	5	3	28
Higher Diploma in Environmental Department[2]	134	160	253	235	213	995
Higher Diploma in Medical Laboratory Sciences[3]	49	62	91	68	52	322
Higher Diploma in Nursing	52	59	45	59	78	293
Higher Diploma in Clinical Medicine[5]	79	98	40	124	57	398
TOTAL	2,245	2,417	2,484	3,196	3,264	13,606

Source: Kenya Medical Training College

Note: 1. Includes Community Health Nursing and Community Oral Health

2. Includes food science & inspection, epidemiology, health education, solid w aste management, and occupational health management.

3. Includes clinical chemistry, haematology, histology, parastology, virology, bacteriology, microbiology, biochemistry, and blood transfusion service management.

4.Includes midw ifery, intensive care nursing, KRCHN Post Basic and ophthalmic nursing

5. Includes paediatrics, orthopaedicts; ear,nose and throat, anaesthesia, cataract and surgery, reproductive health, and opthalmology

Other Social Services

3.28. Table 3.16 presents the National Youth Services recruitment and income for the period 1999 to 2003. For the last three years, income earned and the number of persons recruited into the Youth Services has been on a downward trend. The National Youth Service did not recruit service men and women in 2003.Though interviews for suitable candidates were conducted towards the end of 2003, intakes were effected in January 2004, which also affected those recruited from the streets.

Table 3.16: National Youth Services Recruitment and Income, 1999-2003

	Recruitment (Numbers)			Income Earned
Year	Service Men	Service Women	Total	KSh. Million
1999	..	..	..	18.60
2000	2,719	782	3,501	0.63
2001	2,964	788	3,752	0.67
2002	2,483	760	3,243	0.58
2003*	nil	nil	nil	nil

Source: National Youth Services

National Social Security Fund (NSSF)

3.29. Table 3.17 shows the number of registered employers and registered employees and the annual contributions and benefits paid to members. The number of registered employers increased by 4.0 per cent from 52,700 in 2002 to 54,800 in 2003. The number of registered employees increased by 3.5 percent, from 2,926,800 in 2002 to 3,030,400 in 2003. Members' annual contributions and benefits went up by 4.2 and 2.5 percent respectively in 2003.

Table 3.17: National Social Security Fund, 1999 – 2003

	1999	2000	2001	2002	2003*
Registered Employers '000	49.6	50.6	51.5	52.7	54.8
Registered Employees '000	2,637.1	2,735.4	2,832.5	2,926.8	3,030.4
Annual contribution Ksh. Mn	1,570.0	1,612.9	1,736.9	3,394.2	3,535.3
Annual benefits paid Ksh. Mn	1,974.0	1,991.6	2,078.1	2,392.8	2,451.5

Source: National Social Security Fund

* Provisional

Adult Education

3.30. Table 3.18 presents data on adult education enrolment by gender from 1999 to 2003. Total enrolment in the adult education classes decreased by 5.6 per cent from 114,865 in 2002 to 108,431 in 2003. However, the number of women enrolled in adult classes went up by 4.9 per cent while the number of men declined by 24.3 per cent.

Table 3.18: Adult Education Enrolment by Gender, 1999– 2003

Year	Male	Female	Total	% Female Enrolment
1999 ..	30,200	71,061	101,261	70.2
2000 ..	25,802	68,101	93,903	72.5
2001 ..	26,479	66,573	93,052	72.0
2002	41,341	73,524	114,865	64.0
2003* ..	31,305	77,126	108,431	71.1

*Provisional

Source: Department of Adult Education

3.31. Table 3.19 presents details of adults who passed proficiency tests (PPT) and those registered for KCPE by province from 1999 to 2003. The number of adults who passed proficiency tests more than doubled from 4,500 in 2002 to 10,559 in 2003. Similarly, the number that registered for KCPE increased four fold, from 1,590 in 2002 to 6,634 in 2003.

Table 3.19: Adults who Passed Proficiency Tests and those Registered for KCPE by Province, 1999- 2003 (Numbers)

	1999		2000		2001		2002		2003	
Province	PPT	KCPE	PPT	KCPE	PPT	KCPE	PPT	KCPE	PPT	KCPE
Nairobi	400	997	346	1,296	426	1,607	100		120	2,350
Central	1,543	111	1,812	160	1,141	149	610	105	1,018	209
Coast	1,305	480	1,205	368	1,042	342	430	601	852	501
Eastern	3,408	244	3,368	62	2,499	636	840	65	2,234	55
N/Eastern	532	231	634	536	394	636	150	60	420	1,146
Nyanza	3,046	227	3,987	100	2,803	101	730	114	2,144	147
Rift Valley	3,314	2,987	2,436	2,934	1,372	2,722	1,150	602	2,927	2,189
Western	1,611	46	1,720	43	1,179	213	490	43	844	37
TOTAL	15,159	5,323	15,508	5,499	10,856	6,406	4,500	1,590	10,559	6,634

*Provisional

Source: Department of Adult Education

3.32. Table 3.20 shows the number of registered women groups that receive assistance for community development activities. The number of registered women groups increased by 4.5 per cent from 122,441 in 2002 to 127,951 in 2003. There was a 3.4 per cent increase in membership from 4,766,625 in 2002 to 4,928,690 in 2003 while group contributions went up by 5.2 per cent from Ksh. 484.5 million in 2002 to Ksh. 509.7 million in 2003. Government grants to the women groups also increased by over Ksh.3.4 million from Ksh.20.0 million in 2002 to Ksh.23.4 million in 2003.

Table 3.20: Registered women groups, their membership, contribution and GOK grants, 1999 to 2003.

Year	No. of Women Groups	Membership	Group contribution (Ksh. Million)	Grants by GOK (Ksh.Million).
1999	107,080	4,287,701	408.2	1.0
2000	111,688	4,419,474	436.5	1.8
2001	115,884	4,520,178	457.9	9.0
2002	122,441	4,766,625	484.5	20.0
2003*	127,951	4,928,690	509.7	23.4

Source: Women's Bureau

* Provisional

3.33. Since the introduction of multi-party politics in 1991, participation of women in politics has greatly improved, making more women to be actively involved in politics by seeking civic and parliamentary seats. Table 3.21 shows that the number of elected and nominated women members of parliament doubled in 2002, from 9 women in 1997 to 18 women during the 2002 general elections.

Table 3.21: Distribution of National Assembly Members by Gender 1969 to 2002 (Numbers)

Year	Elected members			Nominated members			National Assembly Members		
	Men	Women	%Women	Men	Women	%Women	Men	Women	%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	200	10	4.8	4	8	66.8	204	18	8.1

Source: Electoral Commission, 2004

3.34. Women's representation in local authority politics improved significantly with the advent of multiparty politics in Kenya, as shown in Table 3.22. Their participation in local authorities increased from 2.4 percent in 1988 to 13.3 percent in 2002.

Table 3.22: Distribution of Councilors by Gender, 1988 – 2002 (Numbers)

Year	Women	Men	Total	%Women
1988	23.0	948.0	971.0	2.4
1992	50.0	1,786.0	1,836.0	2.7
1997	300.0	3,392.0	3,692.0	8.1
2002	377.0	2,460.0	2,837.0	13.3

Source: Electoral Commission/Women's Bureau, 2004

Public safety, Law and Order

3.35. The departments of Police, Judiciary, Prisons and Probation play complementary roles in the criminal justice system. Table 3.23 gives details of the annual crime statistics reported to the Police between 1999 and 2003. Overall, there has been a general increase in the number of reported cases of crime over the last five years. The number of reported cases rose by 10 percent to reach 77,430 in 2003. There was a dramatic rise in reported crime in 2003 as compared to the previous years; a situation which could be attributed to increased peoples' awareness of their rights and the democratic evolution in the country.

3.36. There was a notable increase in the total number of cases reported under the various categories in 2003 compared to 2002. Theft of motor vehicle parts increased by 20.6 per cent from 587 cases reported in 2002 to 708 in 2003 while reported cases of rape went up by 15.1 per cent from 2,005 in 2002 to 2,308 in 2003. Cases related to handling of dangerous drugs increased by 6.2 per cent from 4,467 in 2002 to 4,742 in 2003, while theft of bicycles increased by 39.1 per cent from 448 cases reported in 2002 to 623 in 2003. Cases of theft by servants also rose remarkably by 24.7 per cent from 2,371 in 2002 to 2,957 in 2003. However, corruption related cases declined by 34.2 per cent, from 76 in 2002 to 50 in 2003, while cases related to theft of motor vehicles and murder declined by 23.0 per cent and 16.0 respectively.

Table 3.23: Annual Crime Statistics, 1998 – 2003 (Numbers)

Cases reported to Police Stations	1999	2000	2001	2002	2003
Murder (including attempt)	1,625.0	1,807.0	1,688.0	1,661.0	1,395.0
Manslaughter	16.0	18.0	8.0	3.0	5.0
Rape (including attempt)	1,465.0	1,675.0	1,987.0	2,005.0	2,308.0
Assault	11,891.0	13,035.0	12,611.0	12,689.0	13,401.0
Other offences against the person	3,173.0	3,563.0	3,020.0	3,006.0	3,516.0
Robbery and Allied offences	8,612.0	8,923.0	9,180.0	8,504.0	8,711.0
Breakings	9,940.0	10,712.0	10,363.0	8,338.0	9,037.0
Theft of Stock	2,278.0	2,906.0	2,327.0	2,087.0	2,291.0
General stealing	9,591.0	10,129.0	8,919.0	8,340.0	9,916.0
Theft of M/vehicle	1,004.0	896.0	960.0	1,043.0	803.0
Theft of M/vehicles parts	770.0	748.0	753.0	587.0	708.0
Theft from m/ vehicles	526.0	569.0	558.0	420.0	399.0
Theft of bicycles	652.0	836.0	565.0	448.0	623.0
Theft by servant	3,075.0	3,221.0	2,757.0	2,371.0	2,957.0
Dangerous drugs	5,912.0	5,481.0	5,300.0	4,467.0	4,742.0
Handling stolen property	384.0	361.0	347.0	299.0	299.0
Corruption	43.0	42.0	23.0	76.0	50.0
Causing death by dangerous driving	259.0	346.0	301.0	298.0	295.0
Other offences against property	3,359.0	3,555.0	3,073.0	3,363.0	3,753.0
All other penal code offences	10,415.0	11,320.0	10,612.0	10,418.0	12,131.0
TOTAL	**74,990.0**	**80,143.0**	**75,352.0**	**70,423.0**	**77,340.0**

Source : Kenya Police Department

3.37. Violence against women which is manifested in the form of physical harm, death, psychological abuse, separation, divorce and other ills is on the increase as demonstrated by Tables 3.24 and 3.25. Table 3.24 presents reported cases of violence against women by type of offence from 1999 to 2003. The number of reported cases of violence against women increased by 9.6 per cent from 9,901 in 2002 to 10,852 in 2003. Incidences of rape increased by 14.4 per cent from 984 in 2002 to 1,126 in 2003, while cases of defilement and incest increased by 15.8 percent from 1,021 in 2002 to 1,182 in 2003. Battering and assault of women went up by 8.2 per cent in 2003.

Table 3.24 Reported Raped, Attempted Rape, Assault and Battering Cases 1999 – 2003

Offence	1999	2000	2001	2002	2003*
Rape and attempted rape	849	883	933	984	1,126
Defilement/incest	616	752	1,094	1,021	1,182
Assault and Battering	5,918	6,255	6,648	7,896	8,544
TOTAL	7,383	7,890	8,635	9,901	10,852

Source: Kenya Police/Women's Bureau, 2004

* Proposal

3.38. Table 3.25 shows the incidences of reported rape cases including attempt and allied offences by province from 1999 to 2003. The total number of reported rape cases including attempted rape and allied offences went up by 14.4 per cent from 984 in 2002 to 1,126 in 2003. Rift Valley Province reported the highest number with 256 cases followed by Central and Eastern Provinces with 216 and 159 cases reported in 2003 respectively. North Eastern Province recorded the lowest number of rape cases at 31. It should be noted that the data presented in this table refers to reported cases only as many of the rape cases go unreported.

Table 3.25: Reported Raped, attempted rape and allied offences against women by provinces, 1999 to 2003

Province	1999	2000	2002	2002	2003*
Nairobi	83	89	95	102	123
Central	179	181	186	194	216
Coast	75	77	82	87	101
Eastern	123	128	135	142	159
N/Eastern	12	13	17	23	31
Nyanza	114	117	124	131	147
R/Valley	207	215	223	229	256
Western	56	63	71	76	93
TOTAL	849	883	933	984	1,126

Source: Women's Bureau, 2004

* Proposal

3.39. Table 3.26 shows distribution of convicted prison population by age and sex between 1999 and 2003. The number of convicted prisoners increased by 48.8 per-cent from 63,335 in 1999 to 94,220 in 2003, thus exerting enormous pressure on the limited prison facilities and aggravating social ills and diseases associated with over-crowding. The distribution of the convicted prison population by gender in 2003 de-picts large gender imbalance with high presence of males than females. In 2003, the ratio of male to female stood at 8:1 while prison male population aged between 16 and 17 years was almost twice the number convicted in other years. The number of con-victs in this age group more than doubled from 2,476 convicted in 2002 to 5,465 in 2003. More than half of those convicted were aged between 18 and 25 years.

Table 3.26: Convicted Prison Population by Age and Sex, 1999 – 2003*

	1999		2000		2001		2002		2003*	
AGES	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Under 16	-	9	5	3	9	2	2	-	1	-
16-Under 18	2,437	316	2,995	369	3,057	448	2,476	521	5,465	644
18-20yrs	10,797	1,498	12,108	1,166	11,751	1,537	14,258	1,722	17,465	3,071
21-25 yrs	15,087	2,189	17,589	1,880	17,786	1,986	21,320	2,184	26,382	2,776
26-50 yrs	21,766	4,143	22,404	3,027	24,071	3,279	27,187	3,455	28,629	3,304
Over 50 yrs	4,715	378	4,269	287	5,178	326	5,752	565	6,150	333
TOTAL	54,802	8,533	59,280	6,723	61,852	7,378	70,995	8,447	84,092	10,128
GRAND TOTAL	63,335		66,003		69,230		79,442		94,,220	

Note: * The figures exclude remand persons in Prisons

Source: Kenya Prisons Department, 2004

* Proposal

3.40. Daily Average Population (DAP) is a key indicator to measure prison population at any given time. Table 3.27 presents daily average population of prisoners by gender and broken down by convicted prisoners and remand prisoners for the period 1999 to 2003. Daily average population rose by 8.9 per cent from 38,292 in 2002 to 41,713 in 2003. The daily average of male remand prisoners increased by 11.0 per cent from 13,534 to 15, 020 while female remand prisoners went up by 15.0 percent from 805 in 2002 to 924 in 2003.

Table 3.27: Daily Average Population (DAP) of Prisoners by Gender, 19999 - 2003 (Numbers)

	Convicted Prisoners			Remand Prisoners			
Year	Males	Females	Total	Males	Females	Total	Total DAP
1999	21,242	829	22,071	13,363	790	14,153	36,224
2000	23,009	863	23,872	13,552	807	14,359	38,231
2001	20,854	818	21,672	13,608	831	14,439	36,111
2002	23,026	927	23,953	13,534	805	14,339	38,292
2003*	24,531	1,238	25,769	15,020	924	15,944	41,713

Source: Kenya Prisons Department

* Proposal

3.41. Table 3.28 shows prison population by duration of sentence from 1999 to 2003. The majority of prison population, 70 percent, in 2003 are composed of those committed for safe custody (remandees). About 21 per cent of convicted prisoners in 2003 had been sentenced for periods between 1 month and 2 years, out of whom 18.0 per cent were males and less than 3 per cent females. Of the prisoners who were sentenced for less than 1 month, 25,772 of them (8.0 per cent) were males and 1,241 (less than 1.0 per cent) were females. The number of prisoners reported to have died in Kenyan prisons but excluding executions, increased from 591 (581males and 10 females) in 2002 to 651 (636 males and 15 females) in 2003. However, the ratio of prisoners to total national population decreased from 126 in 2002 to 120 per 100,000 people in 2003.

Table 3.28: Prison Population by Sentence and Duration, 1999 - 2003

Categories of Persons Committed	1999		2000		2001		2002		2003*	
	M	F	M	F	M	F	M	F	M	F
Sentenced to 2 yrs or more	10,147	302	9,959	344	9,227	360	9,195	419	9,787	451
Sentenced 1 Month-2yrs	38,593	6,583	41,172	5,222	44,102	5,880	44,589	6,650	58,532	8,436
Less than 1 Month	6,062	1,648	8,148	1,157	8,514	1,338	17,209	1,378	25,772	1,241
Committed for debt	528	89	658	84	762	130	1,240	146	800	185
(remands)	153,248	9,431	175,738	11,250	191,297	11,557	190,945	11,695	212,624	13,345
Total	208,578	18,053	235,675	18,057	253,902	19,265	263,178	20,288	297,515	23,658
Number Previously convicted	15,412	1,534	19,319	1,254	15,308	2,059	18,188	1,991	23,757	2,269
Daily Average Population in Prison	34,604	1,639	36,561	1,670	34,462	1,648	36,560	1,732	39,550	2,163
Deaths (Excluding Executions)	971	16	747	22	516	13	581	10	636	15
Prisons Population per 100,000 of National Population	126		127		117		122		120	

Source: Kenya Prisons Department, 2004

* Proposal

Probation Service

3.42. Probation is a non – custodial criminal rehabilitation method through which offenders are sentenced by the court of law for between 6 months and 3 years. The offender serves the sentence period while living in the community assisted by the Probation Office to adjust to non – criminal life.

3.43. Table 3.29 shows the number of prisoners by gender and offence serving on probation for the period 1999 to 2003. On average 1 out of 5 persons who have been serving a non – custodial criminal rehabilitation is a female.

3.44. Persons serving probation jail term went up by 8 percent from 9,857 in 2002 to 10,674 in 2003. About 17 and 16 percent of persons who served on probation in 2003 were jailed for offences of general stealing and committing offences against other persons respectively.

3.45. Community service order is a non-custodial sentence for offenders whose sentence is less than 3 years. Offenders perform unpaid public work for the community instead of being sent to prison. Offences such as robbery with violence, rape, indecent assault, and possession of narcotic drugs do not qualify for this programme. The aim of the programme is to decongest prisons and hence reduce government expenditure. The programme also offers humane treatment and rehabilitation of offenders through reparation and community participation.

Community Service Order Sentence

3.46. Table 3.30 shows the number of prisoners serving community service orders by sex and type of offence for the period 1999 to 2003. The number of persons serving under community service orders increased by 25 percent from 30,921 in 2002 to 38,752 in 2003. The ratio of persons serving under this programme in 2003 was 1 female to 4 males. Juveniles formed a small proportion of those serving under this category of prisoners. Males and females were 15 and 9 percent of the total prisoners in this category respectively.

Table 3.29: Number of Prisoners Serving Probation Sentence by Gender and Type of Offence: 1999 – 2003 (Numbers)

	1999				2000				2001				2002				2003			
	Male		Female		Male		Female		Male		Female		Male		Female		Male		Female	
Crimes Committed	Ad	Juv	Ad	Juv	Ad	Juv	Ad	Juv	Ad	Juv	Ad	Juv	Ad	Juv	Ad	Juv	Ad	Juv	Ad	Juv
Murder (including attempt)	38	-	7	-	7	1	-	-	-	-	5	-	2	-	3	-	1	-	7	-
Manslaughter	49	8	14	-	95	10	36	3	61	10	11	2	69	13	27	1	58	11	24	4
Rape (including attempt)	88	11	1	-	93	13	5	19	47	13	-	-	71	34	-	21	65	35	1	-
Other offences against the person	1,127	128	216	25	966	144	304	34	968	169	328	43	998	141	381	41	1,160	142	370	24
Robbery and allied offences	179	34	129	2	347	85	27	-	219	56	28	6	301	25	41	4	179	32	71	-
House breaking	535	158	30	5	468	191	37	5	412	165	41	5	368	115	39	-	572	177	38	2
Theft of Stock	166	38	3	-	191	47	21	54	110	40	20	-	161	27	8	1	168	27	9	-
General stealing	1,084	222	218	51	1,164	321	213	42	966	315	175	42	709	205	147	40	1,247	289	210	47
Theft of Motor vehicle	20	2	-	-	21	3	-	-	20	-	1	-	198	34	27	-	21	1	16	-
Theft of motor vehicle parts	57	4	-	-	49	7	1	-	58	1	-	-	43	-	3	-	43	14	-	-
Theft from a motor vehicle	68	8	1	-	49	7	2	-	46	6	-	-	54	10	-	-	56	5	5	-
Theft of bicycles	44	7	-	-	45	2	-	-	36	6	1	-	31	6	-	-	42	-	2	-
Theft by servant	315	98	113	37	353	88	138	57	262	43	126	14	251	39	80	41	346	121	143	48
Dangerous drugs	633	310	113	17	529	170	106	25	486	146	261	41	393	101	92	15	516	115	93	32
Handling stolen property	139	11	42	2	189	25	43	2	145	70	38	7	189	44	48	3	427	46	37	5
Corruption	9	-	1	-	42	7	4	-	9	-	-	-	9	-	-	-	4	1	-	-
Causing death by dangerous driving	7	-	-	-	11	1	-	-	23	2	-	-	9	-	-	-	18	-	-	-
Other offences against property	425	55	85	6	405	96	149	14	362	55	91	7	386	81	97	20	417	95	138	13
All other penal code offences	1,986	426	653	143	1,635	501	727	146	1,660	505	702	166	2,118	501	847	139	1,755	431	575	130
Sub – Total	6,969	1,321	1,533	289	6,628	1,727	1,815	338	5,894	1,625	1,659	334	6,360	1,380	1,807	310	7,103	1,542	1,732	297
Total	8,290		1,822		8,355		2,153		7,519		1,993		7,740		2,117		8,645		2,029	
Grand Total	10,112				10,508				9,512				9,857				10,674			

Source: Probation Department

Note: “Ad” refers to adults and “Juv” refers to juveniles(under 18 years)

Table 3.30: Number of Prisoners Serving Community Service Order by Gender and Type of Offence: 1999 – 2003 (Numbers)

	1999				2000				2001				2002				200	
	Male		Female		Male		Female		Male		Female		Male		Female		Male	
Crimes Committed	Ad	Juv	Ad	Juv	Ad	Juv	Ad	Juv	Ad	Juv	Ad	Juv	Ad	Juv	Ad	Juv	Ad	Juv
Murder (including attempt)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Manslaughter	-	-	-	-	3	-	-	-	2	-	-	-	16	1	5	-	18	-
Rape (including attempt)	2	-	-	-	2	-	-	-	4	-	-	-	4	1	-	-	-	1
Other offences against the person	357	53	194	76	1,066	46	571	7	1,280	33	390	5	1,137	38	469	4	1,890	20
Robbery and allied offences	59	-	-	-	16	-	-	-	41	-	1	-	45	-	1	-	3	-
House breaking	18	5	5	-	148	14	7	-	215	5	6	1	181	9	25	-	220	9
Theft of Stock	5	-	-	-	50	2	-	-	330	1	3	-	60	1	2	-	57	3
General stealing	183	30	33	-	971	48	209	2	825	14	141	5	788	35	237	1	1,119	30
Theft of Motor vehicle	-	-	2	-	4	-	-	-	3	-	-	-	13	-	-	-	-	-
Theft of motor vehicle parts	-	-	-	-	5	1	-	-	3	-	-	-	7	-	-	-	5	4
Theft from a motor vehicle	-	-	-	-	17	1	-	-	1	1	-	-	10	-	2	-	6	-
Theft of bicycles	-	-	-	-	3	-	-	-	41	-	19	-	5	1	-	-	4	-
Theft by servant	22	-	9	-	109	8	22	3	198	4	45	3	176	4	82	1	381	3
Dangerous drugs	359	-	121	-	1,320	10	777	-	1,559	21	632	-	1,508	11	604	-	1,373	15
Handling stolen property	15	-	-	-	45	10	4	-	67	-	4	2	67	4	10	-	88	4
Corruption	-	-	-	-	18	-	2	-	5	-	1	-	1	-	-	-	-	-
Causing death by dangerous driving	-	-	-	-	-	-	-	-	-	-	-	-	1	-	2	-	3	-
Other offences against property	262	35	85	7	681	33	318	1	419	15	154	7	354	8	98	1	583	10
All other penal code offences	3,189	67	1,234	14	7,479	3,693	3,810	2,150	16,718	277	6,216	105	18,424	246	6,139	106	17,210	5,696
SUB – Total	4,473	181	1,692	96	11,943	3,863	5,723	2,163	21,735	372	7,614	128	22,768	357	7,683	113	22,976	5,794
Total	4,654		1,788		15,806		7,886		22,107		7,742		23,125		7,796		28,770	
Grand Total	6,442				23,692				29,849				30,921				38,7	

Source: Probation Department

Note: “Ad” refers to adults and “juv” refers to juveniles(Under 18 years)

After- Care Rehabilitation Programme

3.47. This is a programme administered by the Probation Office on offenders who have been released from penal institutions such as ex- borstals, inmates, long – term prisoners and special category (psychiatric) criminals .It involves a follow – up of probationers who have completed their period but require additional assistance for complete integration in the community. The aim is to resettle the offenders in the community and engage them in meaningful economic activities.

3.48. Table 3.31 shows the number of prisoners serving after – care rehabilitation by sex and offence for the period 1999 – 2003. The number of persons rehabilitated increased by 6.9 per cent from 407 in 2002 to 435 in 2003. In the same period, the number of juveniles increased by 24 percent from 255 in 2002 to 316 in 2003. However, the number of females under this category decreased by 10 percent from 41 in 2002 to 37 in 2003. The three major offences for people who were rehabilitated in 2003 include general stealing at 14 per cent, other offences against persons and peddling dangerous drugs at 10 per cent each.

Table 3.31: Number of Prisoners Serving After – Care Rehabilitation by Gender and Type of Offence: 1999 – 2003 (Numbers)

	1999				2000				2001				2002				2003			
	Males		Females		Males		Females		Males		Females		Males		Females		Males		Females	
Crimes Committed	Ad	Juv	Ad	Juv	Ad	Juv	Ad	Juv	Ad	Juv	Ad	Juv	Ad	Juv	Ad	Juv	Ad	Juv	Ad	Juv
Murder (including attemp)	-	-	-	-	-	-	-	-	-	-	1	-	-	-	-	-	5	-	2	-
Manslaughter	2	1	-	-	3	4	-	1	3	2	1	-	2	-	3	-	4	1	-	1
Rape (including attempt)	-	19	-	-	1	19	-	-	-	19	-	-	-	22	-	-	2	30	-	3
Other offences against the person	23	22	4	1	12	21	9	-	24	15	9	4	57	14	12	-	29	8	5	1
Robbery and allied offences	-	8	-	-	1	1	-	-	-	4	-	-	-	6	-	-	4	14	-	1
house breaking	-	48	-	-	7	68	-	-	1	47	1	-	8	48	1	-	5	41	-	1
Theft of Stock	-	19	-	-	-	4	1	-	2	6	-	1	-	17	-	-	3	25	-	-
General Stealing	5	51	4	1	9	56	21	1	8	82	1	2	5	50	3	1	12	41	2	8
Theft of Motor Vehicle	-	-	-	-	-	-	-	-	-	1	-	-	-	7	-	-	-	30	-	-
Theft of motor vehicle parts	-	-	-	-	-	1	-	-	-	1	-	-	-	-	-	-	-	-	-	-
Theft from a motor vehicle	-	1	-	-	-	1	-	-	-	1	-	-	-	2	-	-	-	2	-	-
Theft of bicycles	-	-	-	-	-	1	-	-	-	1	-	-	-	-	-	-	1	1	-	-
Theft of servant	-	10	1	-	2	14	1	-	-	6	-	-	-	8	1	-	8	4	2	1
Dangerous drugs	4	39	-	2	8	21	-	-	5	22	3	-	10	25	2	1	8	36	-	-
Handling stolen property	1	5	-	-	1	-	-	-	1	3	-	-	7	3	3	1	1	4	-	-
Corruption	-	-	-	-	-	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-
Causing death by dangerous driving	-	-	-	-	1	1	-	-	-	-	-	-	2	-	-	-	-	-	-	-
Other offences against property	10	8	2	-	3	13	1	-	3	9	-	1	11	10	1	-	8	12	3	1
All other penal code offences	5	25	-	-	14	28	3	3	10	31	4	3	14	38	10	2	13	46	2	4
Sub – Total	50	256	11	4	62	253	36	5	57	251	20	11	116	250	36	5	103	295	16	21
Total	306		15		315		41		308		31		366		41		398		37	
Grand Total	321				356				339				407				435			

Source: Probation Department

Note: "Ad" refers to adults and "Juv" refers to juveniles(under 18 years)

Chapter 4
Employment, Earnings and Consumer Prices

Overview

The structure of employment in Kenya is such that majority of the population depend on rural small scale farming and pastoralists activities. The analysis presented in this Chapter covers the modern sector wage employment and the informal sector. Labour market indicators show that job creation in the economy is intricately linked to economic growth. With the moderate recovery of the economy, employment outside small-scale farming and pastoralists activities reached 7,338,500 in 2003 from that of 6,851,600 in 2002. The informal sector continued to provide the majority (94.3 per cent) of the additional jobs. The average annual inflation rate increased significantly from 2.0 per cent in 2002 to 9.8 per cent in 2003. However, the underlying inflation, which excludes food commodities, rose marginally from 2.6 per cent to 3.6 per cent over the period under review. As a result, the increase in real average earnings was lower than that of the previous year, registering a marginal growth of 2.9 per cent in 2003 compared to 12.7 per cent in 2002.

Employment

4.2. The number of persons engaged outside small scale farming and pastoralists activities went up by 7.1 per cent from 6,851.6 thousand in 2002 to 7,338.5 thousand registered in 2003. In the year under review, the number of newly created wage employment in the modern sector was 27.9 thousand, mainly attributed to improvement in job creation in the Export Processing Zones (EPZs) and recovery in the formal Agriculture sector. Table 4.1 shows that wage employment in the modern sector increased by 1.6 per cent compared with the growth of 1.3 per cent in 2002.The informal sector created 458,800 new jobs, which constituted 94.3 per cent of all new jobs created outside of small scale agriculture. Self employed and unpaid family workers within the modern sector accounted for 0.9 per cent of all jobs.

Table 4.1: Total Recorded Employment: June, 1999 - 2003, in 000s

	1999	2000	2001	2002	2003*
Modern Establishments - Urban and Rural Areas:					
Wage Employees**	1,688.7	1,695.4	1,677.1	1,699.7	1,727.6
Self-employed and unpaid family workers	65.1	65.3	65.4	65.5	65.7
Informal Sector	3,738.8	4,150.9	4,624.4	5,086.4	5,545.2
TOTAL	5,492.6	5,911.6	6,366.9	6,851.6	7,338.5

* Provisional.

4.3 **Modern Sector** - Table 4.2, which presents wage employment by industry and sector, shows that there was a slight increase in the number of jobs created in the private sector, 27.7 thousand compared with 22.3 thousand in the previous year. There was selective recruitment in the public sector in the essential services such as the police force, medical services, teaching force, the immigration department and provincial administration. Despite this, the net effect was not reflected in the overall job creation due to the fact that these were replacements of officers who had left the service through natural attrition.

4.4. The share of private sector employment in the modern sector wage employment continued to rise and stood at 61.9 per cent in the year 2003. The highest growth in employment in the private sector was in the manufacturing industry at 6.3 per cent. This was slightly lower than the growth of 7.3 per cent recorded in 2002. This translated to about 12.4 thousand additional jobs in the manufacturing sector. There was notable improvement in the growth of wage employment in the Agriculture and Mining and quarrying industries, of 1.3 per cent and 2.2 per cent respectively. Wage employment in private sector Building and construction industry registered a 1.1 per cent increase in 2003 compared to 0.2 per cent in 2002.

4.5. The Government continued in its efforts to attain a leaner work force and privatisation of non-strategic public enterprises as part of public sector reform. In 2003, the public sector registered only marginal increases in employment in Central Government, Teachers Service Commission and Local Government.

Table 4.2: Wage Employment by Industry and Sector*, 1999 - 2003, '000s

	1999	2000	2001	2002	2003*	% change
PRIVATE SECTOR:						
Agriculture and Forestry	249.6	251.3	254.7	256.3	259.6	1.3
Mining and Quarrying	4.5	4.6	4.6	4.6	4.7	2.2
Manufacturing	183.6	182.9	183.1	196.4	208.7	6.3
Electricity and Water	1.5	1.5	1.6	1.7	1.8	5.9
Building and Construction	52.2	52.3	52.4	52.5	53.1	1.1
Wholesale and Retail Trade, Restaurants and Hotels	147.3	149.1	150.8	151.4	156.7	3.5
Transport and Communications	43.7	44.5	46.2	47.7	49.3	3.4
Finance,Insurance, Real Estate and Business services	68.1	68.8	68.8	68.6	69.1	0.7
Community, Social and Personal Services	239.4	247.8	256.5	261.5	265.6	1.6
TOTAL PRIVATE SECTOR	**989.9**	**1,002.8**	**1,018.7**	**1,040.9**	**1,068.6**	**2.7**
PUBLIC SECTOR:**						
Agriculture and Forestry	62.9	60.9	57.8	57.3	56.5	-1.4
Mining and Quarrying	0.7	0.7	0.6	0.6	0.7	16.7
Manufacturing	36.3	35.8	33.5	33.4	33.0	-1.2
Electricity and Water	21.6	21.2	19.8	19.6	19.3	-1.5
Building and Construction	27.0	26.3	24.4	24.0	23.5	-2.1
Wholesale and Retail Trade, Restaurants and Hotels	6.4	6.4	6.1	6.1	6.1	0.0
Transport and Communications	40.9	39.7	38.1	37.8	37.6	-0.5
Finance, Insurance, Real Estate and Business services	16.7	16.2	15.0	14.6	14.2	-2.7
Community, Social and Personal Services	486.3	485.3	463.1	465.5	468.2	0.6
TOTAL PUBLIC SECTOR	**698.8**	**692.5**	**658.5**	**658.8**	**659.1**	**0.0**

* Provisional.

4.6. Data on wage employment in the public sector is presented in Table 4.3. Local government continued to register a positive growth in wage employment, rising from 83,900 in 2002 to 85,600 in 2003. Similarly, Central Government employment went up marginally from 194.9 thousand persons in 2002 to 195.0 thousand in 2003 after declining by 0.4 per cent in 2002. Employment in the Teachers Service Commission (TSC) rose by a marginal 0.2 per cent from 234.3 thousand persons in 2002 to 234.8 persons in 2003 after declining by 0.4 per cent in 2002. This was within the committed target of 235.0 thousand persons that the TSC has maintained since 2000. Wage employment in parastatals and institutions with majority control by the public sector maintained a downward trend due to Government efforts to restructure and privatise non-strategic public enterprises.

Table 4.3 Wage Employment in the Public Sector, 1999 - 2003*, '000s

	1999	2000	2001	2002	2003**	Annual Percentage Change, 2003/2002
Central Government***	224.0	222.9	195.7	194.9	195.0	0.1
Teachers Service Commission ..	242.3	236.8	231.3	234.3	234.8	0.2
Parastatal Bodies+	105.2	104.1	101.6	99.0	97.3	-1.7
Majority Control by the Public Sector++ ..	48.5	48.0	47.5	46.7	46.4	-0.7
Local Government	78.8	80.7	82.3	83.9	85.6	2.0
TOTAL	**698.8**	**692.5**	**658.4**	**658.8**	**659.1**	0.0

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

** Provisional.

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

+ Refers to Government wholly-owned corporations.

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

4.7. Distribution of wage employment in the modern sector by province is presented in Table 4.4. Nairobi Province, which commands the largest share of modern sector wage employment, registered the highest increase in wage employment among the provinces due to its industrial and commercial status. Wage employment in Rift Valley province grew by 1.7 per cent from 381.7 thousand persons in 2002 to 388.2 thousand persons in 2003. Central, Nyanza and North Eastern Provinces registered low employment growth.

Table 4.4 Wage Employment by Province, 1999 - 2003*, '000s

Province	1999	2000	2001	2002	2003*	Percentage Change, 2003/2002
Nairobi	424.6	425.4	419.9	425.6	433.6	1.9
Coast	208.5	209.5	207.7	210.8	214.3	1.7
North Eastern	15.5	15.5	15.5	15.7	15.9	1.3
Eastern	140.9	141.4	139.8	141.9	144.1	1.6
Central	241.6	242.7	240.3	242.7	246.0	1.4
Rift Valley	377.7	379.9	376.0	381.7	388.2	1.7
Nyanza	168.5	169.2	167.4	169.1	171.3	1.3
Western	111.4	111.8	110.5	112.2	114.2	1.8
TOTAL	1,688.7	1,695.4	1,677.1	1,699.7	1,727.6	1.6

* Provisional

4.8. Table 4.5 presents wage employment in major towns by six urban-based industries for the years 1998 and 2003. Over the last five years, some 89.5 thousand jobs were generated in the urban areas giving an overall increase of 10.4 per cent. The table shows that while Nairobi had the highest wage employment among other towns, its share in urban wage employment has declined from 46.4 per cent in 1998 to 43.3 per cent in 2003. The data also shows that growth in wage employment in the major towns expanded at a slower rate compared to that of other towns. Among the main activities represented in the major towns, high growths in wage employment during the period 1998 to 2003 were recorded in the wholesale and retail trade and hotels and restaurants; followed by manufacturing and the financial sector.

4.9. The number of females in wage employment rose from 503.4 thousand in 2002 to 511.1 thousand in 2003, with their share in the total remaining at the 2002 level. As shown in Table 4.6, educational services followed by agricultural and forestry industries remained the major female employers. Majority of females employed in the modern sector (58.2 per cent) were working in the community, social and personal services in 2003. Further analysis of employment status shows that there were 394.7 thousand female regular employees in the year under review. Overall, there was an increase in female casual employment whereas regular employment showed some decline compared to the previous year.

Wage earnings in the modern sector

4.10. Table 4.7 presents analysis of total wage payments by industry and sector for the period 1999 to 2003. Overall , nominal wage bill increased by 14.9 per cent, rising from Kshs 388,420.6 million in 2002 to Kshs 446,293.7 million in 2003. The private sector wage bill went up by 18.3 per cent from Kshs 240,898.5 million in 2002 to Kshs 284,912.2 million in 2003, while the public sector wage bill went up by 9.4 per cent; lower than the rise of 15.6 per cent recorded in 2002. Due to it's large share in wage employment, the community, social and personal services sector absorbed 42.5 per cent of the total wage bill in 2003.

Table 4.5: Wage Employment by Urban Centres and Selected Industries*, 1998 And 2003, '000s

	Manufacturing		Construction		Wholesale and Retail Trade, Restaurants and Hotels		Transport and Communica-tions		Finance, Insurance, Real Estate and Business Services		Community, Social and Personal Services		Total Six Industries	
Towns	1998	2003**	1998	2003**	1998	2003**	1998	2003**	1998	2003**	1998	2003**	1998	2003**
Nairobi	75.9	80.5	39.7	39.1	57.3	61.2	29.9	29.9	42.2	40.0	155.9	161.9	400.9	412.6
Mombasa	31.0	33.6	6.3	6.5	21.7	22.8	30.6	31.6	13.3	12.7	48.7	50.9	151.6	158.1
Kisumu	7.1	7.7	2.2	2.3	4.3	4.5	1.8	1.8	2.5	2.3	21.5	22.3	39.4	40.9
Nakuru	8.6	9.4	2.6	2.6	5.6	6.0	1.6	1.6	2.5	2.4	13.1	13.8	34.0	35.8
Thika	16.3	17.5	0.6	0.6	3.2	3.3	0.4	0.4	1.8	1.7	5.9	6.2	28.2	29.7
Eldoret	16.3	17.7	1.9	1.9	4.1	4.3	0.9	1.0	2.9	2.8	4.9	5.4	31.0	33.1
Malindi	0.4	0.5	0.3	0.3	2.9	3.1	0.3	0.3	0.4	0.4	3.0	3.1	7.3	7.7
Kericho	3.9	4.2	1.0	1.0	1.3	1.4	0.2	0.2	0.5	0.5	5.5	5.7	12.4	13.0
Others	24.9	50.8	17.4	5.2	20.7	52.3	8.3	7.0	4.9	22.6	82.8	84.6	159.0	222.5
TOTAL	184.4	221.9	72.0	59.5	121.1	158.9	74.0	73.8	71.0	85.4	341.3	353.9	863.8	953.4

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

** Provisional.

Table 4.6: Wage Employment by Industry and Sex, 2002 and 2003, '000s

	MALES		FEMALES		TOTAL	
INDUSTRY	2002	2003*	2002	2003*	2002	2003*
Agriculture and Forestry ..	235.8	237.5	77.9	78.5	313.7	316.0
Mining and Quarrying ..	4.2	4.2	1.1	1.2	5.3	5.4
Manufacturing	189.8	199.6	40.0	42.1	229.8	241.7
Electricity and Water ..	17.5	17.3	3.8	3.8	21.3	21.1
Building and Construction	71.5	71.7	5.0	4.9	76.5	76.6
Trade, Restaurants and Hotels	115.2	119.1	42.3	43.6	157.5	162.7
Transport and Communications	68.1	69.3	17.3	17.6	85.4	86.9
Finance, Insurance, Real Estate and Business Services ..	61.7	61.7	21.6	21.6	83.3	83.3
Community, Social and Personal Services-						
Public Administration ..	96.9	94.2	57.2	55.6	154.1	149.8
Education Services	179.0	185.1	136.3	141.0	315.3	326.1
Domestic Services	61.2	58.8	40.6	39.0	101.8	97.8
Other Services	95.4	98.1	60.3	62.1	155.7	160.2
TOTAL	1,196.3	1,216.6	503.4	511.0	1,699.7	1,727.6
Of which: Regular	979.5	995.8	401.6	394.7	1,381.1	1,390.5
Casual	216.8	220.8	101.8	116.3	318.6	337.1

* Provisional

4.11. Total wage payments in the private sector rose by 18.3 per cent in 2003 which is higher than the 17.0 per cent recorded in 2002. This is partly attributed to rise in wage employment and average nominal wages. The commitment of the government to reduce the public sector wage bill over the recent years by slowing down wage employment except in essential services, as well as the restructuring and privatisation of non-strategic public sector enterprises, has resulted in its wage bill being consistently lower than the private sector over the review period. The data shows that the public sector accounted for 36.2 per cent of the total wage bill in the modern sector in 2003.

Table 4.7: Estimated Total Wage Payments by Industry and Sector, 1999 - 2003, KSh Million per Annum

	1999	2000	2001++	2002	2003*
PRIVATE SECTOR:					
Agriculture and Forestry	14,798.0	16,595.8	19,002.0	21,366.8	24,573.8
Mining and Quarrying	361.2	407.4	473.3	545.9	625.0
Manufacturing	29,052.8	31,903.7	35,679.4	41,579.3	49,263.3
Electricity and Water	359.2	395.8	517.6	631.7	776.7
Building and Construction	7,106.4	7,932.1	9,204.9	10,529.9	12,229.6
Wholesale and Retail Trade, Restaurants and Hotels	31,721.0	37,476.3	43,962.4	51,457.6	61,775.8
Transport and Communications ..	9,929.5	11,962.9	14,880.2	18,283.0	22,049.5
Finance, Insurance ,Real Estate and Business Services	18,920.9	22,059.5	25,733.8	29,771.1	34,905.8
Community, Social and Personal Services	32,450.0	40,136.2	56,401.9	66,733.2	78,777.7
TOTAL PRIVATE SECTOR	144,699.0	168,869.7	205,855.5	240,898.5	284,977.1
PUBLIC SECTOR**:					
Agriculture and Forestry	5,545.1	6,431.7	6,917.6	8,007.1	8,681.3
Mining and Quarrying	97.5	110.2	109.1	120.3	125.8
Manufacturing	5,098.4	5,670.9	4,818.7	5,571.0	5,995.1
Electricity and Water	4,180.6	4,730.9	4,852.6	5,597.8	6,049.5
Building and Construction	3,143.6	3,469.3	4,226.6	4,876.4	5,242.6
Wholesale and Retail Trade, Restaurants and Hotels	1,112.6	1,269.4	1,415.0	1,885.7	2,119.2
Transport and Communications ..	9,393.5	11,993.4	9,745.2	11,540.4	12,877.4
Finance, Insurance ,Real Estate and Business Services	6,291.9	7,178.3	7,030.6	8,467.9	9,219.2
Community, Social and Personal Services	68,055.5	76,147.9	88,518.8	101,455.5	111,006.5
TOTAL PUBLIC SECTOR	102,918.7	117,002.0	127,634.2	147,522.1	161,316.6
TOTAL PUBLIC AND PRIVATE ..	247,617.7	285,871.7	333,489.7	388,420.6	446,293.7

*Provisional

++Revised

4.12. A summary of wage payments in the public sector by type of employer is presented in Table 4.8. The wage bill for Central Government increased by 3.3 per cent to KSh 28,732.9 million in 2003, mainly as a result of normal salary increments and partly due to the slight increase in employment in the civil service. The share of the Central Government wage bill in the total public sector wage bill continued to decline and accounted for 17.8 per cent of the total wage bill. The Teachers Service Commission wage bill rose by 4.9 per cent to KSh 46,866.5 million, and still accounted for the largest share of public sector wage bill in 2003.

Table 4.8: Total Wage Payments in the Public Sector, 1999 - 2003, KSh. Million

	1999	2000	2001++	2002	2003*
Central Government**	26,664.2	26,981.5	26,588.5	27,825.1	28,732.9
Teachers Service Commission** ..	36,588.8	36,920.9	37,871.2	44,670.1	46,866.5
Parastatal Bodies***	17,885.9	23,675.8	27,918.7	33,107.5	37,561.5
Majority Control by the Public Sector+.. .	9,641.9	14,389.2	17,174.4	20,500.3	23,521.6
Local Government	12,138.0	15,034.6	18,081.5	21,419.1	24,634.2
TOTAL	102,918.7	117,002.0	127,634.2	147,522.1	161,316.6

* Provisional.

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

*** Refers to Government wholly-owned corporations.

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

++ Revised

4.13. During 2003, total wage earnings per employee rose by 13.0 per cent from KSh 228,535.0 in 2002 to KSh 258,325.2 per annum in 2003. As shown in Table 4.9, annual average earnings in the private sector increased from KSh 231,452.8 in 2002 to KSh 266,694.1 in 2003, an increase of 15.2 per cent. Average earnings per person were still higher in the private sector than in the public sector. Annual average earnings for employees in primary activities of agriculture, mining and quarrying and building and construction remained below the national average.

Table 4.9: Average Wage Earnings Per Employee, 1999 - 2003*

	1999	2000	2001++	2002	2003*
PRIVATE SECTOR:					
Agriculture and Forestry	59,287.4	67,062.0	74,595.6	83,363.5	94,674.5
Mining and Quarrying	80,320.2	90,003.3	102,657.4	117,418.3	132,774.2
Manufacturing	158,205.4	177,614.3	194,869.5	211,715.7	235,985.1
Electricity and Water	236,173.6	274,461.6	316,976.6	367,484.4	429,833.3
Building and Construction	136,234.0	156,827.9	175,759.3	200,698.8	230,398.7
Trade, Restaurants and Hotels	215,340.7	251,308.2	291,620.5	339,820.1	394,329.0
Transport and Communications	227,427.6	266,584.9	322,235.4	383,274.6	447,686.2
Finance, Insurance, Real Estate and Business Services	277,762.8	320,497.7	374,016.0	433,721.8	505,485.5
Community, Social & Personal Services	161,523.4	187,980.4	219,899.3	255,187.9	296,552.4
TOTAL PRIVATE SECTOR	152,459.2	175,845.9	202,083.2	231,452.8	266,727.0
PUBLIC SECTOR:					
Agriculture and Forestry	85,628.7	102,187.0	119,596.3	139,848.3	153,770.7
Mining and Quarrying	133,654.9	151,277.8	168,080.9	185,705.7	193,477.4
Manufacturing	106,592.3	124,847.2	143,866.1	167,050.5	181,736.0
Electricity and Water	175,692.4	209,572.9	245,501.9	285,888.9	313,655.6
Building and Construction	124,530.3	148,239.7	173,508.6	202,858.6	222,891.8
Trade, Restaurants and Hotels	171,760.7	200,684.8	230,178.1	309,234.3	348,040.3
Transport and Communications	180,017.5	215,425.5	255,709.7	305,480.3	342,248.6
Finance, Insurance ,Real Estate and Business Services	334,888.9	401,016.4	469,769.6	579,043.9	647,777.2
Community, Social & Personal Services	148,773.5	168,009.3	191,118.3	218,002.1	237,071.9
TOTAL PUBLIC SECTOR	147,279.3	168,956.0	193,826.8	223,939.6	244,771.4
TOTAL PRIVATE AND PUBLIC SECTOR	150,316.4	173,031.7	198,841.7	228,540.4	258,343.7
MEMORANDUM ITEMS IN PUBLIC SECTOR:					
Central Government	119,036.6	121,047.6	135,863.5	142,766.0	147,348.0
Teachers Service Commission**	151,006.0	155,916.0	163,661.2	190,653.4	199,601.8
Parastatal Bodies***	170,018.0	227,433.7	274,790.0	334,419.4	386,037.7
Majority Control by the Public Sector +	198,802.0	299,774.0	361,596.0	438,977.5	507,477.4
Local Government	154,035.6	186,302.8	219,702.0	255,293.7	287,782.7
TOTAL PUBLIC SECTOR	147,279.3	168,956.0	193,826.8	223,939.6	244,771.4

* Provisional.

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

*** Refers to Government w holly-ow ned corporations.

+ Refers to institutions w here the Government has 51 per cent or more shareholding but does not fully ow n them.

++Revised

Table 4.10: Percentage Changes in Wage Employment and Average Earnings*, 2002/1997 and 2002/2001

	EMPLOYMENT		AVERAGE EARNINGS	
	2003/1998	2003/2002**	2003/1998	2003/2002**
PRIVATE SECTOR:				
Agriculture and Forestry	5.9	1.3	85.9	13.6
Mining and Quarrying	9.3	2.2	86.5	13.1
Manufacturing	15.5	6.3	73.8	11.5
Electricity and Water	20.0	5.9	166.4	17.0
Building and Construction	2.3	1.1	97.8	14.7
Trade, Restaurants and Hotels	8.6	3.5	114.3	16.0
Transport and Communications	14.4	3.4	127.2	16.8
Finance, Insurance ,Real Estate and Business Services	3.4	0.7	109.3	16.5
Community, Social & Personal Services	15.9	1.6	112.5	16.2
TOTAL PRIVATE SECTOR	10.5	2.7	103.3	15.2
PUBLIC SECTOR:				
Agriculture and Forestry	-12.5	-1.4	106.2	10.0
Mining and Quarrying	0.0	16.7	57.3	4.2
Manufacturing	-10.1	-1.2	91.8	8.8
Electricity and Water	-12.3	-1.5	103.6	9.7
Building and Construction	-15.5	-2.1	105.2	9.9
Trade, Restaurants and Hotels	-6.2	0.0	127.3	12.5
Transport and Communications	-11.7	-0.5	117.2	12.0
Finance, Insurance ,Real Estate and Business Services	-18.9	-2.7	123.1	12.0
Community, Social and Personal Services	-5.0	0.6	75.9	8.7
TOTAL PUBLIC SECTOR	-7.3	0.0	85.2	9.3
TOTAL PUBLIC AND PRIVATE	2.9	1.6	96.4	13.0
MEMORANDUM ITEMS IN PUBLIC SECTOR:				
Central Government***	-14.3	-0.4	29.2	3.2
Teacher's Service Commission***	-5.2	1.3	36.6	4.7
Parastatal Bodies+	-10.7	-2.6	201.7	15.4
Majority Control by the Public Sector ++	-7.1	-1.7	207.6	15.6
Local government	11	1.9	129.6	12.7
TOTAL PUBLIC SECTOR	-7.3	0.0	85.2	9.3

* Revised based on improved coverage.

** Provisional

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

\+ Refers to Government wholly-owned corporations.

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

4.14. Annual average earnings in the public sector rose by 9.3 per cent from KSh 223,925.5 in 2002 to KSh 244,771.4 in 2003 compared to the 15.2 per cent increase in the private sector over the same period. Annual average earnings for employees in Central Government rose by 3.2 per cent while those of the Teachers Service Commission rose by 4.7 per cent. Annual average earnings for employees in parastatals and institutions under Government's majority control grew by 15.4 and 15.6 per cent respectively.

Table 4.11: Estimated Real Average Wage Earnings* Per Employee, 1999 – 2003, KShs. per annum

	1999	2000	2001	2002	2003*
PRIVATE SECTOR:					
Agriculture and Forestry	52,629.7	54,143.4	56,947.6	62,416.5	64,549.5
Mining and Quarrying	71,300.7	72,665.4	78,370.4	87,914.3	90,525.8
Manufacturing	140,439.8	143,399.2	148,766.7	158,517.3	160,898.2
Electricity and Water	209,652.5	221,590.2	241,985.3	275,145.6	293,061.5
Building and Construction	120,935.7	126,617.0	134,177.6	150,268.6	157,018.4
Trade, Restaurants and Hotels	191,159.1	202,897.0	222,628.1	254,432.5	268,855.4
Transport and Communications	201,888.7	215,230.8	246,000.0	286,968.1	305,228.6
Finance, Insurance ,Real Estate and Business Services	246,571.5	258,758.0	285,530.2	324,739.3	344,641.4
Community, Social & Personal Services	143,385.2	151,768.4	167,874.9	191,066.1	202,180.5
TOTAL PRIVATE SECTOR	135,338.9	141,971.5	154,273.8	173,295.0	181,832.8
PUBLIC SECTOR:					
Agriculture and Forestry	76,013.1	82,502.0	91,301.9	104,708.2	104,841.3
Mining and Quarrying	118,646.1	122,136.1	128,315.8	139,042.9	131,913.4
Manufacturing	94,622.5	100,797.0	109,829.8	125,075.2	123,908.1
Electricity and Water	155,963.1	169,201.4	187,420.3	214,052.8	213,851.2
Building and Construction	110,546.2	119,683.3	132,459.4	151,885.7	151,968.2
Trade, Restaurants and Hotels	152,472.9	162,025.5	175,721.9	231,532.1	237,294.8
Transport and Communications	159,802.5	173,926.6	195,213.1	228,721.4	233,346.0
Finance, Insurance ,Real Estate and Business Services	297,282.6	323,765.8	358,630.1	433,545.9	441,656.2
Community, Social & Personal Services	132,067.0	135,644.5	145,903.0	163,224.1	161,636.2
TOTAL PUBLIC SECTOR	130,740.6	136,408.9	147,970.7	167,669.7	166,885.8
TOTAL PRIVATE AND PUBLIC SECTOR	133,436.6	139,699.4	151,799.1	171,114.4	176,126.8
MEMORANDUM ITEMS IN PUBLIC SECTOR:					
Central Government	105,669.4	97,729.3	103,720.5	106,892.8	100,462.3
Teachers Service Commission***	134,048.8	125,880.8	124,941.7	142,747.4	136,089.1
Parastatal Bodies+	150,925.9	183,621.6	209,779.3	250,388.9	263,201.6
Majority Control by the Public Sector++	176,477.6	242,026.5	276,048.6	328,674.4	345,999.5
Local Government	136,738.2	150,414.0	167,724.3	191,145.3	196,211.0
TOTAL PUBLIC SECTOR	130,740.6	136,408.9	147,970.7	167,669.7	166,885.8

* Average current earnings adjusted for the rise in consumer prices. Real Earnings and the consumer price indices, are based on October 1997.

** Provisional.

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

\+ Refers to Government wholly-owned corporations.

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

4.15. Table 4.10 presents percentage changes in wage employment and average earnings for the period 1998 to 2003. During the five-year period, total employment has risen by 2.9 per cent; with wage employment in the private sector rising by 10.5 per cent while that of public sector declined by 7.3 per cent. In the same period, employment in Central Government dropped by 14.3 per cent, followed by 10.7 per cent fall in employment in parastatal organisations.

4.16. Total annual average earnings in the economy have risen by 96.4 per cent over the five-year period with private sector average earnings rising by 103.4 per cent. Earnings in the public sector have gone up by 85.2 per cent in the period under review. Private sector employees in the manufacturing industry had the lowest rise in average earnings over the period 1998 to 2003, followed by those in Agriculture and Forestry, Mining and Quarrying, and Building and Construction respectively. The highest rises in average earnings in the public sector were for employees in institutions with majority control by the public sector (207.6 per cent) followed by parastatal bodies (201.7 per cent).

Table 4.12: Changes in Wage Employement, Prices and Real earnings, 1999 – 2003, Per Centage

	1999	2000	2001	2002	2003*
Wage employment	0.6	0.4	-1.1	1.3	1.6
Average earnings at current prices	14.2	15.1	14.9	14.9	13.0
Consumer prices (Inflation rates)**	5.8	10.0	5.8	2.0	9.8
Real average earnings+	8.0	4.7	8.7	12.7	2.9

* Provisional.

indices and are a weighted average of the three income

+Revised based on the adoption of the new Consumer Price Index

4.17. Real average earnings per employee by sector and industry are shown in Table 4.11 and Table 4.12. Average real earnings went up marginally by 2.9 per cent from KSh 171,114.4 to KSh 176,126.8 per annum. Private sector real earnings rose by 4.9 per cent from their 2002 levels whereas those for public sector employees went down marginally. The Teachers Service Commission negotiated a major increase in the year 2003. This will however be reflected in the analysis for year 2004 because the analysis here refers to June 2003 whereas the increment was awarded in July 2003.

4.18. The Kenyan informal sector covers all small-scale activities that are normally semi-organised, unregulated and uses low and simple technologies while employing few persons. Informal sector activities are mainly undertaken by artisans, traders and other operators in work-sites such as open yards, market stalls, undeveloped plots, residential houses and street pavements. These businesses are not registered with registrar of companies and they may or may not have licences from Local Authorities. The sector continues to play a central role in the Kenyan economy of today. On account of employment creation in the modern sector of the economy not being able to match ever-increasing demand of those seeking employment, and the de-limiting size of land for small-scale agricultural farm activities due to rising population, this sector has provided the job opportunities for the increasing work force.

Table 4.13: Informal sector, 1999 - 2003: Number of Persons Engaged by Province, '000s

Province	1999	2000	2001	2002	2003*
Nairobi	896.0	998.9	1,114.0	1,228.7	1,343.1
Central	592.4	656.4	732.2	805.3	878.0
Nyanza	447.0	494.4	548.9	601.3	653.0
Western	267.8	297.8	333.8	368.6	403.4
Rift Valley	708.0	785.2	875.9	962.9	1,049.2
Eastern	350.8	386.8	428.0	467.9	506.9
Coast	458.6	511.4	569.6	627.8	685.8
North Eastern	18.2	19.9	22.0	23.9	25.8
TOTAL	3,738.8	4,150.9	4,624.4	5,086.4	5,545.2
Of which					
Urban	1,278.3	1,419.2	1,581.1	1,739.1	1,898.9
Rural	2,460.5	2,731.7	3,043.3	3,347.3	3,646.3

* Provisional

4.19. As shown in Table 4.13, an estimated 5,545.2 thousand persons were engaged in informal sector economic activities in 2003, an increase of 9.0 per cent over the 2002 level. Given shrinking public sector employment and job cuts in the private sector, the informal sector has provided necessary employment interface between modern sector and small-scale farming and pastoralist activities. Between 1999 and 2002, the economy created an average of 449.6 thousand informal sector jobs.

4.20. Analysis of persons engaged in the informal sector by province is presented in Table 4.13. Rural areas absorbed 65.8 per cent of informal sector employment. In the year under review, Nairobi Province accounted for 24.2 per cent and the highest informal sector employment of 1,343.1 thousand persons, followed by Rift Valley Province, which absorbed 1,049.2 thousand persons, representing 18.9 per cent of the total employment in the sector.

4.21. Distribution of the informal sector employment by industry is presented in Table 4.14. Employment in the sector was highest in the Wholesale and Retail Trades, Hotels and restaurants industry, which absorbed 58.7 per cent of persons. This is attributed to fast expansion of the retail outlets (stores). The highest rise in employment was in community, social and personal services (10.4 per cent) followed by Transport and Communication (9.9 per cent) and Retail trade and restaurants (9.5 per cent).

Table 4.14: Informal Sector, 1999 - 2003: Number of Persons Engaged by Activity, '000s

Activity	1999	2000	2001	2002	2003*
Manufacturing	861.8	934.2	1,029.8	1,116.2	1,199.1
Construction	125.9	133.2	139.5	149.6	158.9
Wholesale and Retail Trade, Hotels and Restaurants	2,145.6	2,405.2	2,691.4	2,973.5	3,255.9
Transport and Communications**	106.8	120.6	135.5	150.2	165.0
Community, Social and Personal Services	329.1	369.5	418.2	465.9	514.4
Others	169.6	188.2	210.0	231.0	251.9
TOTAL	3,738.8	4,150.9	4,624.4	5,086.4	5,545.2

* Provisional

** Includes mainly support services to transport activity

Wage Awards and Registered Collective Agreements

4.22. The Government has adopted a national wage policy whose objectives among others are to assure wage earners a reasonable share of the national product, to create a harmonious and just relationship between employers and workers in different sectors of the economy with due consideration to the demands of the national economy. The wage policy is also based on payment of controlled minimum wage. In pursuance of this objective, Wage Guidelines have been issued to the Industrial Court to be applied in the determination of wage awards and give consideration to productivity and the rise in the cost of living as reflected by the inflation rate.

4.23. On Labour Day 2003, the Government announced new statutory minimum wage rates that reflected a 15.0 per cent increase in the wages specified in the Agricultural Industry Wages Order, 2003 and 11.0 per cent increase for those in the Wages General Order, 2003. The previous year's increase was 7.0 per cent for the two sectors.

4.24. Table 4.15 presents Gazetted Monthly Basic Minimum Wages for the agricultural workers. Unskilled employees who are the lowest paid had their wages raised from KSh 1,642 in 2002 to KSh 1,888 in 2003. Wages for the highest paid category of employees namely farm foreman and farm clerks was increased from KSh 2,961 in 2002 to KSh 3,405 in 2003.

4.25. Table 4.17 shows the number of collective bargaining agreements registered by the industrial court in 2002 and 2003. The number of agreements registered decreased by 14 to 290 in 2003. The sectors that had notable decreases in number of registered agreements were Transport and Communication, Finance, Insurance, Real Estate and Business services and textiles, wearing apparels and leather industries respectively. The number of agreements in wholesale and retail trade hotels and restaurants increased from 16 to 44. The agreements registered reflected an average monthly wage of KSh 8,836.9 in 2003 compared to KSh 10,909.9 in 2002. The number of unionisable employees who benefited from the agreements registered in 2003 was 50,839, of which about 19.0 per cent were in textile, wearing apparels and leather industry.

Table 4.15: Gazetted Monthly Basic Minimum Wages for Agricultural Industry, 1999 – 2003, KSh.

Type of Employee	1999	2000	2001	2002	2003
UNSKILLED EMPLOYEES					
18 years & above	1,347	1,428	1,535	1,642	1,888
Under 18 years	961	1,019	1,095	..	..
STOCKMAN, HERDSMAN AND WATCHMAN					
Under 18 years	1,115	1,182	1,271	..	..
18 year & above	1,555	1,648	1,772	1,896	2,180
SKILLED AND SEMI-SKILLED EMPLOYEES					
House servant or cook	1,537	1,629	1,751	1,874	2,155
Farm foreman	2,428	2,574	2,767	2,961	3,405
Farm clerk	2,428	2,574	2,767	2,961	3,405
Section foreman	1,573	1,667	1,792	1,917	2,205
Farm artisan	1,610	1,707	1,835	1,963	2,257
Tractor driver	1,707	1,809	1,945	2,081	2,393
Combined harvester driver	1,880	1,993	2,142	2,292	2,636
Lorry driver or car driver	1,974	2,092	2,249	2,406	2,767
AVERAGE	1,676	1,777	1,910	2,199	2,529

Source: Ministry of Labour

.. Data not available

Table 4.16: Gazetted Monthly Basic Mininum Wages in Urban Areas (Excluding Housing Allowance), 2001 - 2003, KSh.

Occupation	Nairobi Area & Mombasa			Mavoko & Ruiru Town Councils			All other towns		
	2001	2002	2003	2001	2002	2003	2001	2002	2003
General labourer	3,288	3,518	3,905	3,034	3,246	3,603	1,754	1,877	2,083
Miner, stone cutter, turnboy, waiter, cook	3,551	3,800	4,218	3,150	3,371	3,742	2,027	2,169	2,408
Night watchman	3,668	3,925	4,357	3,401	3,639	4,039	2,093	2,240	2,486
Machine attendant	3,726	3,987	4,426	3,468	3,711	4,119	2,811	3,008	3,339
Machinist	4,253	4,551	5,052	3,980	4,259	4,727	3,254	3,482	3,865
Plywood machine operator	4,438	4,749	5,271	4,096	4,383	4,865	3,386	3,623	4,022
Pattern designer	5,065	5,420	6,016	4,630	4,954	5,499	3,948	4,224	4,689
Tailor, Driver (medium vehicle)	5,581	5,972	6,629	5,131	5,490	6,094	4,574	4,894	5,432
Dyer, Crawler, Tractor driver, Salesman	6,162	6,593	7,318	5,749	6,151	6,828	5,189	5,552	6,163
Saw doctor, Caretaker (building)	6,820	7,297	8,100	6,367	6,813	7,562	5,932	6,347	7,045
Cashier, Driver (heavy commercial)	7,421	7,940	8,813	6,982	7,471	8,293	6,547	7,005	7,776
Artisan (Ungraded)	4,438	4,749	5,271	4,096	4,383	4,865	3,386	3,623	4,022
Artisan Grade III	5,581	5,972	6,629	5,131	5,490	6,094	4,582	4,903	5,442
Artisan Grade II	6,162	6,593	7,318	5,749	6,151	6,828	5,189	5,552	6,163
Artisan Grade I	7,421	7,940	8,813	6,982	7,471	8,293	6,547	7,005	7,776
AVERAGE	5,172	5,534	6,142	4,796	5,132	5,697	4,081	4,367	4,848

Source: Ministry of Labour and Human Resource Development

* Provisional

Table 4.17: Collective Agreements Registered by the Industrial Court, 2001 and 2002

Industry	No. of Agreements		No. of Unionisable		Monthly Basic Wage		Monthly Basic Housing	
	2002	2003*	2002	2003*	2002	2003	2002	2003
Agriculture Hunting Forestry & Fishing	15	9	17,948	3,274	7,411.20	7,508.90	1,053.80	1,255.30
Mining & Quarrying	2	5	107	255	4,855.70	6,242.50	542.5	1,491.00
Food, Beverage & Tobacco	37	36	10,949	5,978	8,271.70	13,416.20	1,324.40	1,774.60
Textile, Wearing Apparels & Leather Industry	26	19	5,457	9,637	6,755.20	6,370.10	1,520.00	1,667.60
Wood & Wood Industry	3	3	2,046	4,763	5,064.70	6,622.70	1,250.00	1,273.70
Paper & Paper Products, Printing & Publishing	16	12	1,701	2,035	9,040.00	11,605.70	1,663.30	2,836.40
Chemical Petroleum Rubber & Plastic Product	28	26	997	2,607	10,826.90	11,535.30	1,473.30	1,664.50
Glass, Ceramic & Cement	4	4	932	234	16,296.20	5,105.20	1,526.80	1,334.00
Motor Mechanic & Engineering Products								
Electronics & Electrical Products	34	40	1,131	2,724	8,963.90	7,866.50	1,438.10	1,481.10
Other Manufacturing industries	2	5	565	373	17,161.70	8,904.20	1,599.00	1,541.70
Electricity and Water	0	2	0	4,557	0	9,695.70	0	4,225.00
Building & Construction	3	6	70	527	20,087.10	7,624.90	3,897.00	1,024.20
Wholesale & Retail Trade, Restaurant & Hotels	16	44	1,529	4,500	15,733.30	7,551.00	1,697.20	1,521.80
Transport and Communication	40	23	28,375	2,130	13,090.60	9,978.40	2,338.20	1,844.30
Finance, Insurance, Real Estate & Business Services	34	20	3,413	2,020	12,132.30	13,646.10	2,444.00	3,983.30
Community & Social Services	44	36	3,034	5,225	7,958.60	7,717.40	1,491.30	1,828.50
Total	304	290	78,254	50,839	10,909.90	8,836.90	1,684.00	1,921.70

Source: Ministry of Labour

* Provisional

Consumer Prices

4.26. The overall inflation rate, estimated using the new Consumer Price Indices, increased from 2.0 per cent in 2002 to 9.8 per cent in 2003 as shown in Table 4.18. The rise in inflation rate was more pronounced in Nairobi lower income group where inflation rate went up from 1.7 per cent in 2002 to 10.8 per cent in 2003. In urban towns outside Nairobi, inflation rate increased from 2.1 per cent in 2002 to 9.9 per cent in 2003 while inflation rate for middle/upper income group in these towns rose from 2.1 per cent to 4.8 per cent in 2003. Overall inflation rate in Nairobi went up from 1.8 per cent in 2002 to 9.6 per cent in 2003.

Table 4.18: Percentage Changes In New Consumer Price Indices (1998-2003)

Income Group **	1999/98	2000/99	2001/2000	2002/2001	2003/2002
Nairobi Lower Income Inflation.....	4	8.8	3.6	1.7	10.8
Nairobi Middle/Upper Income Inflation	6.3	6.4	4.3	2.1	4.8
Nairobi Inflation.....	4.4	8.3	3.7	1.8	9.6
Rest of Urban Towns Inflation.....	6.6	11.1	7.1	2.1	9.9
Kenya Inflation Rate.....	5.8	10	5.8	2	9.8

Source : CBS

4.27. The underlying rate of inflation, which exclude food commodities rose from 2.6 per cent in 2002 to 3.6 per cent in 2003. The marginal change was attributed to prudent monetary policy, specifically by continuously ensuring that growth in money supply remained in tandem with economic trends, and partly due to the stability in the shilling exchange rate that restrained increases in prices of imports. Overall rate of inflation rose mainly due to drought experienced in the first quarter of 2003 and subsequent floods in the months of April and May 2003. This caused high increases in the price of vegetables such as onions, tomatoes and cabbages. During the year under review, prices of petroleum products rose and this affected Fuel and Power sub-index.

4.28. The first quarter of 2004 has witnessed increases in the prices of some food commodities. The public sector has been affected by the new Public Service Vehicle (PSV) regulatory rules and this has caused Transport and Communication index to increase sharply on account of increases in public transport fares. However, the underlying inflation is expected to remain within the target in the next twelve months as a result of disciplined monetary policy. Similarly, inflows released by IMF and other donors are expected to hold the shilling exchange rate firm against major trading currencies, thereby stabilizing prices of imports. The expected favourable trends in weather conditions and world oil prices will stabilize both domestic food production and fuel prices, thereby containing the overall inflation to about 8.0 per cent in 2004.

4.29. Tables 4.19, 4.20, 4.21, 4.22 and 4.23 show a five-year series of the new Kenya Consumer Price Indices for the lower, middle/upper, Nairobi, Rest of Urban and overall Kenya respectively. In Nairobi lower income group, the annual average index went up from 130.00 points in 2002 to 144.04 points in 2003 a rise of 10.8 per cent. The highest month on month inflation of 18.4 per cent was recorded in May 2003 while the lowest of 6.6 per cent was recorded in January 2003. The annual average index for Nairobi middle/upper income group increased from 126.03 points to 132.13 points a rise of 4.8 per cent. In this group the highest inflation of 7.9 per cent was also recorded in May 2003.

Similarly, in the rest of urban towns, the highest month on month inflation of 14.0 per cent was in May 2003. The annual average index rose from 136.45 points in 2002 to 150.00 points in 2003. In 2003, the highest month on month was recorded in May due to the floods in most parts of the country. The overall Kenya index is made up of about 40 per cent of Nairobi index and 60 per cent of the rest of urban towns.

Table 4.19: New Consumer Price Indices Nairobi Lower Income Group (1999-2003), Base October 1997=100

Months	1999	2000	2001	2002	2003
January	107.13	116.34	129.67	127.07	135.4
February	111.66	117.45	127.68	127.26	137.22
March	112.96	117.45	127.04	127.52	143.23
April	113.23	121.08	127.92	127.34	147.87
May	114.23	123.26	127.42	130.51	154.49
June	113.93	125.85	127.42	133.2	153.92
July	113.14	125.62	127.1	131.6	145.05
August	113.86	126.73	128.53	131.05	140.32
September	114.2	126.46	128.08	130.17	139.7
October	115.35	126.46	128.13	130.75	143.69
November	116.11	127.23	127.92	130.95	143.24
December	115.84	127.34	127.58	132.63	144.29
Annual average	113.47	123.44	127.87	130	144.04

Source : CBS

Table 4.20: New Consumer Price Indices, Nairobi Middle Upper income Group (1999-2003), Base October 1997=100

Months	1999	2000	2001	2002	2003
January	106.45	113.17	122.97	124.39	128.43
February	110.11	114.8	123.27	124.61	129.28
March	110.22	114.8	121.71	124.63	130.59
April	110.83	115.55	123.28	125.07	131.84
May	110.68	117.66	123.56	125.44	135.39
June	111.54	118.18	123.61	126.38	135.36
July	111.62	119.19	123.47	126.03	132.56
August	112.41	119.97	123.67	126.01	131.66
September	112.54	121.15	122.65	126.64	131.80
October	113.03	121.15	124.24	127.30	132.99
November	113.16	122.36	124.40	127.85	132.69
December	112.88	122.42	124.22	127.95	132.92
Annual average	111.29	118.36	123.42	126.03	132.13

Source : CBS

Table 4.21: New Consumer Price Indices, Overall Nairobi (1999-2003), Base October 1997=100

Months	1999	2000	2001	2002	2003
January	106.99	115.71	128.33	126.53	134
February	111.35	116.92	126.8	126.73	135.63
March	112.41	116.92	125.98	126.94	140.71
April	112.75	119.97	127	126.89	144.67
May	113.52	122.14	126.65	129.5	150.67
June	113.45	124.32	126.66	131.84	150.21
July	112.83	124.34	126.37	130.49	142.55
August	113.57	125.38	127.55	130.04	138.59
September	113.87	125.4	127	129.46	138.12
October	114.88	125.4	127.35	130.06	141.55
November	115.52	126.25	127.23	130.33	141.13
December	115.25	126.35	126.91	131.69	142.02
Annual average	113.03	122.42	126.99	129.21	141.65

Source : CBS

Table 4.22: New Consumer Price Indices, Rest of Urban Towns (1999-2003), Base October 1997=100

Months	1999	2000	2001	2002	2003
January	105.42	116.63	131.40	133.59	142.50
February	107.83	117.80	131.12	133.75	144.06
March	109.91	117.80	130.28	133.98	146.93
April	110.86	119.45	132.90	134.84	148.52
May	112.91	123.38	134.56	136.40	155.52
June	112.88	126.77	134.86	137.65	156.40
July	113.86	127.86	135.47	137.39	153.82
August	114.41	128.04	135.11	137.44	150.27
September	114.92	129.34	134.81	137.08	148.93
October	114.78	129.34	134.90	137.23	149.90
November	115.34	130.55	134.50	138.08	151.07
December	115.57	130.83	134.44	139.98	152.12
Annual average	112.39	124.82	133.70	136.45	150.00

Source : CBS

Table 4.23: New Consumer Price Indices, Kenya (1999-2003), Base October 1997=100

Months	1999	2000	2001	2002	2003
January	106.05	116.26	130.18	130.77	139.11
February	109.24	117.45	129.4	130.95	140.7
March	110.91	117.45	128.56	131.17	144.45
April	111.61	119.66	130.55	131.67	146.98
May	113.15	122.88	131.41	133.65	153.58
June	113.11	125.79	131.58	135.33	153.93
July	113.45	126.45	131.84	134.64	149.32
August	114.07	126.98	132.09	134.49	145.61
September	114.5	127.77	131.69	134.04	144.62
October	114.82	127.77	131.89	134.37	146.57
November	115.41	128.83	131.45	134.99	147.1
December	115.44	129.04	131.3	136.67	148.09
Annual average	112.65	123.86	130.99	133.56	146.67

Source : CBS

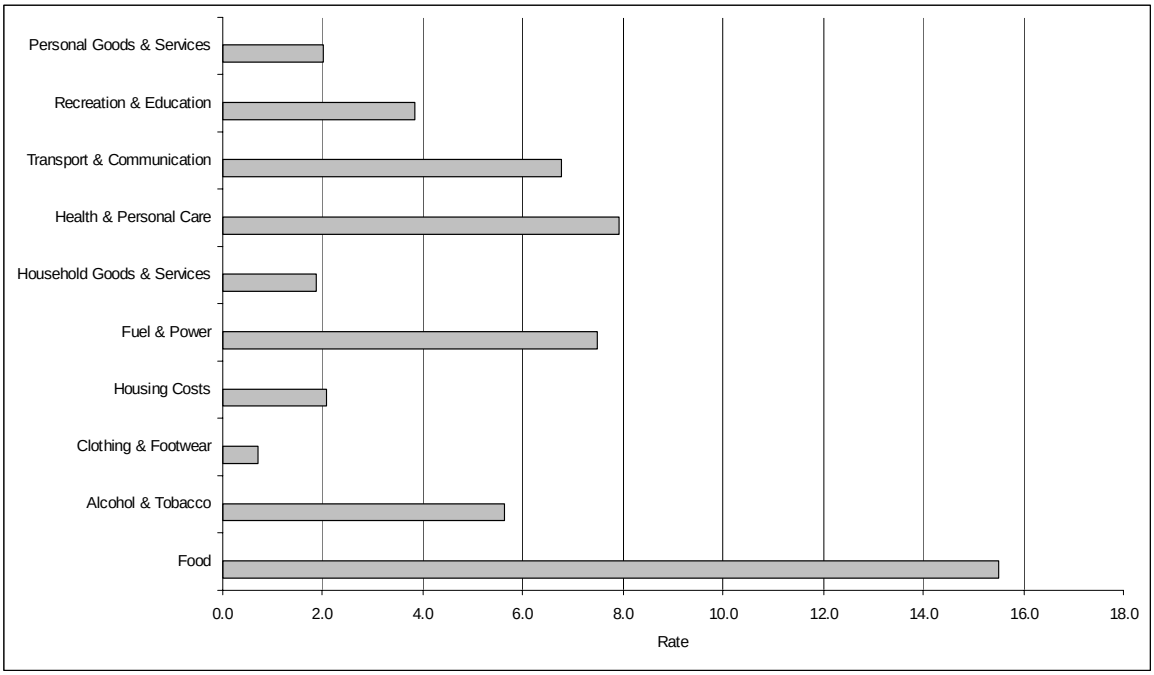
4.30. Table 4.24 shows inflation by commodity groups in 2002 and 2003. In 2003, the highest inflation of 15.5 percent was in Food and non-alcoholic drinks. The high rise was as a result of increases in the prices of maize grain, maize flour, wheat flour and sugar respectively. On average, the price of a 2-kilogram packet of maize flour went up from KSh 40.50 in January 2003 to KSh 50.28 in December 2003 an increase of 24.2 per cent. During the year, Alcohol and Tobacco index rose by 5.6 per cent due to increase in prices of beer. During the same period Fuel and Power edged up by 7.5 per cent mainly due to rise in prices of charcoal, paraffin and motor vehicle petroleum fuels. Doctor's consultation and private hospitals charges were increased and this caused Health and Medical care index to rise by 7.9 per cent.During the year under review, Transport and Communications index surged upwards by 6.8 per cent mainly as a result of increases in prices of petrol and diesel. World oil prices went up on account of the war in Iraq. Recreation and Education index rose by 3.8 per cent in 2003 due to increases in tuition fees in private institutions. There was also marginal rise in Housing costs, Household Goods and Services and Clothing and Footwear.

Table 4:24. CPI Inflation by Commodity Groups, 2002 - 2003, Base October 1997=100

Broad Item Group	Weights (Percentage)	Annual Average Index		% Change
		2002	2003	
Food	50.5	138.15	159.56	15.5
Alcohol & Tobacco	2.97	136.63	144.33	5.6
Clothing & Footwear	9	109.97	110.76	0.7
Housing Costs	11.74	131.32	134.04	2.1
Fuel & Power	4.18	160.25	172.22	7.5
Household Goods & Services	5.82	119.83	122.09	1.9
Health & Personal Care	1.59	154.85	167.11	7.9
Transport & Communication	5.75	128.67	137.37	6.8
Recreation & Education	6.02	131.61	136.66	3.8
Personal Goods & Services	2.45	121.63	124.09	2
Average of all Items	**100**	**133.56**	**146.67**	**9.8**

Source: CBS

Figure 4.1 Inflation Rate by Commodity Group



Chapter 5
Money, Banking and Finance

Overview In 2003 the Central Bank pursued a prudent monetary policy stance aimed at sustaining a stable macroeconomic environment. The monetary policy adopted for the calendar year 2003 targeted to contain inflation below the 5.0 per cent level and allow real GDP growth to recover to 3.0 per cent in 2003 up from 1.2 per cent growth attained in 2002. The major challenge in the implementation of the monetary policy was the expansionary fiscal policy due to the implementation of government programmes such as the free universal primary education scheme for public schools that resulted in a wider budget deficit for the fiscal year 2003/2004. At the same time, the government relied more on domestic non-bank public sources of finance as opposed to borrowing from the banking sector in 2003.

5.2. Interest rates were at their lowest regime in recent years as evidenced by the benchmark 91-day Treasury bill that averaged a relatively low rate of 1.41 per cent as at December 2003. Average liquidity for the banking sector remained high at 46 per cent for the calendar year 2003 and was well above the statutory minimum requirement of 20 per cent for both commercial banks and Non-Bank Financial Institutions (NBFIs). The daily cash ratio requirement for 2003 was reduced to 6.0 per cent down from 12.0 per cent in 2002 on a revised base.

Table 5.1: Monetary Indicators, 1999 - 2003

			DOMESTIC CREDIT KSh.Mn					
	As at end of	Net Foreign Assets KSh. Mn	Private*	Government	Total	Money** Supply(M3) KSh.Mn	Commercial Bank Liquidity Ratio per cent	Advances/ Deposits Ratio per cent
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	December	104,377	296,847	113,384	410,231	350,733	44	82
2003	March	106,695	286,761	122,951	409,712	352,748	44	81
	June	106,705	288,828	125,149	413,977	362,596	49	79
	September	118,212	293,698	126,004	419,702	370,335	48	79
	Dec.	125,066	302,264	134,278	436,542	396,968	49	77

Source: Central Bank of Kenya.

* Includes other public sectors.

** See Table 5.2 for Coverage.

5.3. Table 5.1 highlights some key monetary indicators. Net Foreign Assets grew by 19.8 per cent to Ksh 125,066 million in December 2003 while total domestic credit increased by 6.4 per cent from Ksh 410,231 million as at end of 2002 to Ksh 436,542 million by December 2003. Domestic credit to private sector including other public bodies recorded a 1.8 per cent growth while domestic credit to Central and local government increased by 18.4 per cent from Ksh 113,384 million in December 2002 to Ksh 134,278 million in December 2003. Credit to private sector including other public bodies was at 69.2 per cent of total domestic credit in December 2003 compared to 72.4 per cent over same period in 2002. Share of credit to central and local government increased by 3.2 percentage points to stand at 30.8 per cent in 2003.

5.4. Commercial banks liquidity averaged 46 per cent during the year to peak at 51 per cent in November and closing at 49.0 per cent in December 2003. Advances to deposits ratio was on a declining trend from 82 per cent in December 2002 down to 79.0 per cent in June 2003 and 77 per cent by December 2003 implying a decline in the proportion of lending compared to total deposits held by the commercial banks. This drop in the ratio can be explained partly by the reduction in government borrowing from the banking system, a scenario that left the system highly liquid. In turn, the banking system attempted to enhance its interest income by packaging lowered interest personal loans to households and enterprises.

5.5. Monetary aggregates are shown in Table 5.2. Narrow Money Supply (M2) grew by 13.2 per cent, largely due to 30.5 per cent increase in currency and demand deposit of the banking system that was offset by 30.6 per cent decline in quasi-monetary deposits. An increase of 7.8 per cent in quasi- money deposits of NBFIs, coupled with the increase in M2 led to a 13.2 per cent growth in broad money supply (M3) aggregate. Similarly broader money aggregates M3X and M3XT recorded 11.9 and 10.3 per cent increases respectively in 2003. For all monetary aggregates the growths were slightly above the targeted growths largely due to expansion in domestic credit to both public and private sectors. The monetary policy benchmark (M3X) was targeted to rise at 6.4 per cent in December, but the actual recorded was 5.5 percentage points above the target.

Table 5.2: Money and Quasi-Money Supply, 1999 - 2003 (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
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	December	150,082	188,162	338,244	13,364	350,733	404,784	513,863
2003	January	148,204	190,153	338,357	13,143	350,831	405,506	515,021
	February	145,892	192,422	338,314	13,434	351,051	404,452	507,835
	March	149,823	190,136	339,960	13,295	352,748	407,148	516,289
	April	148,027	189,712	337,738	13,138	350,497	404,459	521,324
	May	151,686	189,252	340,938	12,967	353,507	408,160	528,796
	June	157,433	192,517	349,951	13,055	362,596	415,785	536,461
	July	164,417	192,517	356,934	13,374	370,058	423,285	545,575
	August	182,418	174,332	356,751	13,676	370,235	424,648	547,008
	September	179,899	121,054	356,606	13,825	370,335	424,270	549,331
	October	186,173	125,106	365,219	14,160	379,216	435,258	551,681
	November	190,693	126,930	371,443	14,168	385,539	441,293	557,118
	December	195,860	130,621	382,868	14,411	396,968	453,023	567,047

Sourc :Central Bank of Kenya.

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

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

*** See Table 5.3 for details

Consolidated Accounts of the Banking System

5.6. Table 5.3 presents the consolidated accounts of the banking system. On the liabilities side, total liabilities of the banking system grew by 10.3 per cent in 2003. This was largely as a result of significant expansion in demand deposits, saving deposits and quasi-money NBFI's which grew by 45.9 per cent, 16.1 per cent and 7.8 per cent respectively. Currency outside banks also contributed to the growth by increasing 3.1 per cent from Ksh 53,895 million in 2002 to Ksh 55,546 million in 2003. Foreign currency deposits and Treasury bill holdings of the banking system grew by 3.7 per cent and 4.5 per cent, respectively.

Table 5.3: Consolidated Accounts of the Banking System, 1999 - 2003, (Ksh. illion)

	AS AT THE END OF							
					2003			
	1999	2000	2001	2002	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
LIABILITIES-								
1 Money (M1):								
1.1 Demand Deposits	67,117	75,927	84,681	96,187	100,378	107,693	130,396	140,314
1.2 Currency outside banks	42,963	43,466	45,345	53,895	49,445	49,741	49,503	55,546
Sub-Total	110,081	119,393	130,026	150,082	149,823	157,434	179,899	195,860
2. Quasi-Money(MS):								
2.1Call + 7 days Notice Deposits..	19,581	18,456	19,658	20,698	23,897	24,418	19,939	19,277
2.2 Savings Deposits	69,344	68,314	66,122	69,620	83,113	87,351	75,271	80,863
2.3 Time Deposits	96,508	91,710	92,929	97,844	98,490	93,564	93,715	97,133
Sub-Total	185,433	178,479	178,709	188,162	205,500	205,333	188,925	197,272
Money Supply(M2)	295,513	297,872	308,735	338,244	355,323	349,951	356,606	382,868
3 Quasi-Money (NBFIs)	19,428	18,562	14,258	13,364	13,295	13,055	13,825	14,411
Adjustments for Cross Bal.	-2,825	-1,748	-70	-875	-15,870	-410	-96	-311
Broad Money Supply(M3)	312,116	314,686	322,923	350,733	352,748	362,596	370,335	396,968
4 Foreign Currency Deposits	32,921	44,961	45,209	54,051	54,400	53,189	53,936	56,056
Broad Money Supply(M3X)	345,037	359,647	368,132	404,784	407,148	415,785	424,270	453,023
5 Treasury Bill Holdings	64,901	64,780	81,172	109,079	109,141	120,676	125,060	114,024
Broad Money Supply(M3XT)	409,938	424,427	449,304	513,863	516,289	536,461	549,331	567,047
6 Other Items (Net)	79,484	105,156	103,852	109,824	116,772	111,217	119,692	114,577
TOTAL	424,521	464,803	471,984	514,608	523,920	527,002	543,962	567,600
ASSETS-								
7 Net Foreign Assets	53,155	83,478	91,775	104,377	106,695	106,705	118,212	125,066
8 Domestic Credit:								
8.1 Central Govt. (Net).. ..	86,656	83,789	100,383	113,384	122,951	125,149	126,004	134,278
8.2 Other Public Bodies ..	7,304	8,058	8,027	8,016	7,513	6,320	6,047	5,992
8.3 Private Sector	277,407	289,478	271,800	288,831	286,761	288,828	293,698	302,264
	371,366	381,325	380,210	410,231	417,225	420,297	425,749	442,534
TOTAL	424,521	464,803	471,985	514,608	523,920	527,002	543,961	567,600

Source: Central Bank of Kenya

Notes:

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

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

5.7. Assets of the banking system grew largely due to increase in net foreign assets and domestic credit to central government by 19.8 per cent and 18.4 per cent respectively. Credit to the private sector increased by 7.9 per cent from Ksh. 288,831 million in 2002 to Ksh 302,264 million in 2003. These growths were offset by a 25.2 per cent decline in domestic credit to other public bodies. The share of credit to central government, other public bodies and the private sector stood at 30.3 per cent, 1.4 per cent and 68.3 per cent respectively.

Money Supply Sources, Changes and Real Trends

5.8. Changes in money supply and sources of these changes are shown in Table 5.4. Broad Money Supply (M3X) grew by Ksh 57,940 million. This growth was mainly due to positive increases in currency plus demand deposits, and Quasi-money deposits of commercial banks. An increase in Foreign Currency Deposits also contributed to the expansion in M3X. Changes in money supply were supported by expansion in net foreign assets that increased significantly by Ksh 20,689 million and domestic credit that expanded by Ksh 32,303 million. The expansion in M3X was in line with increased economic activity as the joint efforts by government and private sector to rejuvenate the economy.

Table 5.4: Changes in Money Supply and Sources of Changes, 1999 - 2003
comparing year-end values (Ksh. Million)

	1999	2000	2001	2002	2003
MONEY SUPPLY---					
1 Currency plus demand deposits	15,363	9,312	10,633	20,056	45,778
2 Quasi-money(MS)	-4,360	-6,954	230	9,453	9,110
3 Quasi-money(NBFIs)	-2,597	212	-2,626	-1,699	1,047
4 Foreign Currency Deposits	8,350	12,039	248	8,842	2,005
5 Money supply (**M3X**)	16,756	14,610	8,485	36,652	57,940
SOURCES OF CHANGES---					
6 Net foreign assets	10,647	30,323	8,297	12,602	20,689
7 Domestic credit ---					
(a) to Central Government(net)	-3,411	-2,867	16,594	13,001	20,894
(b) to other public sector	1,043	754	-31	-12	-2,024
(c) to private sector	23,105	12,071	-17,678	17,031	13,433
(d) all domestic credit	20,737	9,959	-1,115	30,022	32,303
8 Other Items (Net)	-14,628	-25,672	1,303	-5,972	4,948
9 Total sources of changes	16,756	14,610	8,485	36,652	57,940

5.9. Table 5.5 gives trends in real terms at 1997 constant prices for selected financial aggregates. In real terms, Money Supply (M3) expanded by 2.1 per cent from Ksh 262,603 million in 2002 to Ksh 268,059 in 2003. Broader Money Supply (M3XT) marginally declined in real terms by 0.5 per cent while commercial bank credit to private sector declined by 6.2 per cent from Ksh 157,067 million in 2002 to Ksh 147,270 million in 2003. This negatively affected overall commercial bank credit that declined by 5.0 per cent. In real terms, commercial bank's deposits liabilities recorded a positive growth of 2.9 per cent increasing to Ksh 258,083 million in 2003 from Ksh.250,800 million in 2002.

Table 5.5: Trends in the Real Value of Certain Financial Aggregates*, 1999 - 2003

AT CONSTANT (1997)** PRICES (Ksh. Million)

	1999	2000	2001	2002	2003
1. Money Supply(M3)....	277,067	254,066	246,525	262,603	268,059
2. Money Supply(M3XT)....	363,904	342,667	343,006	384,743	382,907
3. Commercial bank credit to private sector	191,092	181,532	158,298	157,067	147,270
4. Total commercial bank credit	230,592	218,837	198,653	207,781	197,448
5. Commercial Banks' Deposit Liabilities	248,069	238,111	231,235	250,806	258,083
6. Total liabilities of banking system .. .	376,849	375,265	360,321	385,301	383,280
7. NBFIs credit to private sector	21,729	20,963	19,822	12,546	9,907
8. Total NBFIs Credit	23,848	23,411	2,411	12,546	9,907
9. Total liabilities of non-bank financial institutions(NBFIs)	32,101	30,258	22,137	18,251	16,398
Memorandum Item:					
10. Line 5 as per cent of line 6 ..	66	63	64	65	67
11. Line 9 as per cent of line 6 ..	9	9	8	5	4

* Deflated by average Consumer Price Indices.

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

5.10. Non-bank financial institutions credit in real terms declined substantially by 21.0 per cent with a marginal decline being recorded on total liabilities of the banking system. The proportion of commercial bank deposit liabilities to total liabilities of the banking system has been on an upward trend since 2001 to close at 67.0 per cent in 2003. On the other hand liabilities of NBFI's declined due to reduced number of institutions in this sub-sector, and comprised only 4.0 per cent of the total liabilities of the banking system in 2003.

Interest Rates

5.11. Principal interest rates are shown in Table 5.6. All interest rates have been on a downward trend since 2000 with 2003 recording the lowest interest rates over the last four years. The benchmark interest rate on 91-day treasury bills dropped 6.96 percentage points from 8.37 per cent in December 2002 to 1.4 per cent in December 2003. Similarly, interest rate on advances against treasury bills, dropped by 6.96 percentage points to 4.4 per cent in December 2003. Similar drops were experienced in both discounts and advances on bills and notes under crop finance scheme, including other bills and notes.

Table 5.6: Principal Interest Rates, 2000-2003, (Percentage)

	Dec, 2000	Dec, 2001	Dec, 2002	2003	
				June	December
CENTRAL BANK OF KENYA					
Average Interest Rate for 91 day Treasury Bills	13.47	10.85	8.37	1.76	1.41
Advances against Treasury Bills	16.5	13.85	11.37	4.76	4.41
Bills and Notes under Crop Finance Scheme:					
Discounts	19.47	16.85	11.37	3.76	4.41
Advances	19.47	16.85	-	3.76	4.41
Other Bills and Notes:					
Discounts	19.47	16.85	11.37	3.76	4.41
Advances	19.47	16.85	-	3.76	4.41
Treasury Bonds (Coupon Rates, End Period):					
One Year					
Three Years					
Four Years					
Two Years					
Five Years	17				
COMMERCIAL BANKS					
Time Deposits:**					
0-3 Months	7.51	6.87	5.42	4.69	2.99
3-6 Months	6.29	6.10	5.13	4.47	3.43
6-9 Months	6.65	5.63	4.82	5.76	5.28
9-12 Months	5.91	5.68	5.1	4.53	4.09
over 12 Months	6.89	5.42	4.83	9.00	3.99
Savings Deposits	4.51	4.40	3.47	3.07	1.38
Loans and Advances(Maximum)*	19.6	19.49	18.34	15.73	13.47
Inter-bank Rate	9.79	10.4	8.7	1.62	0.81
Overdraft	19.73	20.04	18.56	14.93	13.74
OTHER FINANCIAL INSTITUTIONS					
Kenya Post Office Savings Bank deposits	5	5	2	1.50	1.50
Agricultural Finance Corporations, Loans:					
(a) Land Purchase	20	20	-	-	-
(b) Seasonal Crop Loan	20	20	-	-	-
(c) Other	20	20	-	-	-
HIRE-PURCHASE COMPANIES AND MERCHANT BANKS					
Deposits(time)	6.01-10.36	4.22 - 11.88	3.03 - 7.72	3.68 - 6.25	2.75 - 4.95
Loans	22.42	20.56	18.17	16.60	15.50
Building Societies:					
Deposits	5.63-11.50	5.63 - 11.16	2.59 - 8.71	2.98 - 7.70	1.46 - 5.64
Loans	19.9	19.9	16.11	15.45	16.00

Source: Central Bank of Kenya.

* Loans and advances for less than 3 years.

** For all commercial banks consolidated

5.12. Commercial banks interest rates on time deposits were equally low with averages declining from 5.42 per cent in December 2002 to 2.99 per cent in December 2003 for the 0-3 months time deposits. On the 6-9 months time deposits, the average rates increased from 4.82 per cent in December 2002 to 5.28 per cent in December 2003. There were declines in the other categories of time deposits over the same period.

5.13. Post office saving bank deposits rate edged down to 1.5 per cent in 2003 from 2.0 per cent in 2002. Deposit rates for hire purchase companies and merchant banks narrowed the spread from 3.0 - 7.7 per cent in 2002 to 2.7 - 4.9 per cent in December 2003. Deposit rates by building societies also narrowed the spread from 2.6 - 8.7 per cent in December 2002 to 1.5 - 5.6 per cent in December 2003. Interest charged on loans from merchant banks and hire purchase companies declined by 2.7 percentage but remained relatively high at 15.5 per cent compared to those of commercial banks. A marginal drop was recorded in interest on loans from building societies of 0.1 per cent. The relatively low interest rate regime was good for the economy as it availed affordable loaning funds to more institutions and households than previously possible.

Table 5.7: Trends in Selected Real Interest Rates, 2000 – 2003, Per centages

	Year	Nominal Interest	Inflation Rate*	Real Interest**
1. Average Interest Rate for 91-day Treasury Bills	2000	13.5	10.0	3.5
	2001	10.8	5.8	5.0
	2002	8.4	2.0	6.4
	2003	1.4	9.8	-8.4
2. Advances against Treasury Bills	2000	19.5	10.0	9.5
	2001	16.8	5.8	11.0
	2002	11.3	2.0	9.3
	2003	3.4	9.8	-6.4
3. Commercial bank savings deposits (ave)	2000	4.5	10.0	-5.5
	2001	5.0	5.8	-0.8
	2002	3.5	2.0	1.5
	2003	1.4	9.8	-8.4
4. Commercial bank loans and advances (max)	2000	19.6	10.0	9.6
	2001	19.5	5.8	13.7
	2002	18.3	2.0	16.3
	2003	13.5	9.8	3.7
5. Inter-Bank Rate	2000	9.8	10.0	-0.2
	2001	10.7	5.8	4.9
	2002	8.8	2.0	6.8
	2003	0.8	9.8	-9.0
6. POSB deposits***	2000	5.0	10.0	-5.0
	2001	5.0	5.8	-0.8
	2002	2.0	2.0	0.0
	2003	1.5	9.8	-8.3
7. Building society loans (max)	2000	19.9	10.0	9.9
	2001	19.9	5.8	14.1
	2002	16.1	2.0	14.1
	2003	16.0	9.8	6.2

* Series revised to New CPI

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

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

5.14. Trends in selected real interest rates are shown in Table 5.7. In real terms interest on 91-days treasury bill was negative 8.4 per cent, while that for advances against treasury bills was negative 6.4 per cent. Similarly average interest on deposits at Commercial banks stood at negative 8.4 per cent. Real interest rates on loans and advances by commercial banks remained positive at 3.7 per cent while the real inter-bank rate stood at negative 9.0 per cent in December 2003. POSB deposit rates were also negative in real terms at 8.3 per cent while building societies maintained positive real interest rates at 6.2 per cent in December 2003 though declining from a high of 14.1 per cent in December 2002. All real interest rates were negative except for commercial banks loans and advances and Building society maximum loans rates.

Table 5.8: Central Bank of Kenya Assets and Liabilities 1999 - 2003, (Ksh Millions)

	1999	2000	2001	2002	2003			
ASSETS					1st Qr	2nd Qr	3rd Qr	4th Qr
1. Foreign Exchange:-								
1.1 Balances with External Banks	55,971	69,162	81,899	80,673	89,547	91,785	102,284	110,822
1.2 Treasury Bills ..	64	-	-	-	-			
1.3 Other Investments ..	338	750	259	218	225	199	241	308
1.4 Special Drawing Rights	177	22	80	320	46	33	19	171
TOTAL	56,550	69,934	82,238	81,211	89,818	92,017	102,544	111,301
2. Advances & Disc. to Banks ..	904	4,884	1,362	7,484	6,601	3,898	2,971	674
3. Direct Advances & Overdraft to Kenya Government	6,664	8,595	42,853	43,867	49,636	47,345	43,557	44,630
4. Other Assets including Kenya Treasury Bills & Bonds	62,110	57,642	24,023	21,827	21,951	21,643	20,894	19,834
TOTAL ASSETS	126,228	141,055	150,671	154,389	168,006	164,903	169,966	176,439
LIABILITIES :								
1. Capital and General Reserve Fund	4,877	5,341	5,748	9,452	9,452	9,452	13,900	10,400
2. Currency in Circulation-								
2.1 Notes	48,347	49,692	50,892	59,916	53,210	52,923	53,410	60,628
2.2 Coins	1,810	2,222	2,188	2,609	2,414	2,308	2,330	2,551
TOTAL CURRENCY	50,157	51,914	53,080	62,525	55,624	55,231	55,740	63,179
3 REPO SECURITIES**								
3.1 OMO-repo sales	-	-	15,815	6,979	24,562	12,668	3,949	3,125
3.2 Repo-tap sales	-	-	-	-	-	-	-	-
TOTAL	-	-	15,815	6,979	24,562	12,668	3,949	3,125
Deposits								
4.1 Kenya Government	18,922	26,526	28,537	25,886	27,311	32,967	43,883	42,237
4.2 Kenya Banks *	27,790	25,075	25,629	25,704	28,294	30,105	26,012	24,221
4.3 External Banks	11,292	12,151	9,783	9,157	8,911	8,791	8,659	11,800
4.4 Other	11,400	11,773	9,154	10,086	10,064	10,680	9,443	9,809
TOTAL	69,404	75,525	73,103	70,833	74,580	82,543	87,997	88,067
5. Other Liabilities	1,790	8,275	2,925	4,600	3,787	5,007	8,380	11,669
TOTAL LIABILITIES	126,228	141,055	150,671	154,389	168,005	164,901	169,966	176,440

Source: Central Bank of Kenya

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

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

Central Bank Assets and Liabilities

5.15. Assets and liabilities of the Central Bank of Kenya are presented in Table 5.8. Assets and liabilities of the Central Bank increased by 14.3, per cent from Ksh 154,389 million in December 2002 to Ksh 176,439 million in 2003. Foreign exchange increased by 37.1 per cent to settle at Ksh. 111,301 million in December 2003. This wqas largely due to increase in balances with external banks that increased from Ksh 80,673 million in 2002 maintaining an upward trend to finally settle at Ksh 110,822 million in 2003 or 37.4 per cent growth. Advances and discount to Commercial banks decreased by more than ten times from Ksh7,484 million to Ksh 674 million reflecting a high liquidity and stability of the banking sector. Direct advances and overdrafts to Kenya government increased marginally by 1.7 per cent from Ksh 43,867 million in 2002 to Ksh 44,630 million in 2003. Other assets including Kenya treasury bills declined by 9.1 per cent, largely as a result of the government effort to reduce its domestic borrowing from the banking system.

5.16. Liabilities on the other hand, increased mainly due to a rise in deposits by the Kenya government that increased by 63.2 per cent from Ksh 25,886 million in 2002 to Ksh 42,237 million in 2003. Deposits by external banks also increased by 28.9 per cent from Ksh 9,157 million in December 2002 to Ksh 11,800 million by December 2003, while deposit by Kenya commercial banks reduced by 5.8 per cent as a result of the monetary policy requirement that they maintain a dairy cash ratio of 6.0 per cent down from 12.0 per cent. Currency in circulation grew marginally by 1.0 per cent, while OMO-REPO securities reduced significantly by more than half. The reduction in deposits at the Central bank by commercial banks essentially affected the reserve money (high powered money) thereby bringing it closer to the desired target. The capital and general reserve fund that increased by 64.4 per cent in 2002 only realized a growth of 10.0 per cent in the fourth quarter of 2003.

Table 5.9: Commercial Banks - Bills, Loans and Advances*, 1999 - 2003, (Ksh Million)

	1999 Dec.	2000 Dec.	2001 Dec.	2002 Dec.	2003 Dec.
PUBLIC SECTOR:					
Central Government	2,900	2,432	2,431	3,122	2,805
Local Government	895	1,143	659	687	658
Enterprises, Parastatal bodies and other Public entities	6,455	6,959	6,601	7,824	6,282
TOTAL PUBLIC SECTOR	10,249	10,534	9,691	11,633	9,745
PRIVATE ENTERPRISES:					
Agriculture	23,426	24,399	23,795	25,304	28,117
Mining and Quarrying	2,975	2,838	2,169	1,982	1,493
Manufacturing	54,936	59,426	49,597	50,765	52,476
Building and Construction	18,363	16,850	17,288	17,298	16,995
Transport, Storage and Communication	9,723	9,608	9,901	16,705	16,750
Trade	39,413	41,471	45,989	46,593	46,619
Financial Institutions	6,876	5,324	5,391	6,788	6,372
Other Business	58,498	64,930	53,218	44,648	49,270
TOTAL PRIVATE ENTERPRISES	214,211	224,846	207,349	210,083	218,092
COMMUNITY AND PERSONAL SERVICES (including non-profit making institutions)	7,088	8,103	8,732	16,446	22,938
Other Activities (Nes)	28,214	25,810	34,445	39,654	41,625
TOTAL BILLS, LOANS AND ADVANCES	259,762	269,293	260,216	277,816	292,400

Source: Central Bank of Kenya.

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

Commercial Bank Credit

5.17. Table 5.9 shows commercial banks bills, loans and advances. Public sector borrowing from commercial banks declined by 16.2 per cent from Ksh 11,633 million in 2002 to Ksh 9,745 million in 2003. The drop was mainly due to a 10.2 per cent decline in loans to central government and 19.7 per cent decline to other public entities in 2003.

5.18. Credit to agriculture recorded the highest growth of 11.1 per cent from Ksh 25,304 million in 2002 to Ksh 28,117 million in 2003. Credit to manufacturing increased by 3.4 per cent. Other sectors that recorded significant increases in bills, loans and advances are other business, community and personal services, that grew by 10.4 and 39.5 per cent respectively.

5.19. Share of public sector in total commercial bank credit stood at 3.3 per cent while private sector received 74.6 per cent and community and personal services took 22.1 per cent. Manufacturing recorded the highest proportion of 17.9 per cent, followed by Trade at 15.9 per cent or Ksh 46,619 million. Overall, total bills, loans and advances stood at Ksh 292,400 million in 2003 up from Ksh 277,816 million in 2002, recording a 5.2 per cent growth.

Table 5.10: Commercial Banks - Deposit Liabilities and Liquid Assets*, 1999 - 2003

		Deposit Liabilities KShs.million	Liquid Assets** KShs.million	Current Liquidity Ratio*** per cent
1999	December	279,450	111,245	40
2000	December	294,924	125,721	43
2001	December	302,895	137,855	46
2002	December	334,976	147,786	44
2003 -				
	January	337,526	148,483	44
	February	334,978	146,095	44
	March	337,482	148,727	44
	April	337,200	145,882	43
	May	336,856	150,233	45
	June	355,520	175,408	49
	July	349,366	161,498	46
	August	350,940	161,494	46
	September	348,600	166,038	48
	October	362,266	179,137	49
	November	370,535	188,084	51
	December	378,391	186,224	49

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 w ith figures in the other tw o columns because of the inclusion of certain other minor items in the denominator.

Commercial Banks' Deposit Liabilities and Liquid Assets

5.20. Table 5.10 presents Commercial banks deposit liabilities and liquid assets. Commercial Banks deposits grew by 13.0 per cent from Ksh 334,976 million in 2002 to Ksh 378,391 million in 2003. Liquid assets of the commercial banks on the other hand grew by 26.0 per cent from Ksh 147,786 million in December 2002 to Ksh 186,224 million in 2003. The current liquidity ratio averaged 46.0 per cent over the year ranging between 44.0 per cent and 51.0 per cent in 2003.

Non-Bank Financial Institutions (NBFIs)

5.21. Assets and liabilities of the non-bank financial institutions are presented in Table 5.11. Assets and liabilities of the non-bank financial institutions declined marginally by 0.4 per cent in 2003. Deposits by Central Government decreased from Ksh 258 million in 2002 to Ksh 3 million in 2003. However deposits from other public bodies and other depositors rose by 8.4 per cent and 7.7 per cent respectively in 2003.

Table 5.11: Assets and Liabilities of Non-Bank Financial Institutions, 1999 - 2003 (Ksh. Million)

	AS AT THE END OF							
					2003			
	1999	2000	2001	2002	1st Qr	2nd Qr	3rd Qr	4th Qr
LIABILITIES:								
Deposits-								
Central & Local Government..	801	785	438	258	240	239	3	3
Other Public Sector ..	3,821	3,049	2,468	2,700	3,092	3,075	3,102	2,927
Other Depositors ..	15,906	15,995	12,041	10,664	10,203	9,980	10,723	11,484
Other Liabilities	15,635	17,648	9,070	10,754	11,250	11,250	10,176	9,870
TOTAL LIABILITIES	36,162	37,478	24,016	24,376	24,785	24,544	24,004	24,283
ASSETS:								
Cash and Banks	4,920	4,453	2,325	1,738	2,424	1,806	1,817	2,607
Other Financial Institutions ..	286	50	75	0.00	0.00	0.00	0.00	0.00
Associated Companies ..	1,426	1,597	3,506	3,061	2,912	3,435	4,382	4,029
Investments, Bills,								
Loans & Advances:-								
Public Sector	2,387	3,032	0.00	0.00	0.00	0.00	0.00	0.00
Private Sector	24,478	25,965	15,709	16,756	16,784	16,538	14,886	14,671
Other Assets	2,665	2,381	2,401	2,821	2,664	2,764	2,920	2,976
TOTAL ASSETS ..	36,162	37,478	24,016	24,376	24,785	24,544	24,004	24,283

Source: Central Bank of Kenya

Developments in the Financial Sector.

5.22. The structure of the banking system during the period under review was as follows; 43 commercial banks were licensed of which 42 banks were in operation. One commercial bank was under Central Bank statutory management while four building societies were licensed to operate but only 3 were in operation as the other one was under Central Bank statutory management. Non- Bank Financial Institutions declined from 3 in 2002 to 2 during 2003. Foreign Exchange Bureaus on the other hand increased from 48 to 52 during 2003, as the number of mortgage finance companies remained unchanged at 2 over the two years.

5.23. On the assets side, loans to private sector declined by 13.4 per cent to stand at Ksh 14,671 million in 2003, while cash and deposits in banks more than doubled. These drops are explained by the reduced number of NBFIs in operation during the year.

5.24. Although the interest rates on government securities has been on a declining trend, banks continued to invest in Government Treasury bills and Treasury bonds. Investments in these securities increased following the lowering of the cash ratio requirement from 12.0 per cent to 6.0 per cent in June 2003, with respect to cash held at the Central Bank.

5.25. The stock of Non-Performing Loans (NPLs) was estimated at Ksh. 70.1 billion in 2003 down from 77.3 billion in 2002 and accounted for 25.7 per cent of total loans in 2003 compared to 30.2 per cent in 2002. The reduction in the realisable value of securities in the sector was attributed to review of facilities by a few institutions during the year, in recognition of improved recovery prospects and subsequent discount of collaterals considered unrealisable. The increase in deposits was attributed to increased external inflows from development partners mainly to support the free primary school programmes and other government development activities.

5.26. The Kenya banking sector was relatively well capitalised with an estimated average risk weighted capital adequacy ratio of 17.2 per cent and was well above the 12 per cent minimum requirement. This capitalization can be attributed to improved profits. During the period under review, the pre-tax profit in the banking sector rose to 14.6 billion in 2003 from 8.8 billion recorded in 2002. To sustain high profits, the banking sector maintained a tight lid on expenses as evidenced by reductions in interest expense on deposits, salaries and wages.

5.27. The average liquidity ratio for building societies stood at 48 per cent in December 2003, while that of mortgage finance companies was at 36 per cent over the same period.Commercial banks and NBFIs operated cash ratio accounts separate from the transaction accounts during the period to December in accordance with the cash ratio regime review from July 1, 2003.

Capital Markets

5.28. The Capital Markets Authority continued to implement its strategic plan for the period 2002- 2005 that aims at broadening and deepening of the equity market in Kenya and the region to become a leading financial center. The players in the market included the NSE (securities exchange), the Central Depository and Settlement Corporation, 6 Investments Banks, 13 stock brokers, 18 Investment Advisors, 8 Fund managers, 1 credit rating agency, 1capital venture fund, 2 collective investment schemes, 3 Authorised Securities Dealers, and 4 authorised depositories or custodians.

5.29. In 2003 the capital market experienced a burst of activity, as there was improved performance at the Nairobi Stock Exchange (NSE) in all the key market indicators. These activities saw the NSE 20 share index doubled up to close at 2,738 points in December 2003 up from 1,363 points in December 2002. The market capitalisation also increased from Ksh 112 billion in December 2002 to Ksh 318 billion in December 2003. The turnover also increased from Ksh 381.6 million in December 2002 to Ksh 2,081 million in December 2003. The increased activity can be explained by improved investor optimism and preferred capital gain return relative to the falling risk free treasury bill rates.

5.30. The bond market annual turnover recorded Ksh. 42 billion in 2003 increasing by 25 per cent from Ksh 33.6 billion in 2002. The most actively traded government securities were the five year Treasury bond issue FXD 3/2003 valued at Ksh.1.8 billion with a current yield of 5.37 per cent and the eight-year Treasury bond issue FXD 1/2003 with a current yield of 9.42 per cent. The least traded bond was the three-year bond FXT1/2002 with current yield of 14.3 per cent. The weighted average yield for securities stood at 10.2 per cent in December 2003.

Insurance Industry

5.31. During 2003, there were 42 registered insurance companies of which 39 were licensed to conduct business, while 2 operated as closed funds and one insurer was under statutory management. Two local reinsurers were operating in the market while four Regional and International reinsurers had representative offices in the country. Other insurance intermediaries included 187 licensed brokers, 1,507 registered insurance agencies, 18 loss assessors, 23 risk surveyors, 171 insurance loss adjustors and 5 risk managers.

5.32. During the year the office of the commissioner of insurance continued to strengthen its regulatory role by introducing a penalty of Ksh 200,000 for insurers dealing with unlicensed intermediaries. New rules were published in the finance bill 2003/2004, requiring insurers to submit quarterly unaudited accounts within 45 days at the end of each quarter including statements of admitted assets and liabilities. In the bill insurers are further required to provide their audited revenue balance sheet and actuarial valuations within four months after the end of each financial year. This was a departure from the previous allowance of six months and will greatly enhance the office's supervisory role. The commissioner also required that all insurance brokers be members of the Association of Insurance Brokers of Kenya (AIBK) in an attempt at strengthening professional self-regulation for Brokers.

5.33. Also, in the Finance Bill, was the placement of Health Maintenance Organizations (HMOs) which were brought under the Insurance Act. HMOs will now submit accounts to the office of the commissioner at the end of every financial year. Other regulating measures proposed during the year include an insurance indemnity cover for lawyers, and adoption of international accounting standards.

5.34. In July 2003 a sessional paper on universal health care for the country proposed the formation of a National Social Health Insurance Fund (NSHIF) with a budget estimated at Ksh. 70 billion.

5.35. On trade insurance, African Trade Insurance Agency in collaboration with the World Bank's Multilateral Investment Guarantee Agency (MIGA) introduced joint covers against high risks perceptions by foreign investors thus attracting and retaining foreign investments in Africa and Kenya in particular.

Chapter 6
Public Finance

Overview

During the year 2003, the Government released the Public Expenditure Review (PER) 2003 report, for eight ministries, aimed at enhancing effectiveness of public expenditure. The Government has institutionalised the PERs, rolled it out to all ministries, and made it part of the 2004/05 MTEF budget preparation process. This was necessitated by the need of the Government and development partners to ensure effectiveness in the utilization of the allocated resources. It will be used on continuous basis as a tool to review public expenditure policies, and to assess the implementation of the Economic Recovery for Wealth and Employment Creation Strategy.

6.2. During the 2003/04 financial year, based on the Government commitment to economic recovery and poverty alleviation, more resources were shifted to areas with higher socio-economic returns such as education, health, security, physical infrastructure, provision for safe water, and energy. Thus, provision for improving the road network and free primary education increased from Ksh 13.3 billion and Ksh 2.8 billion in 2002/03 to Ksh 16.9 billion and Ksh 9.0 billion in 2003/04 respectively.

Overall Results

6.3. The budget out-turn for the last five fiscal years is given in Table 6.1.The external Government borrowing decreased by over 11 percent from Ksh 16,393.3 million in 2002/03 to Ksh 14,752.4 million in 2003/04. Demand for more and improved public services is leading to increased total expenditure. The desire to control the budget deficit has prompted the Government to raise revenue in line with its expenditure. Hence, during the year under review, the Government allocated Ksh 388,552.0 million against a revenue collection of Ksh 237,369.7 million.

6.4. Despite a 12.8 percent growth in the current revenue between the 2002/03 and 2003/04, the greater increase in current expenditure by Ksh 47,709.9 million, led to significant increase in current deficit to Ksh 24,601.7 million in 2003/04. Furthermore, increase in capital expenditure, which was not matched by similar increase in external grants, led to a greater increase in the overall deficit by Ksh 27,546.5 million during this period.

6.5. With the Government shifting from domestic borrowing to external borrowing, the former dropped from Ksh 46,923.0 million in 2002/03 to Ksh 7,696.0 million in 2003/04. Internal public debt redemption increased by 69.4 per cent from Ksh 33,250.1 million in 2002/03 to Ksh 56,323.1 million in 2003/04. The volume of internal debt remains a constraint to achieving rapid economic growth.

Table 6.1: Central Government out-turn of revenue and expenditure* 1999/00 - 2003/04 (Ksh. million)

	1999/00	2000/01	2001/02**	2002/03**	2003/04+
Current Revenue	181,042.40	192,505.09	185,325.53	210,029.75	236,893.62
Current Expenditure***	154,755.52	176,530.19	195,633.89	213,785.46	261,495.34
Current Surplus/ Deficit	26,286.88	15,974.90	-10,308.36	-3,755.71	-24,601.72
Capital Revenue	3,508.37	7,318.01	2,538.26	768.09	476.08
Capital Expenditure***	19,417.66	33,067.90	26,065.14	33,606.38	44,452.43
Net Lending*** .	1,599.23	2,372.49	-20.54	247.28	1,045.51
External Grants	4,247.00	12,461.05	11,537.64	15,866.40	21,102.26
OVERALL DEFICIT/ SURPLUS	13,025.36	313.57	-22,277.06	-20,974.87	-48,521.32
FINANCING OF DEFICIT:					
External Loans	-8,858.00	11,425.09	14,716.55	16,393.29	14,752.43
Total Domestic Borrowing	11,878.00	624.00	39,703.00	46,923.00	7,696.00
Long-term(net)	8,241.00	6,095.00	61,748.00	55,951.00	27,012.00
Short-term(net)	3,637.00	5,471.00	-22,045.00	-9,028.00	-19,316.00
CHANGES IN CASH BALANCES:					
Increase = (-)	-16,045.36	-12,362.66	-32,142.49	-42,341.42	26,072.89
MEMORANDUM ITEMS:					
Public Debt Redemption	49,931.80	56,077.86	85,407.22	56,034.61	81,116.85
(a) External	26,471.50	12,267.92	22,313.24	22,784.54	24,793.71
(b) Internal . .	23,460.30	43,809.93	63,093.98	33,250.07	56,323.14

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

6.6. Table 6.2 shows some key fiscal indicators for the fiscal years 1999/00 to 2003/04. Current deficit as a percentage of current revenue declined from a deficit of 1.8 percent in 2002/03 to a deficit of 10.4 per cent in 2003/04, mainly as a result of higher growth in current expenditure, compared to growth in current revenue. The ratio of capital expenditure to current expenditure increased from 15.7 percent in 2002/03 to 17.0 percent in 2003/04. Government expenditure as a percentage of the GDP at market prices increased from 31.5 per cent to 35.6 per cent over the last two financial years, while overall deficit as a percentage of GDP also increased to 4.4 per cent in 2003/04 compared to 2.2 per cent in 2002/03. The externally sourced resources as a percent of the capital expenditure and net lending though on the decrease, has been quite high.

6.7. Table 6.3 provides comparisons between the budget forecasts presented to parliament at the beginning of each financial year and the final budget for the period 2000/01 to 2003/04. This gives an indication of the predictability of the various budgets, though the Government comes up with supplementary measures to reallocate resources in the course of a financial year. During 2001/02 and 2002/03, the revenue out-turns fell below the the targetted revenue by Ksh 28,254.5 million and Ksh 12,258.2 million respectively. It was however expected a higher revenue out-turn by Ksh 3,510.5 million in 2003/04. The recurrent expenditure gives significant variance betwen the revised budget and the actual out-turns with the highest variance in 2000/01.

Table 6.2: Analysis of key fiscal trends, 1999/00 - 2003/04

	1999/00	2000/01	2001/02*	2002/03*	2003/04**
1 Current Surplus/Deficit as % of Current Revenue	14.52	8.30	-5.56	-1.79	-10.39
2 Current Surplus/Deficit as % of Capital Expenditure plus Net Lending	125.08	45.08	-39.58	-11.09	-54.07
3 Ratio of Capital Expenditure to Current Expenditure	12.55	18.73	13.32	15.72	17.00
4 Overall Deficit as % of Current Revenue ..	7.19	0.16	-12.02	-9.99	-20.48
5 Overall Deficit as % of Total Expenditure ..	5.77	0.12	-7.25	-6.91	-12.50
6 External Grants and Loans as % of Capital Expenditure plus Net Lending	-21.94	67.40	100.80	95.29	78.81
7 Net Short-Term Borrowing as % of Capital Expenditure plus Net Lending	17.31	-15.44	-84.64	-26.67	-42.45
8 Current Revenue as % of GDP at Current Market Prices	24.45	24.17	21.09	21.82	21.70
9 Total Government Expenditure as % of GDP at Current Market Prices	30.49	33.66	34.95	31.54	35.55
10 Overall Deficit as % of GDP at Current Market Prices	1.76	0.04	-2.54	-2.18	-4.44

* Provisional
** Revised Estimates

Table 6.3: Comparison of Central Government Budget Estimates with Actual Out-Turns, 2000/01 -2003/04, Ksh. Million

	2000/01			2001/02*		
	Budget	Actual	Difference	Budget	Actual	Difference
Recurrent Revenue	200,337.71	185,055.16	-15,282.55	216,118.33	187,863.79	-28,254.54
Recurrent Expenditure	270,038.55	235,065.96	-34,972.59	269,988.87	283,484.56	13,495.69
Recurrent Balance	-69,700.84	-50,010.80	19,690.04	-53,870.54	-95,620.77	-41,750.23
Development Expenditure + Net Lending	59,324.77	35,737.99	-23,586.78	43,560.88	24,209.62	-19,351.26
External Financing (Net)**	-29,845.00	23,886.13	53,731.13	-8,673.00	26,254.19	34,927.19
Balance for Domestic Financing (Net)	-158,870.61	-61,862.66	97,007.95	-106,104.42	-93,576.20	12,528.22
	2002/03*			2003/04***		
	Budget	Actual	Difference	Budget	Actual	Difference
Recurrent Revenue	223,056.05	210,797.84	-12,258.21	233,859.19	237,369.70	3,510.51
Recurrent Expenditure	292,715.54	272,287.62	-20,427.92	330,170.83	329,927.08	-243.75
Recurrent Balance	-69,659.49	-61,489.78	8,169.71	-96,311.64	-92,557.38	3,754.26
Development Expenditure + Net Lending	49,753.66	32,027.12	-17,726.54	60,553.59	59,670.57	-883.01
External Financing (Net)**	-923.65	32,259.69	33,183.34	35,854.69	35,854.69	0.00
Balance for Domestic Financing (Net)	-120,336.80	-61,257.21	59,079.59	-121,010.54	-116,373.26	4,637.27

* Provisional.
** 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

6.8. As shown shown in Table 6.4, gross receipts increased by 12.6 per cent in 2003/04, compared to 12.2 per cent increase during the previous year. This is an indication of success in the Government's efforts to improve revenue collection over the years. Income tax continues to be the major source of Government revenue, contributing over 30 per cent of the total revenue during the last two fiscal years. The total income tax however recorded a slower growth of 11.1 per cent in 2003/04 compared to 19.5 per cent in the previous year. Excise duty has been on the increase for the last three years unlike import duty which has shown mixed performance in the recent years. Receipts from sales of goods and services continued to increase over the last two years, with major contributors being road maintenance levy and pre-shipment inspection fees.

Table 6.4: Central Government gross receipts on recurrent account* 1999/00 - 2003/04, Ksh. Million

Ksh million

	1999/00	2000/01	2001/02**	2002/03**	2003/04+
DIRECT TAXATION:					
Income Tax	53,316.99	53,428.93	55,861.95	66,744.28	74,143.00
TOTAL	53,316.99	53,428.93	55,861.95	66,744.28	74,143.00
INDIRECT TAXATION:					
VAT on Domestic Manufactures.....	22,416.62	26,226.01	26,325.46	26,502.31	31,700.00
VAT on imports	18,527.57	23,994.85	24,546.22	29,632.94	28,705.00
Import Duties	28,605.16	28,803.74	21,583.67	18,436.23	21,684.00
Excise Duties	28,493.06	28,317.99	32,076.93	35,684.12	41,939.00
Trading Licences	90.64	86.30	97.53	105.36	229.05
Licences and Fees Under Traffic Act	1,562.56	1,049.99	885.40	1,145.00	1,358.00
Other Taxes, Licences and Duties	3,953.12	1,170.98	1,087.28	1,011.49	1,222.11
TOTAL	103,648.73	109,649.86	106,602.49	112,517.44	126,837.16
OTHER REVENUE AND INCOME:					
Compulsory Fees, Fines and Penalties	4,102.47	6,180.33	3,902.32	5,895.81	7,385.24
Income From Property	6,482.44	5,283.64	4,105.49	2,363.25	3,328.26
Current Transfers	0.02	0.00	1,523.54	138.77	501.15
Sales of Goods and Services	14,121.12	16,045.25	11,628.27	16,154.78	18,393.44
Other	2,879.00	9,235.09	4,239.73	6,983.52	6,781.45
TOTAL	27,585.05	36,744.31	25,399.34	31,536.12	36,389.54
TOTAL	184,550.77	199,823.10	187,863.79	210,797.84	237,369.70
MEMORANDUM ITEM:					
Loan Repayments to Government	418.30	382.05	629.00	389.60	442.01

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

** Provisional.

\+ Revised Estimates

Table 6.5: Central Government import duty collections for selected items, 1999 - 2003, Ksh million**

END-USE CATEGORY	1999	2000	2001	2002	2003*
Food, drinks and tobacco	4,393.60	5,479.55	5,318.98	4,062.79	5,278.97
Basic materials	1,577.60	1,599.50	1,082.27	970.46	1,705.44
Fuels	6,307.80	6,326.64	110.43	727.04	695.39
Chemicals	1,741.00	1,527.06	1,099.84	935.05	743.20
Textiles	621.20	536.93	587.90	590.66	684.32
Semi-manufactures	1,853.40	1,560.87	1,281.73	1,303.06	989.34
Metals	1,440.00	1,215.59	936.52	1,054.05	1,207.73
Transport Equipment	3,514.80	3,806.70	3,012.05	3,518.71	3,958.67
Machinery	3,237.60	3,103.64	3,180.74	2,644.49	2,630.74
Miscellaneous commodities	1,742.20	1,724.89	1,919.34	1,940.69	1,619.20
TOTAL	26,429.20	26,881.37	18,529.80	17,747.00	19,513.00

source: Customs and Excise-K.R.A

* Provisional.

** Data presented in this table refer to calender years

6.9. Table 6.5 presents collected import duties on selected commodities by end use. Overall, most categories exhibited mixed performance. Total import duty declined by 37.8 per cent over the last four years, from Ksh 26,881.4 million in 2000 to Ksh 19,513.0 million in 2003. The decline in receipts from semi-manufactures and machinery over the last year especially may partly be attributed to the reduction of Import Declaration Form (IDF) fees on goods imported under Tax Remission for Export Office (TREO), and the removal of import duty on computers, computer accessories, and a variety of other raw materials. The main source of import duty collection by end use category continued to be food, drinks and tobacco, transport equipment and machinery which contributed 27.1, 20.3 and 13.5 per cent respectively in 2003. Wheras most categories of items registered declines in import duty, receipts from basic materials grew by 75.7 per cent and those from food, drinks and tobacco recorded a 29.9 per cent growth.

Table 6.6: Central Government excise revenue by commodities*, 1999 - 2003, KSh million

	1999	2000	2001	2002	2003**
Beer and spirits	7,161.14	7,580.83	7,540.36	8,024.73	7,907.96
Sugar		1.00	39.43	0.00	0.00
Cigarettes	4,804.00	4,697.59	3,830.87	3,578.56	3,629.44
Other commodities***	1,313.78	1,326.00	1,035.52	1,321.76	1,908.08
	13,278.92	13,605.43	12,446.18	12,925.05	13,445.48

* Data presented in this Table refer to Calender years

** Provisional.

*** Includes revenue from mineral w ater, matches, cosmetics and locally assembled vehicles.

Source: Kenya Revenue Authority, Customs and Excise.

6.10. Central Government excise revenue by selected locally manufactured commodities is given on Table 6.6. Overall excise revenue grew by 4.0 per cent from Ksh 12,925.05 million in 2002 to Ksh 13,445.48 million in 2003. The table shows that more excise revenue collection was made from beer and spirits, and cigarettes than the other commodities. Beer and spirits contributed 62.1 percent and 58.8 percents of the total excise revenue collected in 2002 and 2003 respectively, while the receipts from cigarettes were 27.7 and 27.0 per cent respectively in the period. Excise revenue maintained a positive growth between years 2001 and 2003 despite the lifting of duty on locally produced sugar.

Table 6.7: Central Government Financing of Capital Expenditure and Net Lending, 1999/00 - 2003/04, Kshs million

	1999/00	2000/01	2001/02*	2002/03*	2003/04**
EXPENDITURE:					
Capital Expenditure	19,417.66	33,067.90	26,065.14	33,606.38	44,452.43
Net Lending	1,599.23	2,372.49	-20.54	247.28	1,045.51
TOTAL	21,016.89	35,440.39	26,044.60	33,853.66	45,497.94
FINANCING:					
Surplus on Current Account ..	26,286.88	15,974.90	-10,308.36	-3,755.71	-24,601.72
Capital Revenue	3,508.37	7,318.01	2,538.26	768.09	476.08
External Loans (Net)	-8,858.00	11,425.09	14,716.55	16,393.29	14,752.43
External Grants	4,247.00	12,461.05	11,537.64	15,866.40	21,102.26
Long-Term Domestic Borrow ing (Net)	8,241.00	6,095.00	61,748.00	55,951.00	27,012.00
SHORT TERM BORROWING:					
Treasury Bills (Net)	28,316.00	6,352.00	-18,207.00	-11,522.00	-1,906.00
Other Short-Term Borrow ing (Net) ..	-24,679.00	-11,823.00	-3,838.00	2,494.00	-17,410.00
Change in Cash Balances(decrease =+)	-16,045.36	-12,362.66	-32,142.49	-42,341.42	26,072.89
TOTAL	21,016.89	35,440.39	26,044.60	33,853.65	45,497.94

* Provisional.

** Estimates

6.11. Details on financing of capital expenditure and net lending is presented in Table 6.7. Total Government financing of capital expenditure and net lending increased by Ksh 11,644.3 million from Ksh. 33,853.7 million in fiscal year 2002/03 to Ksh. 45,497.9 million in 2003/04. The Government recorded an increase in net lending of Ksh 1,045.5 million in 2003/04 compared to Ksh 247.3 million recorded in 2002/03. This means that the Government received less in form of loan repayment than it spent on purchase of equity in enterprises, loans to households, enterprises and general Government agencies. External grants and domestic borrowing were the major sources of financing of capital expenditure and net lending in the fiscal year 2003/04.

Table 6.8: Central Government Expenditure on Main Services, 2000/01 - 2003/04, Ksh million

	2000/01			2001/02*			2002/03*			2003/04+		
	Recur-rent Account	Deve-lopment Account	Total	Recur-rent Account	Deve-lopment Account	Total	Recur-rent Account	Deve-lopment Account	Total	Recur-rent Account	Deve-lopment Account	Total
GENERAL PUBLIC ADMINISTRATION:												
General Administration	30,724.5	12,254.4	42,978.9	26,496.8	7,533.7	34,030.5	28,053.5	13,061.0	41,114.5	32,751.8	16,711.3	49,463.1
External Affairs	3,313.5	62.1	3,375.6	4,480.7	1.2	4,481.9	4,291.6	122.1	4,413.8	5,046.5	110.0	5,156.5
Public Order and Safety	16,541.7	298.0	16,839.7	18,414.8	657.3	19,072.1	20,454.3	754.0	21,208.3	25,624.8	1,280.6	26,905.4
TOTAL	50,579.7	12,614.5	63,194.2	49,392.3	8,192.2	57,584.5	52,799.5	13,937.1	66,736.6	63,423.1	18,101.9	81,525.0
Defence	14,261.1	0.0	14,261.1	16,268.2	0.0	16,268.2	17,603.0		17,603.0	19,921.1	0.0	19,921.1
SOCIAL SERVICES												
Education	49,094.7	773.5	49,868.2	54,211.0	442.0	54,653.0	62,317.0	2,817.8	65,134.8	72,328.7	8,449.6	80,778.3
Health	10,866.7	1,031.6	11,898.2	12,603.2	1,733.3	14,336.5	14,405.5	945.6	15,351.1	15,987.9	4,717.1	20,705.0
Housing and Community Welfare	2,094.4	375.3	2,469.7	2,617.7	323.8	2,941.6	2,227.2	868.8	3,096.1	3,896.6	822.8	4,719.4
Social Welfare	19.7	0.0	19.7	22.0	0.0	22.0	40.3	0.0	40.3	80.0	0.0	80.0
TOTAL..	62,075.5	2,180.4	64,255.9	69,454.0	2,499.1	71,953.1	78,990.0	4,632.3	83,622.3	92,293.3	13,989.5	106,282.8
ECONOMIC SERVICES:												
General Administration	3,321.0	11,446.7	14,767.6	3,902.8	8,793.4	12,696.2	3,663.3	6,074.8	9,738.1	2,469.1	7,560.3	10,029.4
Agriculture, Forestry and Fishing	5,985.7	2,250.2	8,235.9	7,359.8	490.3	7,850.1	7,307.6	2,060.4	9,368.0	8,260.9	4,476.6	12,737.5
Mining,Manufacturing & Construction	2,247.2	961.7	3,208.9	1,793.2	1,201.7	2,994.9	1,944.4	504.3	2,448.7	2,719.5	1,199.0	3,918.4
Electricity, Gas, Steam and Water	1,099.9	1,276.8	2,376.7	1,071.2	1,310.4	2,381.6	1,563.8	1,494.5	3,058.3	1,448.7	4,577.2	6,025.9
Roads	6,834.8	2,624.3	9,459.0	7,376.1	1,480.6	8,856.7	5,211.6	2,255.6	7,467.2	8,805.5	7,922.5	16,728.0
Other Transport & Communications	783.7	0.0	783.7	757.5	11.7	769.1	796.6	8.2	804.8	19.5	22.9	42.4
Other Economic Services	1,261.0	10.0	1,271.1	2,270.0	250.8	2,520.8	1,340.5	808.5	2,148.9	3,299.4	775.1	4,074.5
TOTAL ECONOMIC SERVICES	21,533.3	18,569.7	40,103.0	24,530.4	13,538.8	38,069.3	21,827.8	13,206.3	35,034.1	27,022.6	26,533.6	53,556.1
OTHER SERVICES; INCLUDING												
PUBLIC DEBT	86,616.4	0.0	86,616.4	123,839.6	0.0	123,839.6	101,067.4	0.0	101,067.4	127,267.0	0.0	127,267.0
TOTAL**	235,066.0	33,364.5	268,430.5	283,484.6	24,230.2	307,714.7	272,287.6	31,775.7	304,063.3	329,927.0	58,625.0	388,552.0

* Provisional.

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

\+ Revised Estimates

6.12. Table 6.8 depicts the functional allocation of Government expenditure for the financial years 2000/01 to 2003/04. Most sectors of the Government registered significant growth in expected expenditures as shown in Fig 6.1. Expenditure on general public administration rose from Ksh 41,114.5 million in the year 2002/03 to Ksh 49,463.1 million in 2003/04. With the commitment to deal with the concerns of the vulnerable and disadvantaged people, electricity, gas, steam and water received an increased allocation of Ksh 6,025.9 million during 2003/04 compared to Ksh 3,058.3 million in 2002/03. With regard to basic social services, the Government focused more particularly on education, health, water and security. During the fiscal year some Ksh. 500 million was allocated for procurement of drugs, and a grant of Ksh 1.5 billion from the Special Global Fund to fight the HIV/AIDS scourge was accessed. The Government had made a substantial commitment and investment in free primary education raising the expenditure by 24.0 percent to Ksh 80,778.3 million in 2003/04 from Ksh 65,134.8 million in 2002/03. The other services including public debt recorded a 25.9 per cent increase during the period under review due to increased debt servicing charges.

6.13. In its efforts to eradicate poverty, the Government during the last budget focussed on making agriculture more productive and better organized to enhance its competitiveness. In this regard, expenditure on both recurrent and development account on this activity went by 36.0 per cent to Ksh 12,737.5 million in 2003/04, compared to Ksh 9,368.0 million in the previous year, as the allocation to roads in the development account rose significantly .

Figure 6.1: Government Expenditure by main services

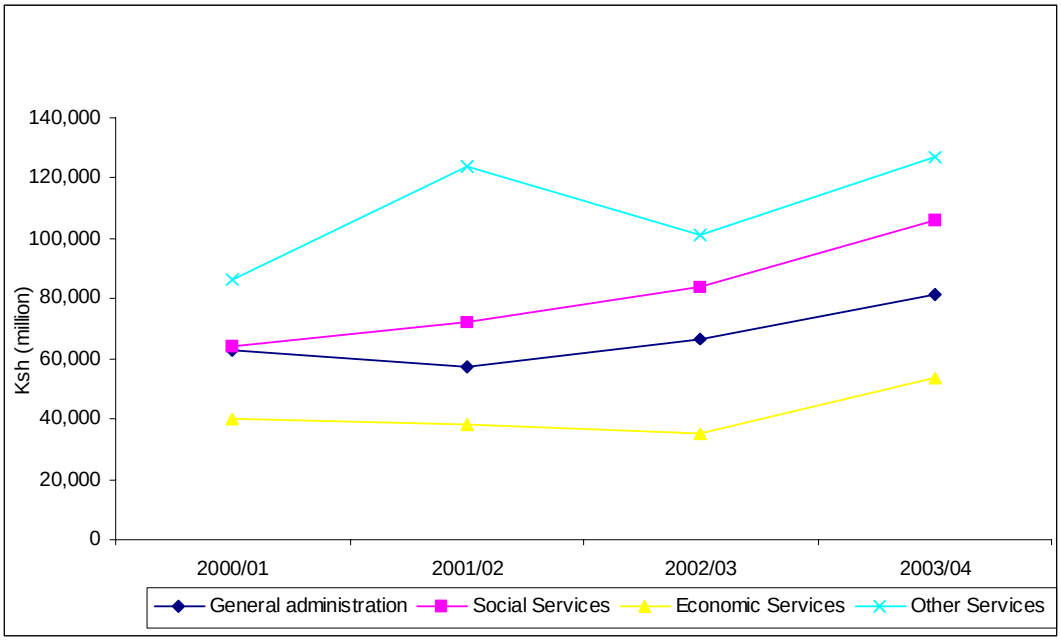


Table 6.9: Central Government Economic Analysis of Expenditure and Net Lending, 1999/00 - 2003/04 Ksh million

	1999/00	2000/01	2001/02*	2002/03*	2003/04**
CURRENT EXPENDITURE:					
CONSUMPTION EXPENDITURE ON GOODS AND SERVICES:					
Labour Costs	69,934.65	72,015.72	82,135.21	88,988.85	98,959.50
Other Goods and Services	30,055.77	43,279.93	44,818.95	50,023.77	82,179.87
TOTAL	99,990.42	115,295.65	126,954.16	139,012.62	181,139.37
SUBSIDIES	200.14	200.00	200.02	200.00	
INTEREST:					
Foreign	7,508.43	3,848.58	6,948.21	9,471.64	6,704.87
Domestic	21,409.41	20,576.91	22,902.76	26,090.69	28,323.33
TRANSFERS TO:					
Households and Unincorp. Enterprises including Private Non-profit Institutions	6,529.84	13,748.18	10,522.11	11,699.14	
Financial and Non-Financial Enterprises					
General Government	15,899.41	20,379.32	26,969.76	26,355.14	45,327.77
Rest of the World	700.78	838.53	880.72	504.68	
Funds	2,517.09	1,643.01	256.15	451.53	
TOTAL TRANSFERS	25,647.12	36,609.05	38,628.74	39,010.50	45,327.77
OTHERS					
1. TOTAL CURRENT EXPENDITURE	154,755.52	176,530.19	195,633.89	213,785.46	261,495.34
2. CAPITAL EXPENDITURE:					
Gross Fixed Capital Formation	17,008.19	28,602.58	23,928.74	25,684.34	33,339.10
Capital Transfers	2,409.48	4,465.32	2,136.40	7,922.04	11,113.33
TOTAL	19,417.66	33,067.90	26,065.14	33,606.38	44,452.43
3. NET LENDING:					
Purchase of Equity in Enterprises	0.58	0.00	0.00	0.00	0.00
Loans to Households, Enterprises and General Government Agencies	2,016.95	2,754.54	608.46	636.88	1,487.52
Less Loan Repayments to Government ***	-418.30	-382.05	-629.00	-389.61	-442.01
TOTAL	1,599.23	2,372.49	-20.54	247.28	1,045.51
4. PUBLIC DEBT REDEMPTION	49,964.30	56,077.86	85,407.22	56,034.62	81,116.85
5. Total Expenditure (1+2+3+4)	225,736.72	268,048.44	307,085.71	303,673.73	388,110.13

* Provisional.

** Revised Estimates

*** including interest

6.14. The economic analysis of Central Government expenditure and net lending is presented in Table 6.9. Total current expenditure increased by 22.3 per cent in fiscal year 2003/04. Consumption expenditure on goods and services show a significant increase in expenditure. Labour costs are expected to rise by 11.2 per cent from Ksh 88,988.9 million in 2002/03 to Ksh 98,959.5 million in 2003/04, attributed to upgrading of teachers in accordance with the scheme of service, increase of salaries and allowances for MPs and the police.

6.15. Table 6.10 shows thr summary of the outstanding public debt of the Central Government. Total outstanding debt increased by 12.5 per cent from Ksh 571,226.4 million to Ksh 642,345.3 million as at 30th June 2002 and 2003 respectively. The country continued to suffer from rapidly accumulated domestic debt as it uses a large part of revenue collected to service interests and debt redemption payments. The stocks of domestic debts stood at Ksh 289,377.4 million as at 30th June 2003. Fig 2 shows that out of the outstanding debt, 45.0 per cent is sourced domestically and 55.0 per cent externally. This is in line with the Government objective to minimise domestic borrowing and rely on external concessional borrowing to fonance the deficit.

Figure 6.2: Public Debt by Source 2003

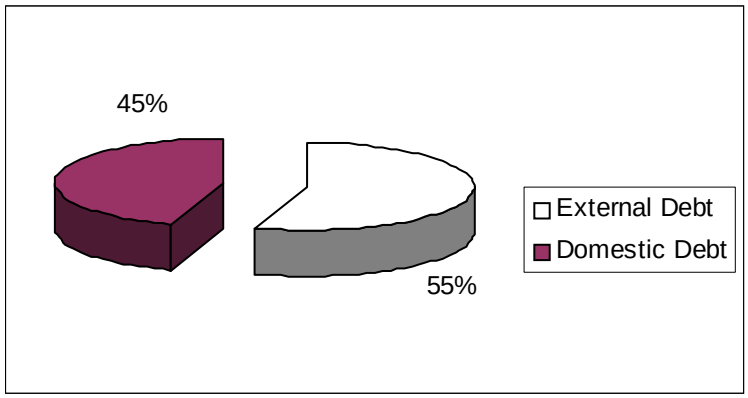


Table 6.10: Central Government public debt, 1999 - 2003, Ksh. million

As at 30th June	Public Debt**								
	Stocks			Other debt			Total		
	External	Internal	Total	External	Internal	Total	External	Internal	Total
1999	. .	3,430.00	3,430.00	343,934.34	167,445.00	511,379.34	343,934.34	170,875.00	514,809.34
2000	. .	3,005.69	3,005.69	362,497.82	203,053.31	565,551.13	362,497.82	206,059.00	568,556.82
2001	. .	1,467.83	1,467.83	365,666.20	210,345.17	576,011.37	365,666.20	211,813.00	577,479.20
2002	. .	1,467.83	1,467.83	335,258.40	234,500.17	569,758.57	335,258.40	235,968.00	571,226.40
2003*	. .	1,057.98	1,057.98	352,967.85	288,319.42	641,287.27	352,967.85	289,377.40	642,345.25

* Provisional

** Includes Short Term Borrowing.

6.16. Information on the details of the sources of the outstanding debt of the Central Government for the period 1999 to 2003 is shown on Table 6.11. Total outstanding debt rose from Ksh 571,226.4 million to Ksh 642,345.3 million as at 30th June 2002 and 2003 respectively. Multilateral organizations remained the lead source in external debt, contributing Ksh 233,613..7 million compared to Ksh 105,298.6 million from bilateral sources. In the last three years the stock of treasury bills has maintained a negative trend due to the Government's shift from short term borrowing to relatively cheap longer term borrowing, evidenced by an increase in use of treasury bonds which rose by 51.9 per cent. This was also linked to the policy to develop a yield curve by marketing Government papers for various maturities.

Table 6.11: Central Government outstanding debt by source, 1999 – 2003, Ksh million

Outstanding as at 30th June	1999	2000	2001	2002	2003
EXTERNAL DEBT:*					
Lending Countries:					
Germany	8,269.00	8,485.65	7,652.00	7,550.20	8,823.00
Japan	49,037.00	57,235.00	47,837.00	50,790.00	50,514.00
France	21,055.00	16,681.00	16,301.00	9,618.00	9,604.00
U.S.A.	4,170.00	5,461.00	5,172.00	4,761.00	6,651.70
Netherlands	5,906.40	4,515.30	4,087.00	2,922.00	3,738.00
Denmark	3,913.00	3,114.00	2,527.00	1,947.00	1,935.75
Finland	221.50	155.70	195.00	333.00	267.00
Other	30,490.50	26,112.85	24,405.40	23,817.30	23,765.17
Total	123,062.40	121,760.50	108,176.40	101,738.50	105,298.62
International Organisations:					
I.D.A	134,222.00	170,277.00	179,930.40	186,319.00	186,648.00
I.B.R.D	564.00	1,462.00	1,560.00	3,299.00	8,566.25
African Development Bank					
O.P.E.C.					
E.E.C.	11,944.00	12,413.00	11,735.00	9,493.00	8,566.25
I.M.F.	11,270.23	7,982.17	8,681.40	7,318.50	5,989.23
Arab League					
Badea					
I.F.A.D.					
C.D.C.					
A.D.F.	25,725.30	26,087.00	24,882.00	23,943.00	23,844.00
Total	183,725.53	218,221.17	226,788.80	230,372.50	233,613.73
Others	37,146.41	22,516.15	30,701.00	3,147.40	14,055.50
Total External	343,934.34	362,497.82	365,666.20	335,258.40	352,967.85
INTERNAL DEBT:					
Treasury Bills	96,683.00	114,129.00	116,440.00	82,050.00	78,744.00
Treasury Bonds	28,186.00	36,851.00	44,499.00	106,333.00	161,549.10
Non Interest bearing debt	36,917.00	36,917.00	36,917.00	36,917.00	36,917.00
Others(includes stocks)	9,089.00	18,162.00	13,957.00	10,668.00	12,167.30
TOTAL INTERNAL	170,875.00	206,059.00	211,813.00	235,968.00	289,377.40
TOTAL UNFUNDED DEBT	514,809.34	568,556.82	577,479.20	571,226.40	642,345.25

*Revised series

Source: Debt Management Dept & CBK

Table 6.12: Government stocks at book value by holders on local register as at 30th June, 1999 - 2003, Ksh million.

	1999	2000	2001	2002	2003
PUBLIC BODIES:					
National Social Security Fund	2,306.18	1,936.39	758.80	758.80	408.80
Central Government	809.87	766.78	650.28	650.28	615.58
Local Government	1.00	1.00	1.00	1.00	1.00
Kenya Post Office Savings Bank	33.00	33.00	15.00	15.00	0.00
Former E.A.Community Institutions*	51.15	51.15	0.00	0.00	0.00
Central Bank	0.00	0.00	0.00	0.00	0.00
Other Public Sector	17.43	16.43	7.32	7.32	2.20
OTHER INTERNAL:					
Commercial Banks	105.37	94.97	30.70	30.70	28.68
Insurance Companies	46.20	46.20	3.70	3.70	1.70
Other Companies	59.35	59.35	1.00	1.00	0.00
Private Individuals	0.50	0.43	0.03	0.03	0.03
TOTAL	3,430.05	3,005.69	1,467.83	1,467.83	1,057.98

Source: Central Bank of Kenya.

* And their successors

6.17. Table 6.12 shows Government stocks at book value by holders on local register. National Social Security Fund which has been on the lead in holding the Government's stocks, now stands second after the Central Government on the local register. After stagnating for two years at Ksh 1,467.8 million, the stocks declined further to Ksh. 1,058.0 million in the fiscal year 2002 /03.

Table 6.13: Central Government debt servicing charges*, 1999 – 2003, Ksh. million

Year ending 30th June	ANNUAL DEBT SERVICING CHARGES			INTEREST AND LOAN REPAYMENT RECEIPTS			NET SERVICING CHARGES		
	External	Internal	Total	External	Internal	Total	External	Internal	Total
1999. ..	31,214.60	66,955.60	98,170.20	. .	327.76	327.76	31,214.60	66,627.84	97,842.44
2000	33,979.93	44,869.70	78,849.63	..	418.30	418.30	33,979.93	44,451.40	78,431.33
2001	16,116.48	64,386.83	80,503.31	..	382.05	382.05	16,116.48	64,004.78	80,121.26
2002	29,261.45	85,996.74	115,258.19	..	629.00	629.00	29,261.45	85,367.74	114,629.19
2003**	32,256.18	59,340.76	91,596.94	..	389.60	389.60	32,256.18	58,951.16	91,207.34

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

** Provisional

6.18. Table 6.13 provides information on Central Government debt servicing charges. The net servicing charges dropped by 20.4 percent from Ksh 114,629.2 million in the financial year ending 30th June 2002 to Ksh 91,207.3 million during the following year mainly as a consequence of external debts being serviced.

Table 6.14 Central Government debt service charges on external debt related to exports of goods and services 1999-2003

	Debt Service Charges on External Debt** (Financial Year)	Exports of Goods and Services (Calender Year)	External Debt Service Charges as a Percentage of Exports of Goods and Services
	Ksh million	Ksh million	
1999	31,214.60	189,264.97	16.49
2000	33,979.93	211,432.70	16.07
2001	16,116.48	234,175.25	6.88
2002	29,261.45	250,429.16	11.68
2003*	32,256.18	272,725.11	11.83

* Provisional.

** Including debt redemption, how ever, interest payments on draw ing on IMF are excluded.

6.19. The external debt servicing charges in relation to earnings from goods and services are presented in Table 6.14. The debt servicing charges for external debt rose by 10.2 per cent as the exports of goods and services recorded a slower growth of 8.9 percent. The ratio of external debt service charge to exports of goods and services remained more or less the same at 11.7 per cent in 2002 and 11.8 per cent in 2003.

Local Authorities

6.20. The Local Authority Transfer Fund (LATF) is meant to strengthen the ability of local authorities to play a vital role in the fight against poverty. Local Authorities are to combine the LATF resources with their own revenue to implement those services and investments most needed at local level in accordance with local authority budget priorities. Success depends on the ability of the local authorities to effectively work with their communities to formulate, implement and monitor the local budget revenues and expenditures. Since financial year 2001/02, all councils undertake a participatory planning process to ensure that the needs of the local community are effectively identified, incorporated into the local annual budget, effectively implemented and are transparently monitored.

Table 6.15: Central Government transfers through L.A.T.F to local authorities, 1999/00 - 2003/04, Ksh. Million

	1999/00	2000/01	2002/03	2003/04*
Nairobi City Council	89.50	485.32	607.06	812.70
Municipal Council	208.54	511.13	816.81	1,020.20
County Council	556.85	1,060.21	1,256.23	1,472.10
Tow n Councils	145.11	250.23	319.90	445.00
TOTAL	1,000.00	2,306.90	3,000.00	3,750.00

Source: Kenya Local Government Reform program

* Provisional

6.21. Table 6.15 presents the summarized LATF disbursement to the 174 local authorities, comprising city, municipal, county and town councils. In the financial year 2003/04, the Government proposed to transfer Ksh 3.8 billion, which represents a 25.0 percent increase over 2002/03.

6.22. Through the LATF transfer, the Government is seeking to develop greater partnership between local authorities and their communities so that they can initiate and implement local level economic and social development programmes. These LATF resources are allocated to each local authority in two basic components of service delivery and the performance, which accounts for 60 per cent and 40 percent respectively. The transfers of the service delivery component are tied to specific conditionalities: At least 50 per cent of the LATF funds are allocated capital projects; local budget must not allocate more than 60 per cent of their total budget to labour costs, and must pay all statutory charges within the year that they are due, to avoid creation of new liabilities.

6.23. Economic analysis of expenditure of the local authorities, comprising city, municipal, town and county councils is summarized in Table 6.16. The total expenditure by local authorities is estimated to record a growth of 15.9 percent from Ksh 12,204.2 million in 2002/03 to Ksh 14,145.5 million in 2003/04. This increase in expenditure is attributed to LATF boost which has enabled many local authorities to spend more than in earlier years.

Table 6.16: Expenditure by local authorities, 1999/00 - 2003/04, Ksh. million

	Local authorities				
	Nairobi City Council	Other Municipal Councils	Sub-Total	Tow n and County Councils	Total
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	4,110.84	3,746.86	7,857.70	3,123.72	10,981.42
2002/03*	4,243.47	4,532.41	8,775.88	3,428.36	12,204.24
2003/04**	4,862.70	4,785.40	9,648.10	4,497.44	14,145.54

* Provisional

** Estimates

Table 6.17: Municipal Councils: Current and capital expenditure on main services, 1999/00 - 2003/04, Ksh. million

	1999/00	2000/01	2001/02	2002/03*	2003/04**
ADMINISTRATION	2,145.8	2,226.2	2,345.1	2,594.9	2,614.6
COMMUNITY	347.3	405.3	418.1	587.3	925.8
SERVICES:	572.7	583.2	591.0	657.3	742.5
Other	127.2	133.5	148.7	178.2	281.5
Total	1,047.2	1,122.0	1,157.8	1,422.8	1,949.8
SOCIAL	425.3	458.3	471.6	478.6	567.3
SERVICES	774.3	746.6	788.5	879.3	912.5
Other	84.1	121.4	162.8	213.7	261.0
Total	1,283.7	1,326.2	1,422.9	1,571.6	1,740.8
ECONOMIC	475.1	497.5	511.9	564.3	582.2
SERVICES:	1,025.9	1,208.9	1,211.0	1,359.3	1,381.0
Housing Estates(including staff housing)..	662.4	578.7	687.2	756.6	865.9
Other	627.6	458.0	521.8	506.4	764.8
Total	2,791.0	2,743.1	2,931.9	3,186.6	3,593.9
TOTAL EXPENDITURE	7,267.7	7,417.6	7,857.7	8,775.9	9,899.1

* Provisional

** Estimates

6.24. Current and capital expenditure by purpose for municipal councils for financial years 1999/00 to 2003/04 is as shown on Table 6.17. Like the Central Government, local authorities are encouraged through LATF to focus more on basic social services which have direct effect on poverty alleviation particularly education, health, water and sanitation. However, a large share of expenditure is still on administration, taking 26.4 per cent in 2003/04. Economic services and social services accounted for 36.3 and 17.6 per cent respectively. Details of these expenditure are also presented in Table 6.18. Total expenditure increased by 12.8 per cent from Ksh 8,775.9 million to Ksh 9,899.1 million in the fiscal year 2003/04. Both current and capital expenditure registered 8.5 per cent and 33.2 per cent increases in fiscal year 2003/04.

Table 6.18: Municipal Councils: Economic analysis of expenditure, 1999/00 - 2003/04 (Ksh million

	1999/00	2000/01	2001/02	2002/03*	2003/04**
CURRENT EXPENDITURE:					
Labour Cost	3,853.4	3,618.2	4,011.8	4,251.7	4,703.6
Other Goods and Services	2,171.4	2,825.9	2,838.0	2,874.0	2,980.0
Transfer to Households & Enterprises	28.4	46.8	48.0	50.2	68.0
Transfer to Funds (Current) ..	57.7	62.5	34.0	58.5	63.0
Interest	10.4	7.2	4.8	5.5	38.0
Total	6,121.3	6,560.6	6,936.6	7,240.0	7,852.6
CAPITAL EXPENDITURE:					
Gross Fixed Capital Formation ..	1,052.4	755.7	804.7	1,321.3	1,843.5
Loan Repayment***	94.1	101.3	116.4	214.7	203.0
Transfer to Funds (capital)	..	..	..	..	..
Total	1,146.4	857.0	921.1	1,535.9	2,046.5
TOTAL EXPENDITURE	7,267.7	7,417.6	7,857.7	8,775.9	9,899.1

* Provisionals

** Estimates

*** Includes interest.

6.25. Figures on economic analysis of revenue for municipal councils are in Table 6.19. Municipal councils were expected to realise an increase in total revenue of 21.2 percent from Ksh 8,484.6 million in year 2002/03 to Ksh 10,282.0 million in 2003/04. Sale of goods and services remains the main source of revenue for municipal councils, contributing over 42 per cent followed by direct taxes at 24.6 per cent of the total revenue in 2003/04.

Table 6.19: Municipal Councils: Economic analysis of revenue, 1999/00 -2003/04 (Ksh million)

	1999/00	2000/01	2001/02	2002/03*	2003/04+
CURRENT REVENUE:					
Direct Taxes (Rates**)	1,723.54	1,821.17	2,005.21	2,119.87	2,534.24
Indirect Taxes (Licences and ce	623.44	689.66	712.53	792.35	823.40
Income from Property	389.99	423.66	480.33	543.66	634.00
Current Transfers	299.86	1,449.41	1,490.58	1,356.13	1,635.26
Sale of Goods and Services***	3,103.19	2,756.73	3,457.08	3,461.73	4,365.06
TOTAL	6,140.02	7,140.62	8,145.73	8,273.74	9,991.96
CAPITAL REVENUE:					
Loans Raised	403.52	289.26	211.79	208.65	287.05
Loan Repayment	6.41	3.55	2.86	2.25	2.99
TOTAL	409.93	292.81	214.65	210.90	290.04
TOTAL REVENUE	6,549.95	7,433.42	8,360.38	8,484.64	10,282.00

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

6.26. Information on economic analysis of expenditure and revenue by town and county councils are given in Table 6.20. While current expenditure was estimated to record a growth of about 2.2 per cent, capital expenditure was expected to register a modest decline of 9.3 per cent between the years 2002/03 and 2003/04. The councils' total expenditure was expected to rise insignificantly by 0.7 per cent in the fiscal year 2003/04. An increase of 13.1 per cent in revenue collection is expected to be realized from Ksh 3,977.6 million to Ksh 4,497.4 million for years 2002/03 to 2003/04 respectively. Despite a substantial growth in revenue collection, the councils continued to enjoy significant surpluses.

Table 6.20: Town and County Councils: Economic analysis of expenditure and revenue, 1999/00 - 2003/04 (Ksh. million)

	1999/00	2000/01	2001/02	2002/03*	2003/04+
CURRENT EXPENDITURE:					
Labour Cost	1,496.66	1,401.00	1,523.12	1,921.82	2,018.21
Other Goods and Services	621.20	497.74	576.32	863.50	824.21
Transfer to households & Enterprises	164.74	70.90	104.85	186.11	204.19
Transfer to Funds (Current)	34.86	35.18	21.45	16.03	8.05
Interest	..	..	..	..	..
Total	2,317.45	2,004.82	2,225.74	2,987.46	3,054.66
CAPITAL EXPENDITURE:					
Gross Fixed Capital Formation	263.42	641.60	538.17	406.24	381.65
Loan Repayments**	28.70	1.92	12.50	34.66	18.09
Transfer to Funds (capital)	..	..	..	..	..
Total	292.12	643.52	550.67	440.90	399.74
TOTAL EXPENDITURE	2,609.57	2,648.33	2,776.41	3,428.36	3,454.40
CURRENT REVENUE:					
Direct Taxes (Rates***)	176.46	206.72	210.33	212.07	399.25
Indirect Taxes (Licences and cesses)	316.24	521.55	680.15	752.67	748.87
Income from Property	31.55	12.56	11.78	10.38	10.68
Current Transfers	704.62	1,315.07	1,407.11	1,601.20	1,942.00
Sale of Goods and Services++	356.42	603.45	813.19	1,399.45	1,395.96
Total	1,585.29	2,659.35	3,122.56	3,975.76	4,496.76
CAPITAL REVENUE:					
Loans Raised	0.94	1.02	1.16	1.86	0.68
Loans Repayments	0.00	0.00	0.00	0.00	0.00
Total	0.94	1.02	1.16	1.86	0.68
TOTAL REVENUE	1,586.23	2,660.37	3,123.72	3,977.62	4,497.44

* Provisional.

** Includes Interest.

*** Paid by households and enterprises.

\+ Estimates

++ Includes service charge

Chapter 7
International Trade

Overview

Indicators of international trade for 2003, show that the trade deficit widened in comparison to the previous year, but was less than the 2001 level. The imports rose by a higher magnitude compared to the exports leading to the widening of the deficit.

7.2. The level of imports rose by 9.4 per cent while exports increased by 8.2 per cent. Consequently, the merchandise trade deficit expanded by 11.6 per cent, from KSh 88,427 million in 2002 to KSh 98,690 million in 2003 as depicted in Figure 7.1 and Table 7.1. The export/import ratio dropped from 65.7 per cent in 2002 to 65.0 per cent in 2003. The volume of trade increased by 8.9 per cent as compared to a decline of 2.4 per cent in 2002.

7.3. During the year, the current account recorded a surplus of KSh 5,144 million from deficit of KSh 13,950 million in 2002. The improvements in the current account were caused by increased tourism earnings and grants inflows from abroad. The overall balance of payments surplus widened markedly to a surplus of KSh 31,385 million in 2003 compared with a surplus of KSh 257 million recorded in 2002 reflecting in part an increase in net capital and financial flows. The surplus in the balance of payments occasioned an increase in the net foreign assets of the banking system.

Figure 7.1: Balance of Trade, 1999-2003



Balance of trade

7.4 Total value of international trade increased from KSh 426, 993 million in 2002 to KSh 464, 997 million during the year under review,as shownn in Table 7.1 Domestic exports increased by 4.0 per cent while re-exports recorded a 22.6 per cent growth. Although government imports reduced by 18.9 per cent, total imports increased by 9.4 per cent. Overall, merchandise trade deficit expanded by 11.6 per cent, from KSh 88,427 million in 2002 to KSh 98,690 million in 2003. The export / import ratio declined from 65.7 per cent in 2002 to 65.0 per cent in 2003. Volume of trade however increased by KSh 38,004 million, an increase of 8.9 per cent during the period under review.

Table 7.1: Balance of Trade, 1999 - 2003(Ksh. Million)

Price changes

7.5. Table 7.2 presents unit price indices for exports and imports based on the Standard International Trade Classification (SITC). Price indices for all exports decreased by 5.8 per cent while that of non- oil exports decreased by 11.4 per cent. The unit price indices for all imports and non-oil imports similarly decreased by 10.0 per cent and 16.5 per cent respectively. This reflects a slight improvement in export prices relative to import prices.

7.6. Export prices for animal and vegetable oils and fats which rose by 31.1 per cent in 2002, declined significantly by 63.5 per cent in 2003. The decline in export price index for this commodities could be attributed to sharp declines in the unit prices of hydrogenated animal and vegetable oils or fats and those of vegetable waxes. The export price index of beverages and tobacco declined remarkably by 73.5 per cent. This can be partly explained by a drop in the unit prices of beer made from malt and manufactured tobacco. Other notable declines were in machinery and transport equipment and miscellaneous manufactured articles. The decline in the export price index for machinery and transport equipment was attributed to decreases in the unit prices of grinding and milling machinery and those of trailers and semi trailers. Export prices of mineral fuels grew by 16.4 per cent while that of chemicals went up by 7.0 per cent. Other increases in export prices were in manufactured goods, which increased by 7.9 per cent after a 6.9 per cent drop in 2002.

7.7. Import price indices for machinery and transport equipment declined by 30.3 per cent in 2003 compared to 31.1 per cent growth in this previous year. Import price indices for beverages and tobacco also declined by 22.9 per cent during the year under review. Other declines were in machinery and transport equipment, miscellaneous manufactured articles and food and live animals. The decline in the import price index for machinery could be explained by the drop in the unit prices of aircraft engines, tea processing machinery and metal rolling mills during the year under review.

The drop in the prices index for miscellaneous manufactured articles is partly contributed by declines in unit prices of apparatus of photographic laboratories and that of plates and films used in x-rays. Import price indices for crude materials continued its upward trend growing by 27.5 per cent. Similarly prices forchemicals, mineral fuels and manufactured goods rose by 17.0 percent, 15.1 per cent and 11.1 per cent respectively in 2003.The increase in the import price index for chemicals was partly caused by increases in the unit prices of amino acids and that of medicaments containing antibiotics.

Table 7.2: Prices Indices, 1999 - 2003(1982=100)

DESCRIPTION	1999	2000	2001	2002	2003*
EXPORTS:					
Food and live animals	651	613	536	545	497
Beverages and tobacco	614	641	793	787	209
Crude materials, (inedible)	563	666	854	948	891
Mineral fuels	370	575	637	589	685
Animal and vegetable oils and fats	274	358	536	702	256
Chemicals	611	545	539	531	569
Manufactured goods	673	920	1,266	1,182	1,276
Machinery and transport equipment ..	526	315	359	751	471
Miscellaneous manufactured articles	775	714	854	1,363	884
All Exports	**576**	**620**	**637**	**657**	**620**
Non-oil Exports	**631**	**632**	**637**	**680**	**603**
IMPORTS:					
Food and live animals	456	453	503	536	467
Beverages and tobacco	804	965	976	1,186	914
Crude materials, (inedible)	393	428	445	503	641
Mineral fuels	401	612	584	577	664
Animals and vegetable oils and fats .. .	684	598	563	784	795
Chemicals	976	976	1,126	1,067	1,248
Manufactured goods	623	633	793	726	807
Machinery and transport equipment ..	945	1,032	1,219	1,598	1,114
Miscellaneous manufactured articles ..	958	876	791	719	514
All imports	**667**	**739**	**807**	**847**	**762**
Non-oil Imports	**700**	**710**	**808**	**860**	**718**

Source: *Annual Trade Report - Customs & Excise Dept./Central Bureau of Statistics*
* Provisional

Terms of Trade

7.8. The terms of trade are shown in Table 7.3. The deterioration in terms of trade recorded in the last four years improved in 2003. During 2003, the prices of exports grew faster than those of imports. As a result the terms of trade for all items and non-oil items improved by 3.0 per cent and 6.4 per cent respectively. This implies that export prices for Kenyan products enjoyed favorable terms than those of imports in international markets leading to its competitiveness.

Table 7.3:Terms of Trade, 1999 -2003, (1982=100)

DESCRIPTION	1999	2000	2001	2002	2003*
All Items	86	84	79	78	81
Non-oil Items	90	89	79	79	84

Source: Annual Trade Report - Customs & Excise Dept./Central Bureau of Statistics
* Provisional

Volume changes

7.9. Changes in the volume of trade as measured by the quantum indices for various SITC sections are summarised in Table 7.4. In the year 2003, export quantum index for all the SITC sections except for mineral fuels and manufactured goods which decreased by 7.0 per cent and 2.7 per cent respectively. The quantum index for all exports increased by 14.8 per cent while that of non-oil exports increased by 22.1 per cent. The increase in the volume of exports was largely contributed by beverages and tobacco, animal and vegetable oils and fats which increased significantly. The rise in the quantum index for beverages and tobacco was partly caused by a significant growth in the volume of cigarette and stout beer exports to Uganda. The export quantum index for animal and vegetable oils and fats was caused by sharp rise in export quantities of soya bean oil, cotton seed oil and sunflower seed soil. Machinery and transport equipment and miscellaneous manufactured articles increased by 84.9 per cent and 74.1 per cent respectively.

The increase in export quantities of machinery and transport equipment was occasioned by a sharp rise in the exports of filtering and purifying machinery, mainly to Sudan. The number of tanker trailers and semi-trailers exported also increased significantly, mainly to Tanzania. The increase in the quantum index for manufactured articles was caused by an increase in the number of garment and foot wear exports particularly from EPZ.

7.10. Quantum index for all imports and non-oil imports increased by 21.3 per cent and 22.7 per cent respectively during the year under review. The increase in import volumes was occasioned by large increases in the imports of food and live animals, manufactured goods and miscellaneous manufactured articles. Specifically, there were large increases in the volume of unmilled maize and sugar imported to bridge the deficit. The increase in the quantities of manufactured goods imported was perhaps motivated by sharp increases in the imports of paper, paper board, kraft paper and aluminum. The increase in the import quantum index for miscellaneous manufactured articles could be explained partly by the rise in the number of travel goods imported during the year under review.

7.11. Quantities of principal exports and imports are shown in Table 7.5. The quantity of beer exports increased remarkably from 535.0 thousand litres in 2002 to 17,269 thousand litres in 2003. This growth in export of beer was attributed to increased export to Uganda from only 24.4 thousand litires to 14,000 thousand litres in 2003. Paper and paperboard exported more than doubled from 15,066 tonnes in 2002 to 30,974 in 2003. Essential oil exports also increased three times from 23,624 tonnes in 2002 to 78,878 tonnes in 2003. Other notable increases in export quantities were in hides and skins and metal containers. Exports of unroasted coffee increased by 18.5 per cent after a notable decline of 26.9 per cent in 2002. The export quantities of soda ash and cement went up by 9.7 per cent and 31.7 per cent while Fluorspar exports declined further by 20.6 per cent. The quantity of maize exports dropped drastically by 98.0 per cent in 2003 to only 3,000 tonnes. The quantity of meals and flour of wheat exported declined for the second consecutive year by 80.8 per cent. The tonnage of horticultural products exports increased by 28.8 per cent as compared to the 2002 levels while tea exported fell by 3.9 per cent in 2003 compared with a slight increase of 1.0 per cent in 2002.

7.12. The quantities of maize, road motor vehicles and petroleum products imported increased significantly. The quantity of maize imported rose from 16,326 tonnes in 2002 to 115,905 tonnes in 2003 to offset the domestic production deficit. Similarly imports of sugar and rice increased by 43.5 per cent and 53.0 per cent, respectively. The number of road motor vehicles imported rose tremendously from 84,960 in 2002 to 243,668 in 2003. Imports of iron and steel which grew by 10.6 per cent in 2002 declined by 13.9 per cent during the year under review.

Table 7.5: Quantities of Principal Exports and Imports, 1999 - 2003

Commodity	Unit of Quantity	1999	2000	2001	2002	2003*
DOMESTIC EXPORTS						
Fish and fish preparations	Tonne	15,951	16,855	18,536	18,252	19,462
Maize(raw)	Tonne	40,520	488	420	158,753	3,128
Meals and flours of wheat	Tonne	21,288	11,049	8,845	1,793	345
Horticulture **	Tonne	200,624	193,918	193,230	262,931	346,136
Sugar confectionery	Tonne	8,628	13,343	16,436	18,815	20,519
Coffee, unroasted	Tonne	71,581	86,982	63,608	49,479	58,650
Tea	Tonne	260,177	217,282	270,473	272,707	262,175
Margarine and shortening	Tonne	16,531	3,590	3,911	4,586	5,057
Beer made from malt	000 Lt.	7,978	2,142	880	535	17,269
Tobacco and tobacco manufactures	Tonne	6,706	8,452	13,659	15,078	12,368
Hides and Skins	Tonne	7,302	7,555	10,030	7,181	13,910
Sisal	Tonne	16,830	16,753	17,857	19,482	21,723
Stone, sand and gravel	Tonne	49,418	52,483	28,989	26,244	30,308
Fluorspar	Tonne	83,707	103,944	70,232	98,883	78,507
Soda Ash	Tonne	210,350	236,051	273,839	301,622	330,755
Metal scrap	Tonne	2,096	2,332	2,268	2,210	2,884
Pyrethrum Extract	Tonne	623	165	235	81	123
Petroleum Products***	Mn. Lt.	765	1,155	845	338	3
Animal and Vegetable oils	Tonne	31,651	23,056	29,161	43,064	47,534
Medicinal and pharmaceutical products	Tonne	3,621	3,149	3,549	3,974	3,871
Essential oils	Tonne	36,380	16,212	17,771	23,624	78,878
Insecticides and fungicides	Tonne	2,156	1,859	2,379	1,725	1,531
Leather	Tonne	3,899	5,915	3,847	4,334	4,898
Wood manufactures n.e.s	Tonne	1,814	2,110	2,182	2,153	1,664
Paper and paperboard	Tonne	14,074	13,874	14,671	15,066	30,974
Textile yarn	Tonne	1,361	2,814	2,142	2,192	1,854
Cement	Tonne	283,717	301,157	232,924	292,316	384,849
Iron and steel	Tonne	77,372	64,891	91,900	96,663	90,326
Metal containers	Tonne	1,969	645	822	1,131	1,880
Wire products: nails screws, nuts, etc.	Tonne	3,629	2,301	2,294	2,322	2,196
Footwear	' 000' Pairs	30,113	28,747	33,570	37,614	106,845
Articles of plastic***	-	-	-	-	-	-
IMPORTS						
Wheat, unmilled	Tonne	578,543	636,045	617,542	515,179	502,115
Rice	Tonne	53,358	105,803	172,246	148,705	213,342
Maize, unmilled	Tonne	73,520	409,416	308,606	16,326	115,905
Wheat flour	Tonne	13,777	10,512	26,886	6,988	5,295
Sugars, Molases and Honey	Tonne	62,917	119,417	268,781	128,043	195,930
Textile fibres and their waste	Tonne	18,829	18,913	19,388	19,261	25,440
Second - hand clothing	Tonne	50,274	47,956	56,030	67,064	45,407
Crude Petroleum	Tonne	2,139,253	2,452,336	1,965,537	1,493,354	1,382,628
Petroleum products***	Mn. Lt.	1,563	1,548	2,801	1,433	2,302
Animal/vegetable fats and oils	Tonne	263,956	270,450	407,488	406,106	351,965
Organic & inorganic chemicals	Tonne	54,330	81,934	144,721	108,227	115,753
Medicinal and pharmaceutical products	Tonne	6,032	6,341	7,207	7,342	7,733
Essential oils & pefumes	Tonne	9,343	6,758	7,691	9,483	13,493
Chemical fertilizers	Tonne	345,180	337,524	392,531	348,517	384,654
Plastics in primary & non-primary forms	Tonne	122,978	114,337	188,745	172,022	175,380
Paper and Paperboard	Tonne	49,794	89,212	69,726	108,059	106,887
Iron and steel	Tonne	361,835	298,204	410,851	454,338	391,190
Non-ferrous metals	Tonne	18,581	16,382	29,225	28,574	34,437
Hand & machine tools	"000"No	9,246	10,057	10,039	7,749	6,827
Industrial Machinery***	-	-	-	-	-	-
Agricultural Machinery and Tractors***	-	-	-	-	-	-
Road Motor Vehicles	Nos.	55,988	16,661	89,104	84,960	243,668

Source: Annual Trade Report - Customs & Excise Dept.

* Provisional.

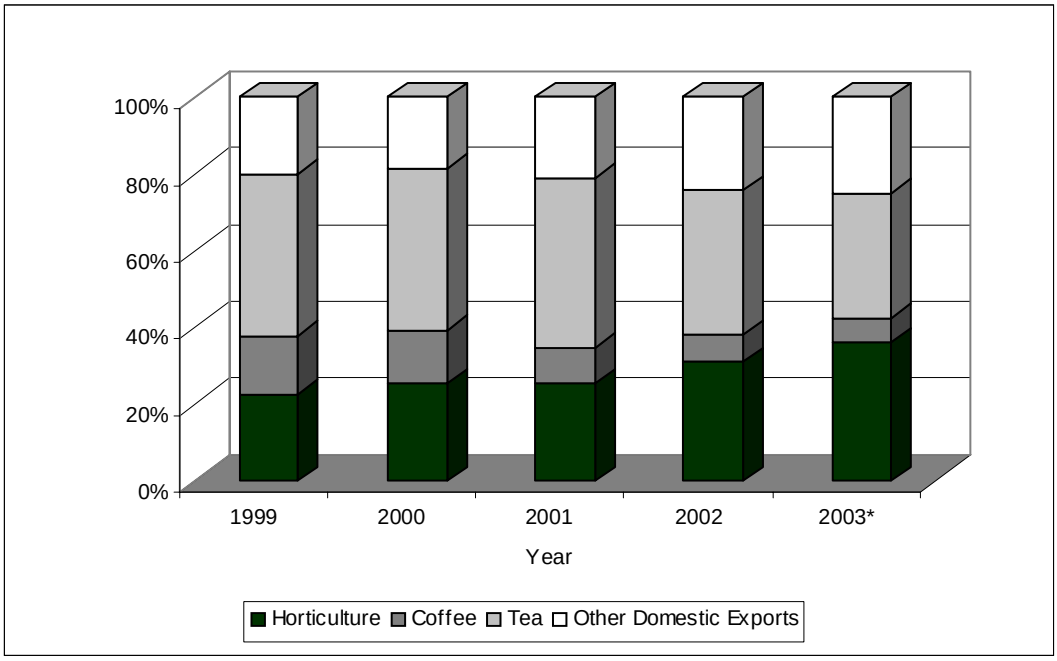
** Horticulture includes cut flowers, fruits and vegetables, both fresh and processed.

*** 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. The analysis of the value of principal exports and imports are shown in Table 7.6 and figure 7.2. Tea and horticulture together accounted for 50.8 per cent of the total export earnings during the year under. The value of tea exports however recorded a 4.0 per cent decline from KSh34,376 million in 2002 to KSh 33,005 million in 2003. While export earnings from horticulture increased by 28.8 per cent and accounted for 26.7 per cent of the total earnings. Cement, beer, leather exports significantly increased by 33.6 per cent, 56.3 per cent and 69.4 per cent respectively. Petroleum products, maize, meals and flours of wheat, and wood manufactures recorded declines of 98.2 per cent, 92.6 per cent, 81.3 per cent and 33.5 per cent respectively. However, significant declines in petroleum products, maize meals and fllours of wheat, and wood manufactures which registered declines of 98.2 per cent, 92.6 per cent, 81.3 per cent respectively.

Figure 7.2: Domestic Exports Components



7.14. Import value of petroleum products, paper and paper board increased by 79.0 per cent and 63.0 per cent respectively. Import values of maize, rice and sugar recorded significant increases, with the value of maize imports increasing sixfold from KSh229 million in 2002 to KSh1, 417 million in 2003. Rice and sugar recorded increases of 41.7 per cent and 41.0 per cent, respectively. Other notable increases were in industrial machinery, chemical fertilizer and plastics. The share of imports of industrial machinery increased from 9.9 per cent in 2002 to 11.6 per cent during 2003. Petroleum products accounted for 14.0 per cent of the total value of imports in 2003 up from 8.6 per cent in 2002.

Domestic export prices

7.15. The Import values of wheat flour, second-hand clothing, and hand and machine tools declined by 29.1 per cent, 5.0 per cent and 4.0 per cent, respectively. The drop in the second hand clothing can be mainly attributed to the increased duty during the year under review. A slight drop of 1.3 per cent was also recorded in the import value of essential oils and perfumes.

7.16. The trend of unit prices of principle exports and imports is indicated in Table 7.7. Export price of coffee declined significantly by 18.9 per cent while that of tea declined marginally by 0.1 per cent in 2003. Export prices of beer, foot wear, essential oils, paper and paper board, hides and skins declined by 95.2 per cent, 66.9 per cent, 65.3 per cent,41.6 per cent and 36.1 per cent respectively. Export prices of both soda ash and fluorspar recorded increases of 13.9 per cent and 2.6 per cent respectively, compared to decreases of 20.0 per cent and 3.1 per cent recorded in 2002. Export price of petroleum products more than doubled while that of leather and wire products recorded increases of 49.6 per cent and 62.2 per cent respectively. Import prices of paper and paper board and second hand clothing rose significantly by 64.8 per cent and 40.4 per cent respectively.

7.17. Values of selected exports in 2002 and 2003 with their percentage changes in value, quantity and prices are shown in Table 7.8. Despite the decline in price per unit of coffee by 18.9 per cent, its quantity of exports increased by 18.5 per cent. The decline in the price per unit of coffee led to a marginal decline of 3.9 per cent in export earnings. The quantity of tea exported declined by 3.7 per cent while the unit price rose marginally leading to a 4.0 per cent decline in the tea export earnings. The unit price of horticulture decreased by 2.2 per cent resulting in the high tonnage of horticultural exports in comparison with the other domestic exports. This culminated in a notable increase in export earnings by 28.8 per cent. Increased export values of leather and wire products were occasioned by both increases in their unit prices and quantities exported.

Table 7.4: Quantum Indices, 1999 - 2003, 1982 = 100

DESCRIPTION	1999	2000	2001	2002	2003*
EXPORTS:					
Food and live animals	172	194	199	222	250
Beverages and tobacco	755	909	1,007	1,185	4,695
Crude materials, (inedible)	203	202	199	210	275
Mineral fuels	105	109	152	194	181
Animal and vegetable oils and fats ..	8,257	3,637	2,791	3,524	11,133
Chemicals	334	348	351	360	377
Manufactured goods	240	179	151	178	173
Machinery and transport equipment .	246	404	624	249	461
Miscellaneous manufactured articles .	556	619	567	507	882
All Exports	**186**	**191**	**204**	**226**	**260**
Non-oil Exports	**209**	**219**	**222**	**237**	**290**
IMPORTS:					
Food and live animals	358	585	670	343	515
Beverages and tobacco	205	254	384	327	314
Crude materials, (inedible)	430	433	539	369	316
Mineral fuels	115	159	151	124	150
Animals and vegetable oils and fats ..	254	256	344	349	320
Chemicals	168	259	180	192	184
Manufactured goods	215	207	290	464	667
Machinery and transport equipment	130	144	157	107	136
Miscellaneous manufactured articles .	247	237	298	331	530
All imports	**162**	**187**	**200**	**169**	**205**
Non-oil Imports	**207**	**228**	**253**	**216**	**265**

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

* provisional

Table 7.6: Value of Principal Exports and Imports, 1999 - 2003 (Ksh. Million)

Commodity	1999	2000	2001	2002	2003*
DOMESTIC EXPORTS					
Fish and fish preparations	2,267	2,953	3,858	4,205	4,010
Maize(raw)	488	33	18	1,693	125
Meals and flours of wheat	423	201	155	32	6
Horticulture	17,641	21,216	19,846	28,334	36,485
Sugar confectionery	874	1,326	1,576	1,879	1,829
Coffee, unroasted	12,029	11,707	7,460	6,541	6,286
Tea	33,065	35,150	34,485	34,376	33,005
Margarine and shortening	1,309	246	245	306	383
Beer made from malt	202	69	29	48	75
Tobacco and tobacco manufactures	1,554	2,167	2,887	3,454	2,982
Hides and skins (undressed)	311	494	635	445	551
Sisal	636	606	728	792	906
Stone, sand and gravel	166	123	85	65	78
Fluorspar	501	644	652	734	664
Soda ash	1,280	1,440	1,993	2,127	2,392
Metal scrap	147	153	123	98	147
Pyrethrum extract	656	704	993	798	813
Petroleum products	9,555	9,429	12,345	3,896	69
Animal and Vegatable oils	2,186	1,204	1,298	2,277	2,410
Medicinal and pharmaceutical products	1,657	2,350	1,570	1,697	2,153
Essential oils	3,361	2,116	2,470	2,452	2,838
Insecticides and fungicides	501	465	523	353	255
Leather	387	486	576	601	1,018
Wood manufactures n.e.s	384	388	449	433	288
Paper and paperboard	618	713	784	647	777
Textile yarn	303	488	518	485	394
Cement	1,248	1,358	1,031	1,479	1,976
Iron and steel	2,757	2,605	3,673	4,122	4,047
Metal containers	193	97	121	114	204
Wire products: nails screws, nuts, etc.	181	113	117	100	154
Footwear	1,121	1,140	1,204	1,549	1,457
Articles of plastics	1,573	2,104	2,572	2,990	2,598
All other Commodities	15,831	15,476	16,415	22,271	25,323
GRAND TOTAL	**115,406**	**119,764**	**121,434**	**131,394**	**136,698**
IMPORTS					
Wheat, unmilled	5,899	6,989	7,515	5,577	6,099
Rice	1,013	1,968	2,619	2,104	2,981
Maize	906	4,664	3,342	229	1,417
Wheat flour	194	180	636	237	168
Sugars, Mollases and Honey	1,468	2,730	6,648	3,074	4,334
Textile fibres and their waste	4,747	1,636	1,605	1,566	1,845
Second - hand clothing	3,695	2,360	2,937	2,359	2,242
Crude Petroleum	22,355	41,907	31,179	23,940	25,415
Petroleum Products	18,433	21,773	26,035	22,065	39,493
Animal/vegetable fats and oils	9,184	8,016	10,125	14,333	13,332
Organic & inorganic chemicals	4,418	4,546	5,865	5,280	5,598
Medicinal & Pharmaceauticals Products	6,373	5,976	7,188	8,678	9,728
Essential oils & pefumes	1,652	1,583	1,984	3,791	3,741
Chemical Fertilizers	5,488	5,448	6,307	5,497	6,524
Plastics in primary & non-primary forms	7,083	8,446	9,131	8,816	11,211
Paper and Paperboard	2,305	2,613	3,978	3,319	5,409
Iron and Steel	9,103	8,604	11,969	11,115	12,504
Non-ferrous metals	2,153	2,404	3,601	2,977	3,615
Hand & machine tools	861	792	691	747	717
Industrial Machinery	30,753	39,438	37,933	25,474	32,764
Agricultural Machinery and Tractors	1,247	966	1,270	1,310	1,526
Road Motor Vehicles	11,906	9,659	14,524	14,382	17,955
All other Commodities	55,165	65,106	93,026	90,839	73,226
GRAND TOTAL	**206,401**	**247,804**	**290,108**	**257,710**	**281,844**

Source: *Annual Trade Report - Customs & Excise Dept.*

* Provisional

Composition of exports

7.18. Domestic exports classified by Broad Economic Category (BEC) are shown in Table 7.10. The share of export earnings from food and beverages reduced marginally in 2003. The share of industrial non-food supplies in export earnings continued its upward trend, increasing from 24.8 per cent in 2002 to 25.4 per cent in 2003. The share of fuel and lubricants in export earnings which had dropped sharply to 3.1 per cent in 2002, declined further to 0.3 per cent during the year under review.

7.19. Overal, export earnings from food and beverages increased by only 2.8 per cent compared with 14.1 per cent registered in 2002,while industrial non-food supplies inceased by 6.7 per cent. Exports of food and beverages for industry sub-category decreased by 12.5 per cent while food and beverages for household consumption increased by 6.4 per cent. There were notable declines in the earnings from fuel and lubricants from KSh 4,007 million in 2002 to KSh 423 million in 2003. Export earnings from machinery and other capital equipment, and transport equipment declined by 2.3 per cent and 1.4 per cent respectively. Export earnings from consumer goods not elsewhere specified maintained the upward trend and further grew by 13.7 per cent during the year under review.

Composition of Imports

7.20. Imports classified by Broad Economic Category are summarised in Table 7.11.Non food industrial supplies continued to dominate Kenya's imports. This category of imports accounted for 30.8 per cent of total import bill, down from 32.4 per cent in 2002. Its import value however rose by 4.0 per cent. Fuel and lubricant imports increased significantly from KSh 47,455 million in 2002 to KSh 66, 297 million in 2003, a 39.7 per cent rise. Imports of fuel and lubricants almost doubled. Consequently, its share in total imports increased from 18.4 per cent to 23.5 per cent. The import value of all the sub-categories in food and beverages recorded declines except processed food and beverages for household consumption which grew by 27.4 per cent.

7.21. The value of transport equipment imported decreased by a remarkable 27.1 per cent. Consequently, the share of transport equipment in total imports which averaged 19.6 per cent in the last two years dropped to 13.1 per cent in 2003. Although the share of machinery and other capital equipment in total imports remained at 2002 level, the value of its imports rose by 11.5 per cent.

Table 7.7: Prices of Principal Exports and Imports, 1999 - 2003 (Ksh. Unit)

Commodity	Unit	1999	2000	2001	2002	2003*
DOMESTIC EXPORTS						
Fish and fish preparations	Kg	142	175	208	230	206
Maize(raw)	Tonne	12,044	67,679	42,857	10,664	39,962
Meals and flours of wheat	Tonne	19,870	18,192	17,524	17,847	17,391
Horticulture	Kg	88	109	103	108	105
Sugar confectionery	Kg	101	99	96	100	89
Coffee, unroasted	Kg	168	135	117	132	107
Tea	Kg	127	162	127	126	126
Margarine and shortening	Kg	79	69	63	67	76
Beer made from malt	Lt.	25	32	33	90	4
Tobacco and tobacco manufactures	Kg	232	256	211	229	241
Hides and Skins(undressed)	Kg	43	65	63	62	40
Sisal	Tonne	37,803	36,173	40,768	40,653	41,707
Stone, sand and gravel	Tonne	3,359	2,344	2,932	2,484	2,574
Fluorspar	Tonne	5,984	6,196	9,284	7,423	8,458
Soda Ash	Tonne	6,085	6,100	7,278	7,052	7,232
Metal scrap	Tonne	70,116	65,609	54,233	44,344	50,971
Pyrethrum Extract	Kg	1,053	4,267	4,226	9,852	6,610
Petroleum Products	Lt.	12	8	15	12	26
Animal and Vegetable oils	Kg	69	52	45	53	51
Medicinal and pharmaceutical products	Kg	457	746	442	427	556
Essential oils	Kg	92	131	139	104	36
Insecticides and fungicides	Kg	233	250	220	205	167
Leather	Kg	99	82	150	139	208
Wood manufactures n.e.s	Tonne	211,383	184,062	205,775	201,115	173,077
Paper and paperboard	Tonne	43,908	51,391	53,439	42,944	25,086
Textile yarn	Kg	223	173	242	221	213
Cement	Tonne	4,398	4,509	4,426	5,060	5,134
Iron and steel	Tonne	35,639	40,144	39,967	42,643	44,804
Metal containers	Tonne	97,771	150,614	147,202	100,827	108,511
Wire products: nails screws, nuts, etc.	Tonne	49,879	49,103	51,003	43,231	70,128
Footwear	Pair	37	40	36	41	14
Articles of plastics	-	-	-	-	-	-
IMPORTS						
Wheat, unmilled	Tonne	10,196	10,988	12,169	10,825	12,147
Rice	Tonne	18,993	18,598	15,205	14,149	13,973
Maize, unmilled	Tonne	12,317	11,393	10,829	14,027	12,226
Wheat flour	Tonne	14,081	17,145	23,655	33,915	31,728
Sugars, Mollases and Honey	Tonne	23,332	22,862	24,734	24,008	22,120
Textile fibres and their waste	Tonne	252,112	86,512	82,783	81,313	72,525
Second - hand clothing	Tonne	73,497	49,217	52,418	35,175	49,376
Crude Petroleum	Tonne	10,450	17,089	15,863	16,031	18,382
Petroleum products	Lt.	12	14	9	15	17
Animal/vegetable fats and oils	Kg	35	30	25	35	38
Organic & inorganic chemicals	Kg	81	55	41	49	48
Medicinal & Pharmaceauticals Products	Kg	1,057	942	997	1,182	1,258
Essential oils & pefumes	Kg	177	234	258	400	277
Chemical fertilizers	Tonne	15,899	16,141	16,068	15,773	16,961
Plastics in primary & non-primary forms	Tonne	57,598	73,871	48,377	51,249	63,924
Paper and Paper Products	Tonne	46,293	29,289	57,052	30,715	50,605
Iron and steel	Tonne	25,157	28,852	29,132	24,464	31,964
Non-ferrous metals	Tonne	115,854	146,720	123,217	104,200	104,974
Hand & machine tools	Mn. No.	93	79	69	96	105
Industrial Machinery	-	0	0	0	0	0
Agricultural Machinery and Tractors	-	0	0	0	0	0
Road Motor Vehicles	No.	212,649	579,732	163,001	169,280	73,686

* Provisional.

Table 7.8: Domestic Exports Change in value, Quantity and Price* 2002-2003

Commodity	Value (Kshs million)				Quantity					Price per Unit			
	2002	2003**	Change	%change	U/Qty.	2002	2003**	Change	%change	2002	2003**	Change	%change
Fish and fish preparations	4,205	4,010	-195	-4.6	Tonne	18,252	19,462	1,210	6.6	230,386	206,043	-24,343	-10.6
Maize(raw)	1,693	125	-1,568	-92.6	Tonne	158,753	3,128	-155,625	-98	10,664	39,962	29,297	274.7
Meals and flours of wheat	32	6	-26	-81.3	Tonne	1,793	345	-1,448	-80.8	17,847	17,391	-456	-2.6
Horticulture	28,334	36,485	8,151	28.8	Tonne	262,931	346,136	83,205	31.7	108	105	-2	-2.2
Sugar confectionery	1,879	1,829	-50	-2.7	Tonne	18,815	20,519	1,704	9.1	99,867	89,137	-10,730	-10.7
Coffee, unroasted	6,541	6,286	-255	-3.9	Tonnes	49,479	58,650	9,171	18.5	132,197	107,178	-25,019	-18.9
Tea	34,376	33,005	-1,371	-4	Tonne	272,707	262,175	-10,532	-3.9	126,055	125,889	166	-0.1
Margarine and shortening	306	383	77	25.2	Tonne	4,586	5,057	471	10.3	66,725	75,737	9,012	13.5
Beer made from malt	48	75	27	56.3	000 Lt.	535	2,494	1,959	366.2	89,720	30,072	-59,647	-66.5
Tobacco and tobacco manufactures	3,454	2,982	-472	-13.7	Tonnes	15,078	12,368	-2,710	-18	229,075	241,106	12,031	5.3
Hides and skins (undressed)	445	551	106	23.8	Tonnes	7,181	13,910	6,729	93.7	61,969	39,612	-22,357	-36.1
Sisal	792	906	114	14.4	Tonnes	19,482	21,723	2,241	11.5	40,653	41,707	1,054	2.6
Stone, sand and gravel	65	78	13	20	Tonne	26,244	30,308	4,064	15.5	2,477	2,574	97	3.9
Fluorspar	734	664	-70	-9.5	Tonne	98,883	78,507	-20,376	-20.6	7,423	8,458	1,035	13.9
Soda ash	2,127	2,392	-265	12.5	Tonne	301,622	330,755	29,133	9.7	7,052	7,232	180	2.6
Metal scrap .	98	147	49	50	Tonne	2,210	2,884	674	30.5	44,344	50,971	6,627	14.9
Pyrethrum extract	798	813	15	1.9	Tonne	81	123	42	51.9	9,851,852	6,609,756	-3,242,096	-32.9
Petroleum products	3,896	69	-3,827	-98.2	Mn. Lt.	224	3	-221	-98.8	17,389,792	26,015,500	8,625,708	49.6
Animal and Vegatable oils	2,277	2,410	133	5.8	Tonne	43,064	47,534	4,470	10.4	52,875	50,701	2,174	-4.1
Medicinal and pharmaceutical products	1,697	2,153	456	26.9	Tonne	3,974	3,871	-103	-2.6	427,026	556,187	129,161	30.2
Essential oils	2,452	2,838	386	15.7	Tonne	23,624	78,878	55,254	233.9	103,793	35,980	-67,813	-65.3
Insecticides and fungicides	353	255	-98	-27.8	Tonne	1,725	1,531	-194	-11.2	204,638	166,558	-38,080	-18.6
Leather	601	1,018	417	69.4	Tonne	4,334	4,898	564	13.01	138,671	207,840	69,169	49.9
Wood manufactures n.e.s	433	288	-145	-33.5	Tonne	2,153	1,664	-489	-22.7	201,115	173,077	-28,038	-13.9
Paper and paperboard	647	777	130	20.1	Tonne	15,066	30,974	15,908	105.6	42,944	25,086	-17,859	-41.6
Textile yarn	485	394	-91	-18.8	Tonne	2,192	1,854	-338	-15.4	221,259	212,513	-8,746	-4
Cement	1,479	1,976	497	33.6	Tonne	292,316	384,849	92,533	31.7	5,060	5,134	75	1.5
Iron and steel	4,122	4,047	-75	-1.8	Tonne	96,663	90,326	-6,337	-6.6	42,643	44,804	2,161	5.1
Metal containers	114	204	90	78.9	Tonne	1,131	1,880	749	66.3	100,827	108,511	7,684	7.6
Wire products: nails screws, nuts, etc.	100	154	54	53.4	Tonne	2,322	2,196	-126	-5.4	43,237	70,128	26,890	62.2
Footwear	1,549	1,457	-92	-5.9	' 000' Pairs	37,614	106,845	69,231	184.1	41,181	13,637	-27,545	-66.9
Articles of plastics	2,990	2,598	-392	-13.1		-	-	-	-	-	-		-
All other Commodities	22,272	25,323	3,051	13.7		-		-	-	-	-		-
TOTAL	131,394	136,709				-		-	-	-	-		-

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

* Excluding Re-exports

** Provisional

Table 7.9: Import Change in Value, Quantity and Price, 2002-2003

Commodity	Value (Ksh. million)				Quantity					Price per Unit (KSh.)			
	20002	*2003**	*Chang*	*%ch*	*U/Qty.*	*20002*	*2003**	*Chang*	*%ch*	*2002*	*2003**	*Chang*	*%ch*
Wheat, unmilled	5,577	6,099	522	9.4	Tonne	515,179	502,115	13,064	-2.5	10,825	12,147	1,321	12.2
Rice	2,104	2,981	877	41.7	Tonne	148,705	213,342	64,637	43.5	14,149	13,973	176	-1.2
Maize	229	1,417	1,188	518.8	Tonne	16,326	115,905	99,579	609.9	14,027	12,226	1,801	-12.8
Wheat flour	237	168	-69	-29.1	Tonne	6,988	5,295	1,693	-24.2	33,915	31,728	2,187	-6.4
Sugars, Mollases and Honey	3,074	4,334	1,260	41.0	Tonne	128,043	195,930	67,887	53.0	24,008	22,120	1,887	-7.9
Textile fibres and their w aste	1,566	1,845	279	17.8	Tonne	19,261	25,440	6,178	32.1	81,313	72,525	8,788	-10.8
Second hand clothing	2,359	2,242	-117	-5.0	Tonne	67,064	45,407	21,657	-32.3	35,175	49,376	14,200	40.4
Crude Petroleum	23,940	25,415	1,475	6.2	Tonne	1,493,354	3,020,621	1,527,267	102.3	16,031	8,414	7,617	-47.5
Petroleum Products	22,065	39,493	17,428	79.0	Mn. Lt.	1,433	2,302	869	60.6	15,395,317	17,153,984	1,758,667	11.4
Animal/vegetable fats and oils	14,333	13,332	-1,001	-7.0	Tonne	406,106	351,965	54,141	-13.3	35,294	37,879	2,585	7.3
Organic & inorganic chemicals	5,280	5,598	318	6.0	Tonne	108,227	115,753	7,526	7.0	48,786	48,362	425	-0.9
Medicinal & Pharmaceauticals Products	8,678	9,728	1,050	12.1	Tonne	7,342	7,733	391	5.3	1,181,967	1,257,985	76,018	6.43
Essential oils & pefumes	3,791	3,741	-50	-1.3	Tonne	9,483	13,493	4,010	42.3	399,768	277,255	122,513	-30.6
Chemical Fertilizers	5,497	6,524	1,027	18.7	Tonne	348,517	384,654	36,137	10.4	15,773	16,961	1,188	7.53
Plastics in primary & nonprimary forms	8,816	11,211	2,395	27.2	Tonne	172,022	175,380	3,358	2.0	51,249	63,924	12,675	24.7
Paper and Paperboard	3,319	5,409	2,090	63.0	Tonne	108,059	106,887	1,172	-1.1	30,715	50,605	19,890	64.8
Iron and Steel	11,115	319	-10,796	-97.1	Tonne	454,338	391,190	63,148	-13.9	24,464	815	23,649	-96.7
Nonferrous metals	2,977	3,615	638	21.4	Tonne	28,574	34,437	5,863	20.5	104,200	104,974	774	0.7
Hand & machine tools	747	717	-30	-4.0	"000"No	7,749	6,827	922	-11.9	96,400	105,024	8,625	8.9
Industrial Machinery	25,474	32,764	7,290	28.6		-	-	-	-	-	-	-	-
Agricultural Machinery and Tractors	1,310	1,526	216	16.5		-	-	-	-	-	-	-	-
Road Motor Vehicles	14,382	17,955	3,573	24.8	Nos.	84,960	335,359	250,399	294.73	169,280	53,540	115,740	-68.4
All other Commodities	90,839	85,411	-5,428	-6.0		-	-	-	-	-	-	-	-
GRAND TOTAL	257,710	281,844	24,134	9.36		-	-	-	-	-	-	-	-

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

* Provisional

Table 7.10: Domestic Exports by Broad Economic Category, 1999 - 2003 (Ksh. Million)

DESCRIPTION	1999	2000	2001	2002	2003*
1 FOOD AND BEVERAGES	**64,731**	**67,390**	**59,717**	**68,141**	**70,070**
Primary	52,183	56,804	47,680	53,358	55,163
For Industry	12,119	11,806	7,623	8,403	7,350
For Household Consumption	40,064	44,999	40,057	44,955	47,813
Processed	12,548	10,586	12,037	14,783	14,907
For Industry	2,244	965	963	2,501	2,629
For Household Consumption	10,304	9,621	11,075	12,283	12,278
2. INDUSTRIAL SUPPLIES (Non-Food) ..	**20,511**	**22,921**	**27,541**	**32,548**	**34,743**
Primary	6,322	6,437	9,379	10,928	12,129
Processed	14,189	16,485	18,163	21,620	22,614
3. FUEL AND LUBRICANTS	**9,430**	**10,241**	**12,421**	**4,007**	**423**
Primary	3	5	3	3	3
Processed	9,427	10,237	12,418	4,004	420
Motor Spirit	4,429	3,629	3,217	418	9
Other	4,998	6,607	9,201	3,586	411
4. MACHINERY & OTHER CAPITAL EQUIPMENT ..	**1,445**	**597**	**691**	**911**	**890**
Machinery & Other Capital Equipment ..	1,345	432	497	649	590
Parts and Accessories	100	166	193	262	300
5. TRANSPORT EQUIPMENT	**998**	**557**	**502**	**1,049**	**1,034**
Passenger Motor Vehicles	392	149	117	57	81
Other	123	117	154	189	299
For Industry	56	99	142	171	191
Non-Industrial	67	18	12	18	108
Parts and Accessories	483	291	230	803	654
6. CONSUMER GOODS NOT ELSEWHERE SPECIFIED	**18,291**	**18,045**	**20,345**	**23,175**	**26,340**
Durable	321	274	402	327	373
Semi-Durable	4,056	3,913	4,548	5,101	5,081
Non-Durable	13,914	13,858	15,395	17,748	20,885
7. GOODS NOT ELSEWHERE SPECIFIED ..	**0**	**12**	**217**	**1,562**	**3,209**
TOTAL	**115,406**	**119,764**	**121,434**	**131,394**	**136,709**
PERCENTAGE SHARES:					
1. Food and Beverages	55.87	56.27	49.18	51.86	51.25
2. Industrial Supplies (Non-Food)	17.86	19.14	22.68	24.77	25.41
3. Fuel and Lubricants	8.21	8.55	10.23	3.05	0.31
4. Machinery and other Capital Equipment ..	1.26	0.50	0.57	0.69	0.65
5. Transport Equipment	0.87	0.47	0.41	0.80	0.76
6. Consumer Goods not elsewhere specified	15.93	15.07	16.75	17.64	19.27
7. Goods not elsewhere specified	0.01	0.01	0.18	1.19	2.35
TOTAL	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

Source: Annual Trade Report - Customs & Excise Dept.

* Provisional

Direction of Trade

7.22. Table 7.12 and 7.13 summarizes Kenya's direction of trade. African region continued to be the major destination of Kenya's exports. As indicated in figure 7.3, the share of exports to Africa stood at 46.2 per cent while that of European Union was 28.5 per cent. During the period under review, total exports to Africa increased marginally by 1.9 per cent while those to European Union grew significantly by 13.9 per cent. Exports to Finland, France and Netherlands increased by 35.5 per cent, 30.6 per cent and 28.4 per cent, respectively . The increase in exports to Finland was partly due to increases in coffee exports during the year, which increased from KSh 253 million in 2002 to KSh 373 million in 2003. Exports of beans to France increased from KSh 466 million in 2002 to KSh 650 million in 2003 while the exports of beans and avocadoes to the Netherlands increased significantly. Exports to Sweden however shrank by 31.4 per cent, from KSh 920 million in 2002 to KSh631 million in 2003. This can be mainly attributed to a drastic reduction in coffee exports from KSh 773 million in 2002 to KSh 362 million in 2003. The exports to Romania shot up from KSh 2 million in 2002 to KSh 30 million, mainly due to exports of packing containers with a value of KSh 28.3 million. Exports to South Africa more than doubled owing to increases in the exports of chewing gum; natural sodium carbornate,tobacco and beans.

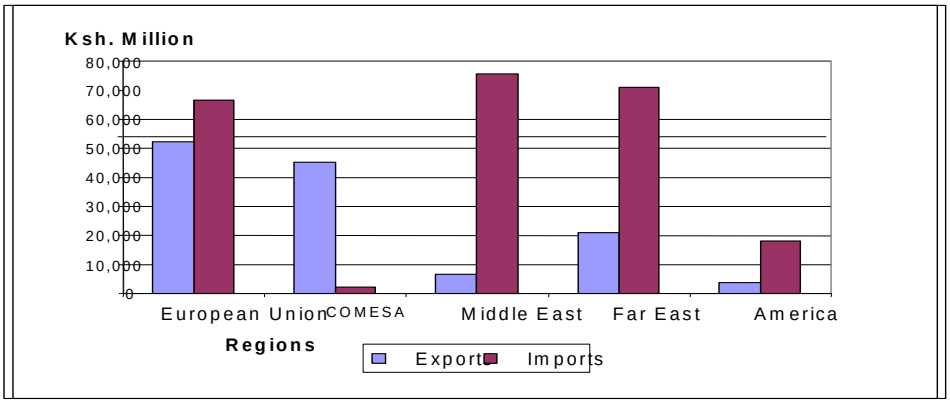
Table 7.11: Total Imports by Broad Economic Category, (Ksh. Million)

DESCRIPTION	1999	2000	2001	2002	2003*
1. FOOD AND BEVERAGES	15,145	19,110	30,326	15,550	14,983
Primary	6,930	8,678	12,409	4,440	2,702
For Industry	6,263	7,148	11,080	3,381	1,748
For Household Consumption	667	1,530	1,329	1,059	954
Processed	8,215	10,431	17,917	11,110	12,281
For Industry	3,303	3,160	7,315	4,790	4,227
For Household Consumption	4,912	7,271	10,602	6,320	8,054
2. INDUSTRIAL SUPPLIES (Non-Food)	67,362	67,955	85,686	83,555	86,917
Primary	5,019	4,347	6,874	6,742	7,341
Processed	62,343	63,608	78,812	76,813	79,575
3. FUEL AND LUBRICANTS	41,644	63,311	58,325	47,455	66,297
Primary	22,787	42,198	31,606	24,587	25,818
Processed	18,857	21,113	26,719	22,868	40,479
Motor Spirit	3,303	2,287	2,968	2,991	8,102
Other	15,554	18,826	23,751	19,877	32,378
4. MACHINERY AND OTHER CAPITAL EQUIPMENT	33,739	39,227	37,521	34,704	38,708
Machinery and Other Capital Equipment	24,083	30,599	27,945	26,402	29,502
Parts and Accessories	9,656	8,628	9,576	8,302	9,206
5. TRANSPORT EQUIPMENT	29,346	41,356	56,954	50,479	36,825
Passenger Motor Vehicles	6,618	4,765	7,974	8,015	9,688
Other	15,060	29,160	38,651	36,541	22,025
Industrial	14,309	28,161	37,786	35,626	21,148
Non-Industrial	751	999	865	916	876
Parts and Accessories	7,667	7,431	10,329	5,922	5,112
6. CONSUMER GOODS NOT ELSEWHERE SPECIFIED	18,010	15,839	18,301	18,390	23,055
Durable	4,053	2,907	3,285	2,906	4,787
Semi-Durable	3,985	3,820	4,237	4,390	4,760
Non-Durable	9,972	9,112	10,779	11,094	13,509
7. GOODS NOT ELSEWHERE SPECIFIED	1,155	1,007	2,995	7,579	15,058
TOTAL	206,401	247,804	290,108	257,710	281,844
PERCENTAGE SHARES:					
1. Food and Beverages	7.34	7.71	10.45	6.03	5.32
2. Industrial Supplies (Non-Food)	32.64	27.42	29.54	32.42	30.84
3. Fuel and Lubricants	20.18	25.55	20.10	18.41	23.52
4. Machinery and other Capital Equipment	16.35	15.83	12.93	13.47	13.73
5. Transport Equipment	14.22	16.69	19.63	19.59	13.07
6. Consumer Goods not elsewhere specified	8.73	6.39	6.31	7.14	8.18
7. Goods not elsewhere specified	0.56	0.41	1.03	2.94	5.34
TOTAL	100.00	100.00	100.00	100.00	100.00

Source: Annual Trade Report - Customs % Excise Department

* Provisional

Figure 7.3: Direction of Trade by Regions, 2003



7.23. Exports to Middle East continued its declining trend. The exports reduced from KSh7 065 million in 2002 to KSh 6 604 million in 2003, a 6.5 per cent decrease. More specifically, exports to Iran reduced by almost half. Exports to Jordan, Saudi Arabia and United Arab Emirates declined by 13.6 per cent, 14.1 per cent and 14.6 per cent respectively. Exports to the Far East recorded a moderate increase of 12.4 per cent. The value of export to Singapore by 33.9 per cent attributed to drop in tea exports from Ksh 108 million in 2002 to Ksh 30 million in 2003. There was a remarkable decline in the value of exports to Japan during the year under review due to a drop in fish fillet exports by almost half from KSh 508 million in 2002 to KSh 219 million in 2003.

7.24. Imports from European Union declined significantly by 19.6 per cent due to drop in imports from Sweden, Germany and Finland. The imports from Sweden reduced from KSh 12,259 million in 2002 to KSh 1,615 million during the year under review. The drop in imports from Sweden could be explained by one time imports of aero planes and aircraft worth KSh 10,768 million in 2002. The reduction in the value of imports from Finland was caused by a drastic reduction in the fertilizer imports from KSh 931.8 million in 2002 to KSh 96.8 million in 2003. The value of truck imports reduced from KSh 103.3 million in 2002 to just KSh 6,988 in 2003. Imports from Italy rose by 40.9 per cent mainly due to large imports of shaping machines during the year under review. Value of imports from Romania grew significantly due to rise in fertilizer imports from KSh 35 million in 2002 to KSh 1,030 million in 2003. Imports from Canada similarly grew by 73.4 per cent owing to growth in medicament imports which rose from KSh 1.2 million in 2002 to KSh 710.5 million in 2003.

7.25 The Middle East overtook European Union as the major import source for Kenya. The share of Kenya's imports from Middle East rose to 26.8 per cent. Imports from Iran increased by more than ten times following the importation of aero planes, other air craft and petroleum products totaling KSh 2,286.5 million during the year under review. Imports from Jordan similarly increased by more than five times due to diammonium phosphate and aircraft imports valued at KSh 264 million. Imports from Saudi Arabia went up significantly by 80.8 per cent from KSh 13,446 million in 2002 to KSh 24 305 million in 2003. The increase was occasioned by expansion in the imports of jet fuel, motor spirit and gas oil imports. Similarly imports from United Arab Emirates increased by a marginal 9.8 per cent.

Table 7.12: Total Exports by Destination, 1999-2003 (Ksh. Million)

Table 7.13: Imports by Country of Origin, 1999 - 2003 (Ksh. Million)

DESCRIPTION	1999	2000	2001	2002	2003*
EUROPE					
WESTERN EUROPE:					
European Union.					
Belgium	3,008	5,433	7,673	6,944	6,757
Finland	1,480	2,106	1,085	1,442	697
France	6,735	8,297	10,699	9,712	8,957
Germany, .	11,210	8,714	11,711	12,942	10,962
Italy	4,815	7,206	6,998	4,146	5,840
Netherlands	5,030	8,674	5,325	5,409	6,256
Spain	2,336	1,691	2,208	2,959	2,154
Sw eden	1,691	1,811	1,622	12,259	1,615
United Kingdom	23,123	25,136	21,989	21,138	19,621
Other	3,543	6,585	2,719	6,138	3,979
Total	62,971	75,653	72,028	83,090	66,840
Other Western Europe	3,565	3,553	5,433	4,077	5,304
Total Western Europe	66,536	79,205	77,461	87,167	72,143.38
EASTERN EUROPE:					
Poland	47	53	46	20	69
Romania	167	346	149	37	1,237
Other	3,083	4,683	1,937	1,631	4,193
Total	3,296	5,082	2,131	1,688	5,499
TOTAL, EUROPE	69,831	84,287	79,592	88,854	77,642
AMERICA					
U.S.A	13,190	10,084	38,967	14,648	14,388
Canada	1,735	986	1,599	1,183	2,051
Other	4,063	3,716	4,943	3,314	1,733
TOTAL AMERICA	18,988	14,785	45,509	19,144	18,173
AFRICA*					
South Africa	17,134	16,586	7,636	17,805	23,309
Tanzania	480	928	585	803	1,368
Uganda	307	515	683	664	1,038
Other**	4,377	4,717	22,844	9,601	11,604
TOTAL AFRICA	22,298	22,746	31,749	28,873	37,318
ASIA					
MIDDLE EAST:					
Iran	1,345	1,452	786	242	2,501
Israel	1,431	2,198	1,846	1,503	1,979
Jordan	34	78	150	69	327
Saudi Arabia	10,873	15,004	15,773	13,446	24,305
United Arab Emirates	25,529	48,212	41,465	29,060	31,918
Other	3,860	6,561	8,857	6,996	14,411
Total	43,072	73,505	68,878	51,315	75,440
FAR EAST					
China	4,786	7,755	6,792	6,052	8,023
India .	8,995	10,139	12,830	13,810	14,811
Indonesia	1,651	2,706	7,680	13,080	12,497
Japan	15,336	12,514	14,436	17,242	18,611
Korea South	3,203	2,861	3,926	2,755	2,966
Pakistan	609	864	2,086	4,020	4,456
Singapore	4,278	4,776	5,655	4,188	2,352
Other	9,115	7,548	7,492	5,477	7,428
Total	47,973	49,164	60,897	66,623	71,145
TOTAL, ASIA	91,046	122,669	129,775	117,939	146,584
AUSTRALIA & OCEANIC					
Australia	2,692	2,611	3,214	1,879	1,562
Other	136	68	208	140	169
TOTAL	2,829	2,679	3,422	2,018	1,731
All Other Countries N.E.S.	1,408	638	62	882	395
TOTAL	1,408	638	62	882	395
GRAND TOTAL	206,401	247,804	290,108	257,710	281,844

Source: Annual Trade Report - Customs & Excise Dept.

* Provisional

** See Table 7.14 for Details

7.26. The second major source of Kenya's imports during the year under review was the Far East, with 25.2 per cent of the total imports sourced from this region. The value of imports from China increased by 32.6 per cent while those from India and Japan rose by 7.3 per cent and 7.9 per cent respectively, Imports from Singapore however reduced drastically from KSh 4,188 million in 2002 to KSh 2,352 million in 2003. The drastic reduction in imports from Singapore is attributed to a decrease in the value of petroleum and petroleum products imported which stood at KSh 1,000.3 million in 2002 while none was imported during 2003.Palm oil imports also decreased from KSh 1,203.2 million in 2002 to KSh 522.2 million in 2003.

7.27. Imports value from Africa increased significantly by 29.3 per cent. The increase was as a result of a sharp rise in the imports from Tanzania, Uganda, Egypt and South Africa. The value of imports from Tanzania increased by 70.4 per cent, attributable to maize worth KSh 265 million imported during the year. Imports of alcoholic beverages also increased from KSh59 million in 2002 to KSh 168 million in 2003. The value of imports from Uganda shot up by 56.2 per cent from KSh 664.4 million in 2002 to KSh 1,037.6 million in 2003.This sharp rise was attributed to electricity imports worth KSh 134 million during the year.

Kenya's Trade with African Countries:

7.28. Table 7.14 summarizes Kenya's trade with African countries. Kenya's exports to Uganda and Tanzania combined, declined by a paltry 0.4 per cent Export earnings from the East African countries accounted for 53.5 per cent of the total export earnings from Africa. The slight decline in the earnings from East Africa was caused by a 3.3 per cent decline in the exports to Uganda;Imports from the community however, showed a marked growth of 63.9 per cent from KSh1, 467 million in 2002 to KSh 2,405 million in 2003.

7.29. Exports to COMESA region increased by 5.1 per cent during the year under review rose. Share of export earnings from the region stood at 73.0 per cent of the total earnings from Africa up from 71.4 per cent in the previous year. Imports from COMESA region increased by 31.8 per cent from a decline of 10.4 per cent recorded in the previous year. Imports from Congo DR declined further by 86.7 per cent from KSh431 million in 2002 to KSh57 million in 2003.The value of imports from Swaziland also decreased by 13.8 per cent while exports increased remarkably as a result of bank note exports valued at KSh68 million during 2003.The value of imports from Egypt increased by 69.4 per cent. This resulted from increases in sugar imports which rose from KSh128 million in 2002 to KSh 824 million and cigarette imports which rose from KSh15 million in 2002 to KSh 222 million in 2003.Imports from the Sudan almost doubled, mainly due to the importation of an aircraft costing KSh 403.6 million. Exports to Angola increased by four times as a result of Zinc exports KSh 24.3 million during the year under review. Similarly, exports to Mauritius increased remarkably due to exports of infusion solutions worth KSh 509.6 million in 2003.

7.30. There was a drastic drop in the value of Kenya's exports to Algeria and Libya. During 2002, tobacco worth KSh 552.5 million was exported to these countries. Imports from Algeria and Libya however went up by almost six fold as a result of imports of plastic articles during the year. Exports to Ghana and Nigeria recorded a moderate increase of 15.1 per cent. Exports to South Africa increased from KSh 518 million in 2002 to KSh 1,066 million in 2003. This change was partly as result of the new exports to this destination. The products exported include, Electrical parts worth KSh 114 million, Natural Sodium Carbonate worth KSh127.6 million, Tungsten powders worth KSh27 million and Pineapples worth KSh 53.6 million. Imports from Somalia went up by more than 3 times owing to Sesamum Seed imports.

Table 7.14: Trade with African Countries, 1999 - 2003 (Ksh. '000)

ZONES/COUNTRIES	TOTAL EXPORTS					TOTAL IMPORTS				
	1999	2000	2001	2002	2003*	1999	2000	2001	2002	2003*
COMESA										
EAST AFRICAN COMMUNITY (EAC)										
Tanzania	13,766,581	11,092,107	13,510,955	14,180,573	14,588,254	480,050	927,724	584,791	802,666	1,367,610
Uganda	21,189,072	24,186,092	30,039,898	31,280,038	30,667,820	307,012	515,402	683,429	664,421	1,037,601
Sub-Total	34,955,653	35,278,198	43,550,853	45,460,610	45,256,074	787,062	1,443,126	1,268,220	1,467,086	2,405,211
OTHERS:										
Angola	37,001	6,474	30,754	64,669	259,875	3,234	1,359	5,034	24,324	874
Burundi	794,397	898,562	1,846,276	1,797,803	2,752,099	7,568	1,070	67,722	656	2,427
Comoros	435,551	730,890	354,650	272,404	307,511	-	18	604	-	-
Congo, D.R	2,031,041	3,042,502	4,285,626	4,950,853	5,367,265	88,708	250,892	762,182	430,941	57,395
Djibouti	120,555	315,960	843,807	471,174	378,337	17,604	13,421	3,739	-	-
Egypt**	6,739,154	7,107,444	7,120,914	6,751,868	5,452,790	1,372,837	1,597,319	3,258,011	2,865,497	4,855,417
Eritrea	207,522	453,751	474,892	431,298	410,681	6,028	177	4,010	379	3,154
Ethiopia	1,412,371	2,056,609	2,153,344	1,980,628	1,624,508	7,042	63,463	61,811	11,299	15,513
Madagascar	62,835	104,019	256,533	656,141	473,826	2,220	12,672	5,108	15,170	190
Malawi	338,753	177,944	375,512	757,916	759,448	20,916	206,592	952,071	925,207	1,122,469
Mauritius	188,161	152,555	339,671	163,344	743,567	476,024	404,149	567,402	438,608	489,429
Namibia	3,606	2,369	2,489	1,533	22,207	49,631	10,128	331,936	90,710	75,601
Rwanda	3,110,314	3,504,082	3,515,884	4,313,383	6,011,512	3,542	2,719	2,767	5,754	4,687
Seychelles	124,685	239,623	212,631	245,205	198,794	645	23,504	2,895	8,126	221
Sudan	2,705,420	2,191,440	2,447,373	2,818,408	4,378,583	13,890	24,596	1,029,914	253,962	566,306
Swaziland	881	3,614	8,805	2,959	72,339	139,457	208,531	885,976	2,029,645	1,749,449
Zambia	141,756	168,000	405,998	1,695,882	1,645,896	214,929	310,943	957,904	344,589	389,560
Zimbabwe	321,368	244,500	182,259	442,517	241,637	373,049	633,483	1,154,746	1,510,763	1,493,101
Sub-Total	18,775,368	21,400,339	24,857,417	27,817,984	31,100,874	2,797,326	3,765,036	10,053,833	8,955,631	10,825,794
Total, COMESA***	39,964,441	45,586,431	54,897,315	59,098,021	61,768,694	3,104,338	4,280,438	10,737,262	9,620,052	11,863,395
OTHER COUNTRIES										
Algeria & Libya	17,590	27,940	73,156	555,608	6,233	6,343	203	1,457	129	946
Ghana & Nigeria	179,201	686,717	487,790	1,235,344	1,422,002	167,121	68,052	88,296	110,785	141,574
Lesotho	164	-	184	1,142	10	-	-	1,119	210	30
Mozambique	44,203	133,024	201,649	333,376	225,622	90,576	174,472	89,182	198,308	190,723
Reunion	353,823	303,287	175,806	231,385	239,595	6,275	1,319	161	-	-
Somalia	2,051,513	2,940,278	1,653,376	4,556,152	3,743,408	1,108	5,032	9,816	2,666	9,016
South Africa	477,483	614,586	288,510	518,028	1,065,792	17,134,097	16,585,575	7,636,030	17,805,160	23,308,578
All Other African Countries	470,594	550,215	1,224,370	2,375,459	1,593,150	1,097,434	702,939	12,600,391	264,471	436,408
Sub-Total	3,594,570	5,256,047	4,104,840	9,806,495	8,295,811	18,502,954	17,537,593	20,426,453	18,381,729	24,087,275
TOTAL AFRICA****	57,325,592	61,934,585	72,513,110	83,085,089	84,652,759	22,298,459	22,745,755	31,748,505	28,872,742	37,318,280
Percentage of all Exports/Imports	46.8	46.0	49.1	56.3	57.4	10.8	9.2	12.8	11.7	15.1

* Provisional

** Egypt joined COMESA in 1998

*** COMESA excludes Tanzania

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

Balance of Payments

7.31. The overall balance of payments surplus widened markedly to a surplus of KSh 31,385 million in 2003 from a surplus of KSh 257 million in 2002 reflecting in part an increase in net capital and financial flows. Consistently, the surplus in the balance of payments occasioned an increase in the net foreign assets of the banking system which stood at KSh 125,066 million (see Table 5.1)

7.32. Table 7.15 details Kenya's balance of payments. The current account improved to a surplus of KSh 4,846 million in 2003 from deficit of KSh 13,950 million in 2002. Improvements in the current account were occasioned by increased tourism earnings and grants inflows from abroad. The deficit in goods account widened by KSh 8,256 million during the year under review owing to unmatched increase in the value of imports as compared to marginal increase in the value of exports. Despite the negative effects of the terrorism-related travel ban to Kenya, tourism earnings rose by 18.6 per cent to KSh 25,768 million which in part led to improved performance in the services account. Net earnings from services account increased from KSh 26,185 million in 2002 to KSh 36,226 million in 2003. The bulk of current transfer inflows which continue to be channelled through the private sector, recorded an increase of 24.9 per cent to stand at KSh 56,884 million

7.33. Capital and financial account recovered from a deficit of KSh 2,493 million in 2002 to record a surplus of KSh 40,493 million in 2003. During the year, capital official inflows stood at KSh 27,585 million in 2003 compared with KSh 17,435 million in 2002.Capital transfers related to project grants increased by KSh 2,493 million while program loans rose by KSh 5,988 million. Short term net financial flows which declined by 30.2 per cent in 2002, expanded from KSh 28,462 million in 2002 to KSh 32,949 million in 2003.

7.34. Table 7.16 details the changes in balance of payments magnitudes. All the accounts except imports (goods) and portfolio investment, registered improvements in balance of payments outcome. The improvement in the current account by KSh 18,796 million and other long term investments by KSh 30,538 million resulted in the basic balance surplus of KSh 57,2948 million in 2003 compared to a deficit of KSh 1,386 million.

Table 7.15: Kenya Balance of Trade, 2000 - 2003 (Ksh. Million)

	2000			2001			2002+			2003*		
	Liabilities/ Credits	Assets/ Debits	Net	Liabilities/ Credits	Assets/ Debits	Net	Liabilities/ Credits	Assets/ Debits	Net	Liabilities/ Credits	Assets/ Debits	Net
A. -CURRENT ACCOUNT												
1. Goods . .	135,762	231,874	-96,113	148,592	254,405	-105,813	170,252	248,766	-78,514	184,218	270,982	-86,764
2. Transportation	31,318	26,016	5,303	33,765	24,424	9,341	33,642	21,471	12,171	34,476	18,963	15,514
3. Foreign Travel	21,553	10,018	11,535	24,256	11,241	13,016	21,735	9,889	11,845	25,768	9,652	16,116
4. Other Services - Private	2,524	14,644	-12,119	4,281	20,301	-16,020	2,661	14,152	-11,491	3,818	15,790	-11,972
5. Government Services, n.i.e.	20,275	6,970	13,305	23,281	7,375	15,906	22,140	8,480	13,660	24,410	7,842	16,568
6. Income	3,426	13,566	-10,140	3,618	13,142	-9,524	2,786	14,036	-11,250	4,526	11,126	-6,600
7. Current Transfers	70,582	442	70,140	63,101	126	62,975	49,780	151	49,629	62,162	177	61,985
Government	8,473	121.89	8,352	1,587	125.70	1,461	2,602	151	2,451	5,277	177	5,101
Private	62,109	320	61,788	61,514	0	61,514	47,178	0	47,178	56,884	0	56,884
TOTAL CURRENT ACCOUNT	285,441	303,531	-18,090	300,895	331,013	-30,119	302,995	316,945	-13,950	339,378	334,532	4,846
of which:												
Visible Balance	135,762	231,874	-96,113	148,592	254,405	-105,813	170,252	248,766	-78,514	184,218	270,982	-86,764
Invisible Balance	149,679	71,656	78,023	152,303	76,608	75,694	132,744	68,179	64,564	155,160	63,550	91,611
B. - CAPITAL & FINANCIAL ACCOUNT												
8.Capital Account	3,775	-	3,775	4,043	-	4,043	6,467	74	6,393	12,381	-	12,381
9.Direct Investment	8,448	-	8,448	417	-	417	2,175	584	1,591	6,207	158	6,049
10.Portfolio Investment	-269	828	-1,096	430	541	-111	414	790	-375	68	2,930	-2,862
11.Other Investment	40,654	20,074	20,579	60,800	37,793	23,006	28,407	38,508	-10,101	59,030	34,106	24,924
Long Term .	4,814	19,674	-14,859	19,526	37,273	-17,747	-668	37,895	-38,563	25,245	33,270	-8,025
Short Term	35,840	401	35,439	41,274	520	40,754	29,075	613	28,462	33,785	836	32,949
TOTAL CAPITAL& FINANCIAL ACCO	52,608	20,902	31,706	65,689	38,335	27,355	37,463	39,955	-2,493	77,686	37,193	40,493
C. -ERRORS AND OMISSIONS			-5,373			15,836			16,699			-13,954
D. -RESERVE ASSETS												
12.Special Drawing Rights	-		-	-		-	-		-	-		-
13.Reserve Position in the Fund	62		62	42		42	-108		-108	-129		-129
14.Foreign Exhange	-8,291		-8,291	-13,133		-13,133	-142		-142	-31,236		-31,236
15.Other claims	-14		-14	20		20	-7		-7	-21		-21
TOTAL MONETARY MOVEMENTS	-8,244		-8,244	-13,072		-13,072	-257		-257	-31,385		-31,385

* Provisional.

\+ Revised.

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

Table 7.16: Changes in Kenya Balance of Payments Magnitudes*, 2000 - 2003(Ksh. Million)

		1999**	2000**	2001*	2002*	2003*
1	Exports Goods	+1,783	+12,217	+12,831	+21,660	+13,966
2	Imports Goods	-9,282	-39,758	-22,531	+5,640	-22,217
	Transportation	+10,033	-4,534	+4,038	+2,830	+3,343
	Travel	+7,262	-1,773	1,481	-1,170	+4,270
	Other Services	-2,038	-4,123	-3,901	+4,529	-481
	Government services n.e.s.	-+414	+5,416	+2,601	-2,246	+2,909
	Income	-728	+1,056	616	-1,726	+4,649
3	Services & Income (net)	+14,115	-3,958	4,836	2,216	+14,690
4	Current Transfers(net)	+13,091	+22,392	-7,164	-13,347	+12,356
5	Changes on current account	+19,706	-9,107	-12,029	+16,169	+18,796
6	Capital account	-1,197	-119	268	2,349	+5,988
7	Direct investment .	+283	+7,476	-8,032	+1,174	+4,458
8	Portfolio investment . . .	-640	-536	+985	-264	-2,486
9	Other investment - Long term	-12,064	+11,234	-2,888	-20,816	+30,538
10	Change on basic balance (net balance on lines 5-9)	+6,088	+8,947	-21,695	-1,386	+57,294
11	Other investment - Short term	-4,672	-5,344	5,315	-12,292	+4,487
12	Errors and ommision (net)	-716	+4,230	+21,209	+863	-30,653
13	Net change on all above items (5 - 10) (Net changes on Reserves assets)	700	7,833	4,828	-12,815	+31,128

* Provisional.

** Revised

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

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

International Liquidity

7.34. Table 7.17 summarises foreign reserves of the Monetary Authorities. Foreign exchange holdings of the Central bank rose to KSh 104,701 million by the end of December 2003, a 4.1 months imports cover from KSh 82, 662 million as at December 2002. The increase in official foreign exchange reserves was mainly as a result of purchases of foreign exchange from the domestic inter-bank foreign market by the central bank of Kenya; inflows related to budgetary support programme by donors and revaluation gains as associated with the strengthening of international currencies against the US dollar in international foreign exchange markets. The reserve position in the Fund stood at KSh 1,417 million as at December 2003. The SDRs holding dropped substantially from KSh 320 million in December 2002 to KSh 171 million in December 2003. The total foreign liability of the banking system stood at KSh 19,750 million at the end of 2003 compared to KSh 21,666 million at the end of 2002.

Table 7.17: Central Monetary Authorities: Foreign Exchange Reserves, 1998 - 2003

As at end of	Central Bank Of Kenya					Central Government			Total Net
	S.D.R.'s	Foreign Exchange	External Banks' Deposits	Use of Fund Credit	Total Net Foreign Reserves of Central Bank*	Reserve Position in IMF	Other Holdings	Total Net Foreign Reserves of Central Government	Foreign Reserves of Central Monetary Authorities
1998..	36	46,980	89	14,448	32,657	1,070	31	1,100	33,757
1999..	177	56,041	79	11,213	45,084	1,241	28	1,269	46,353
2000..	21	60,371	96	12,055	48,433	1,265	45	1,309	49,743
2001..	77	77,233	28	9,982	67,356	1,232	27	1,259	68,614
2002..	320	74,726	19	9,138	65,927	1,302	31	1,333	67,260
2003..									
January ..	65	82,662	19	9,077	73,669	1,337	32	1,369	75,038
February ..	46	83,283	27	9,077	74,279	1,318	27	1,345	75,624
March	46	83,342	27	8,884	74,530	1,315	53	1,368	75,898
April	782	84,842	27	8,709	76,942	1,289	52	1,341	78,283
May	515	84,228	706	8,280	77,169	1,265	51	1,316	78,485
June	286	84,578	705	8,088	77,481	1,304	40	1,344	78,825
July	32	83,618	704	8,192	76,162	1,326	35	1,361	77,523
August ..	18	85,801	702	8,192	78,329	1,322	35	1,357	79,686
September ..	19	95,915	23	8,636	87,322	1,393	37	1,431	88,752
October ..	19	100,416	22	8,791	91,667	1,417	38	1,455	93,121
November ..	140	95,972	22	8,039	88,095	1,388	60	1,448	89,543
December ..	171	104,701	997	10,803	95,065	1,417	38	1,455	96,520

Source: Central Bank of Kenya.

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

7.35. Table 7.18 shows the nominal value of the Kenya Shilling at the close of the review period against selected world currencies. The Shilling strengthened marginally against the US dollar by 1.2 per cent. However, it weakened against Sterling Pound, Euro and Japanese Yen by 8.8 per cent, 15.5 per cent, and 8.9 per cent respectively. Generally, the Shilling depreciated against most of the selected world currencies by close of business in 2003. Overall, the weakened Shilling is reflected in the trade weighted exchange rate index, which rose from 622.5 in 2002 to 664.0 in 2003. The strength of the Shilling against US Dollar reflected loses of the US dollar against international currencies particularly the sterling pound and the Euro in international foreign exchange markets.

Table 7.18: Foreign Exchange Rates of Kenya Shilling for Selected Currencies, 1999 - 2003

	31st Dec. 1999	31st Dec. 2000	31st Dec. 2001	31st Dec. 2002	31st Dec. 2003
1 US Dollar	72.9306	78.0361	78.6000	77.0723	76.1389
1 Pound Sterling	118.1058	116.4113	114.0023	123.5924	135.5051
1 Deutsche Mark	37.5535	37.0800	35.5812	..	..
1 French Franc	11.1969	11.1024	10.6081	..	..
1 Swiss Franc	45.7615	47.6709	46.9909	..	..
1 Dutch Guilder	33.3259	32.9112	31.5707	..	..
1 Swedish Kroner	8.5658	8.1826	7.4665	8.8325	10.4948
1 Norwegian Kroner	9.0868	8.7767	8.7399	10.9950	11.3444
1 Zambian Kwacha**	0.0274	0.0173	0.0170	0.0159	0.0165
1 Austrian Schilling	5.3376	5.2726	5.0571	..	..
1 Belgian Franc	1.5257	1.7984	1.7247	..	..
1 Danish Kronor	9.8533	9.6953	9.3554	10.8761	12.5841
1 Canadian Dollar	50.2010	51.9565	49.4192	49.7481	58.7623
1 Finish Marka	12.3474	12.1948	11.7047	..	..
1 Australian Dollar	47.6820	43.2203	40.1646	43.6730	57.0928
100 Japanese Yen	71.4283	67.9709	59.8430	64.8800	71.1757
100 Italian Lira	3.7883	3.7406	3.5913	..	..
1 Indian Rupee	1.6764	1.6725	1.6307	1.6053	1.6699
1 Pakistan Rupee**	1.4131	1.3448	1.3248	1.3334	1.3248
100 Burundi Francs**	11.6024	9.9991	9.7831	8.8468	8.7266
100 Rwanda Francs**	20.8653	21.7353	21.0276	15.0210	13.0877
1 SA Rand	11.8391	10.3153	6.5465	8.9249	11.4513
TSh/KSh	10.9359	10.2900	10.1884	12.2292	13.9197
USh/KSh	20.6297	22.0403	22.1371	24.0749	25.4800
Euro	74.8584	72.4798	69.5629	80.7908	95.6205
Overall Weighted Index*					
1982=100	**607.18**	**594.20**	**570.55**	**622.53**	**664.02**

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

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

.. Currencies subsumed by Euro

Trade Information Delivery Services

7.36. Export Market Development

The Centre for Business Information in Kenya (CBIK) continued to provide trade information and business counseling to the business community both locally and internationally. The CBIK participated in various trade fairs and were involved in advertising trade opportunities throughout the year under review.

7.37. Product and Adaptation

Kenya's export trade continues to be dominated by a few export products namely tea, horticulture, coffee, petroleum products and cement, which account for over two thirds of total foreign earnings. This dependence on a few export products calls for diversification of the export basket by expanding the range of non-traditional products. The main objective of product development is to facilitate the expansion and diversification of Kenya's export product. This is achieved through undertaking and disseminating information on supply and demand studies, and firm and sectoral level assistance to exporting companies. Dissemination workshops and seminars to sensitize exporters on new trends and developments in the market are carried out. Stakeholders in various sectors are involved in promoting adherence to codes of practice and other market requirements.

7.38. In pursuance of the above strategies, it is expected that producers/exporters will develop and adapt their products to suit specific market requirements through quality improvement, value added processing, improved packaging and presentation, new product design and styling and adherence to industry rules of practice. It is also expected that new exportable products will continue to be identified. This will in turn lead to expanded and diversified export base, and entry of more enterprises in the export employment and wealth creation opportunities.

7.39. Horticultural industry: The Export Promotion Council (EPC) is involved in co-ordinating the implementation of the new European Union Maximum Residue Levels (MRLs) programme. The Council together with other stakeholders visited various horticultural crop producing areas to document progress on the implementation programme and formulate action plans, particularly documentation of all practices from production to marketing. This would help in meeting the stringent market requirements for traceability of the produce on maximum residual levels, sanitary and phytosanitary requirement among other issues.

7.40. Supply and Demand Surveys: Supply survey on food, agricultural, shelter and housing items: This survey was carried out in April - May 2003. The purpose of the survey was to determine the competitiveness of Kenyan companies to produce and supply these items to international aid organizations and non-governmental organizations, which provide humanitarian and relief assistance to Eastern and Southern Africa.

Product and demand studies for the US market: This has continued to be carried out with objective of providing support and information to exporters targeting this market especially under the African Growth and Opportunity Act (AGOA) provisions. The products targeted during the year under review include cut flowers, value added (processed) vegetables, textiles and garments, hand made and hand loomed textile products, commercial crafts and value added coffee and tea.

7.41. Monitoring plan for Kenya Honey: The EPC is a member of a taskforce that is formulating Kenya's monitoring plan for residues in honey for submission to the European commission. The taskforce would also develop a code of practice, identify the competent Authority, develop, export procedures and documentation required, recommended policies geared towards revitalizing the honey industry and identity approved laboratories to undertake sampling and testing. The taskforce developed a monitoring plan for honey products in Kenya, which was forwarded to the European Community and was approved in June 2003. Kenya can now export honey to the EU as soon as the competent Authority puts in place export documentation and procedures.

7.42. Small and Medium Enterprise sector (SME's): The (EPC) continued to provide assistance to SME's in the handcrafts and textile sub-sectors. During the year under review, various activities were carried out to assist the handicraft sector to focus on export led products through product development in order to offer new products in addition to adapting and modifying the existing products to prolong their product cycle. Business counseling was provided through CBIK on a wide range of areas including business management and export marketing.

Future Outlook

7.43. Kenya continues to face challenges in main markets and local domestic supply as a result of constraints impacting directly on competitiveness such as inefficient infrastructure. Other challenges are those resulting from trade globalization as fronted by World Trade Organization (WTO) and non-tariff barriers. These are especially in Kenya's traditional market of European Union touching on environment, health, safety, trace ability and social accountability which continue to impact negatively on Kenya's export drive. That not withstanding, horticultural and tea exports continue to perform well while fish and fish products have recovered from the previous export restrictions to European Union market and are showing growth. Non- traditional exports such as manufactured products mainly to regional markets of East African Community and COMESA have also shown good growth. There is therefore an urgent need to reduce the constraints in the local domestic supply of exportable produce and also to enhance export growth as outlined in the Economic Recovery Strategy for Wealth and Employment Creation. This will be done in addition to diversifying both export products and destination markets.

Chapter 8
Agriculture

Overview

Real agricultural sector GDP grew by 1.5 per cent in 2003, the highest over five years as shown in Figure 8.1. This growth was attributed to increased production of maize, wheat, coffee, tea, cotton and dairy produce. Maize production increased from 26.0 million bags in 2002 to 28.0 million (90 kg) bags in 2003. A total of 116 thousand tonnes of maize valued at KSh 1.4 billion were imported over the same period. Wheat production increased from 60.1 thousand tonnes in 2002 to 64.4 thousand tonnes in 2003. Coffee production increased by 6.7 per cent from 51.9 thousand tonnes in 2001/02 crop year to 55.4 thousand tonnes in 2002/2003 crop year. The growth in the sub-sector has been affected by poor international prices.

8.2. Production of processed tea increased by 2.3 per cent from 287.1 thousand tonnes in 2002 to 293.7 thousand tonnes in 2003. The increase in tea production in 2003 was attributed to among other factors, commissioning of five new tea processing factories. The volume of marketed milk increased from 178 million litres in 2002 to 203 million litres in 2003. This was mainly attributed to availability of fodder, pasture and adequate water. The quantity of horticulture exports increased by 10.1 percent to 133.2 thousand tonnes in 2003 while value of horticultural exports increased by 7.9 per cent from KSh 26.7 billion in 2002 to KSh 28.8 billion in 2003. The value increases are attributed to value addition coupled with provision of new products.

8.3. Value added at constant prices (GDP) - the difference between total agricultural outputs and inputs provides a key indicator for measuring performance of the agricultural sector and its contribution to the entire economy. Details on this are shown at current and constant terms in Table 8.1 below. Agricultural output in current prices increased by 5.6 per cent from Ksh 148,909 million in 2002 to Ksh 157,196 million in 2003. Agricultural inputs at current prices increased by 4.9 per cent from Ksh 19,326 million in 2002 to Ksh 20,278 million in 2003. Value added at current prices increase by 5.7 per cent from Ksh 129,583 million in 2002 to Ksh 136,919 million in 2003. Agricultural output at constant prices increased by 1.6 per cent from Ksh 27,958 million in 2002 to Ksh 28,405 million in 2003.

Figure 8.1: Agriculture GDP Growth Rate, 1999-2003

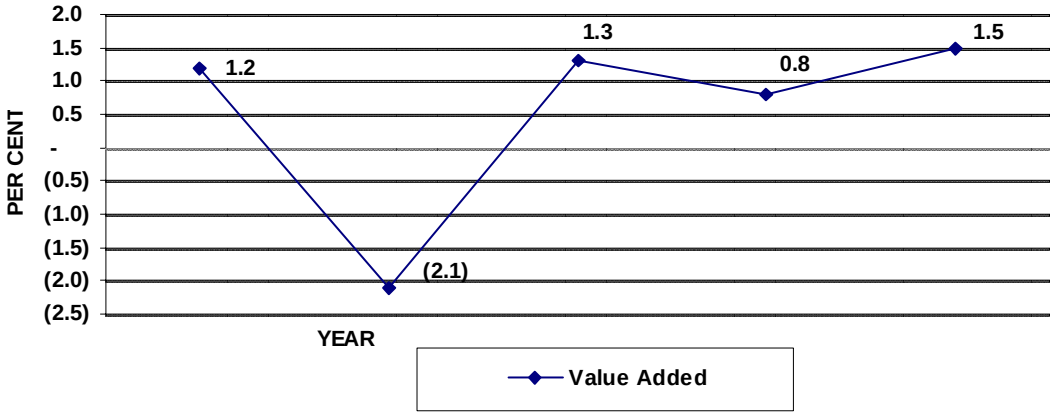


Table 8.1: Agricultural Output and Input, 1999 - 2003, Kshs million

	1999	2000	2001	2002	2003*
AT CURRENT PRICES-					
Total Output	155,574	140,189	149,233	148,909	157,196
Less Inputs	15,638	15,936	17,935	19,326	20,278
Value Added	139,936	124,253	131,298	129,583	136,918
AT CONSTANT (1982) PRICES-					
Total Output	27,999	27,407	27,534	27,958	28,405
Less inputs	2,574	2,511	2,313	2,536	2,592
Value Added	25,425	24,896	25,221	25,421	25,813

* Provisional.

Marketed Production

8.4. Total recorded marketed agricultural and livestock production increased by 0.4 per cent from KSh 78,986.9 million in 2002 to KSh 79,315.1 million in 2003 as shown in Table 8.2. The total value for all crops increased by 0.7 per cent from KSh 59,946.2 million in 2002 to KSh 60,336.5 million in 2003. This was mainly attributed to better prices for wheat, tea, dairy produce, sisal and cotton.

As a result of lower quantity of marketed maize, the value of marketed cereals declined by 14.5 per cent from KSh 6,398.3 million in 2002 to KSh 5,471.1 million in 2003. The values of coffee and tea increased from KSh 5,441.1 million and KSh 33,414.7 million in 2002 to KSh 5,956.7 million and KSh 34,631.1 million in 2003 respectively. The value of dairy produce sold centrally increased by 15.3 per cent from KSh 2,468.9 million in 2002 to KSh 2,846.1 million in 2003. The volume of dairy produce increased from 178.0 million litres in 2002 to 203 million litres in 2003.

8.5. Table 8.3 shows the volume and price indices of sales to marketing boards. The quantum index for cereals decreased to 41.3 in 2003, mainly due to a decline in marketed maize. The price index for cereals increased from 995.7 in 2002 to 1,071.3 in 2003, mainly due to increases in the price of maize and wheat. The quantum index for permanent crops increased from 151.9 in 2002 to 164.1 in 2003 as a result of increases in volumes of marketed coffee, tea and sisal. The price index for permanent crops decreased to 481.3 in 2003, mainly due to a decline in the price of coffee. The quantum index for livestock and products declined from 95.3 in 2002 to 91.0 in 2003.

Table 8.2: Recorded Marketed Production at Current Prices, 1999 - 2003, Ksh. million

	1999	2000	2001	2002	2003*
CEREALS-					
Maize	3,098.0	2,915.4	6,141.6	4,451.4	3,336.5
Wheat	1,006.0	1,132.9	1,429.4	987.5	1,170.1
Others	1,310.4	1,568.8	1,189.5	959.4	964.5
Total	5,414.4	5,617.1	8,760.5	6,398.3	5,471.1
TEMPORARY INDUSTRIAL CROPS-					
Sugar-cane	7,639.4	7,942.2	7,154.8	9,070.2	7,567.3
Pineapples	1,079.8	1,122.9	1,207.7	2,295.9	3,463.7
Pyrethrum	405.8	729.3	769.1	1,271.5	781.9
Others	846.6	734.2	815.9	511.1	712.5
Total	9,971.6	10,528.6	9,947.5	13,148.8	12,525.4
OTHER TEMPORARY CROPS	522.8	246.1	268.2	165.0	163.5
PERMANENT CROPS-					
Coffee	10,050.0	11,282.0	6,424.2	5,441.1	5,956.7
Tea	31,087.6	35,969.8	38,564.5	33,414.7	34,631.1
Sisal	874.0	809.9	956.9	938.2	1,060.7
Others	349.4	372.8	469.8	440.2	527.9
Total	42,361.0	48,434.5	46,415.4	40,234.2	42,176.5
TOTAL CROPS	58,269.8	64,826.3	65,391.6	59,946.2	60,336.5
LIVESTOCK AND PRODUCTS-					
Cattle and Calves	8,886.4	8,039.8	9,078.6	11,823.8	11,476.1
Dairy Produce	2,693.6	2,051.2	1,919.6	2,468.9	2,846.1
Chicken and eggs	1,431.4	1,540.0	2,074.6	1,624.5	1,624.5
Others	2,032.0	2,317.7	2,482.4	3,123.4	3,031.9
Total	15,043.4	13,948.7	15,555.2	19,040.6	18,978.6
GRAND TOTAL	73,313.2	78,775.0	80,946.8	78,986.9	79,315.1

* Provisional.

Table 8.3: Volume and Price Indices of Sales to Marketing Boards, 1999 – 2003, 1982=100

		1999	2000	2001	2002	2003*
QUANTUM INDICES	Cereals	35.5	37.7	63.1	52.8	41.3
	Temporary Industrial Crops	96.1	85.3	80.0	106.8	95.4
	Permanent Crops	147.0	162.2	160.7	151.9	164.1
	TOTAL CROPS	120.4	129.5	131.9	128.3	132.9
	Livestock and Products	75.1	72.9	75.5	95.3	91.0
TOTAL GROSS MARKETED PRODUCTION		111.5	118.3	120.8	121.8	124.6
PRICE INDICES	Cereals	1,161.6	1,153.9	1,127.4	995.7	1,071.3
	Temporary Industrial Crops	794.0	1,002.9	1,007.3	921.9	866.1
	Permanent Crops	608.3	583.5	547.6	522.1	481.3
	TOTAL CROPS	729.9	744.4	715.5	662.9	639.4
	Livestock and Products**	638.9	425.4	597.6	619.4	652.6
TOTAL GROSS MARKETED PRODUCTION		673.3	681.6	692.3	654.3	642.0

* Provisional.

**Data on livestock is from slaughter houses

8.6. Table 8.4 shows the average prices paid to farmers for various commodities. The prices of coffee, sugar cane and bacon declined in the year 2003. Price of tea, sisal, pyrethrum and milk increased marginally while those of maize, wheat and cotton increased significantly.

Table 8.4: Average Gross Commodity Prices* To Farmers, 1999 – 2003, Ksh. per Stated Unit

	UNIT	1999	2000	2001	2002	2003**
Coffee	100kg	15,632.2	11,508.7	11,776.1	11,962.9	9,729.2
Tea	,,	12,500.0	15,223.0	13,089.0	11,638.7	11,792.5
Sisal	,,	3,989.9	3,779.4	4,123.2	4,241.4	4,272.3
Sugar-cane	Tonne	1,730.0	2,015.0	2,015.0	2,015.0	1,800.0
Pyrethrum (extract equivalent)	Kg	5,200.0	9,835.0	9,835.0	7,301.8	7,316.6
Seed Cotton	100Kg	2,000.0	1,910.4	1,800.0	1,729.6	2,107.4
Maize	,,	1,385.9	1,449.4	1,330.8	1,034.0	1,189.5
Wheat	,,	1,815.0	1,651.7	1,840.8	1,724.3	1,908.8
Beef (third grade)	,,	10,676.7	8,153.8	9,375.0	12,169.2	11,861.9
Bacon Pigs	,,	8,164.1	9,021.6	9,516.3	9,417.4	6,729.1
Milk	100 litres	1,494.0	1,400.0	1,300.0	1,387.2	1,400.0

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

** Provisional.

8.7. Total sales to marketing boards as shown in Table 8.5 grew by 0.4 per cent in 2003. The small farms sales to marketing boards increased marginally by 1.3 per cent. The share of sales from small farms was 71.5 per cent in 2003, reflecting the continued importance of the smallholder farms in overall output.

Table 8.5: Sale to Marketing Boards From Large and Small Farms, 1999 -2003

	LARGE FARMS		SMALL FARMS		TOTAL		PERCENTAGE
YEAR	Ksh mn.	Annual Percentage change	Ksh mn.	Annual Percentage change	Ksh mn.	Annual Percentage change	SHARE OF SALES FROM SMALL FARMS
1999	22,104	-13.58	51,209	-13.54	73,312	-13.55	69.85
2000	23,633	6.92	55,143	7.68	78,775	7.45	70.00
2001	23,879	1.04	57,067	3.49	80,947	2.76	70.50
2002	22,985	-3.70	56,002	-1.87	78,987	-2.42	70.90
2003*	22,615	-1.67	56,700	1.25	79,315	0.40	71.50

* Provisional.

8.8. **Agricultural Inputs**: Agricultural inputs are a key prerequisite for increased agricultural production. Table 8.6 below shows the price and quantum indices for various agricultural inputs. Overall input price index rose from 762.0 in 2002 to 782.2 in 2003. This was occasioned by increases in the price of fertilizer and manufactured feeds. The price index for fuel and power declined from 1159.8 in 2002 to 1103.3 in 2003, although the fuel prices maintained an upward trend. The price index of purchased seeds reduced from 2140.1 in 2002 to 1806.3 in 2003 in response to lower prices offered for maize seeds. The quantum index for agricultural inputs declined from 156.0 in 2002 to 154.9 in 2003. This was largely due to lower consumption volumes of fuel and power and manufactured feeds.

Table 8.6: Agricultural Input Indices*, 1999 – 2003, 1982=100

	1999	2000	2001	2002	2003**
QUANTUM INDICES-					
Fertilizers	87.0	121.6	129.2	166.9	202.7
Fuel and Power	159.5	164.6	139.8	121.3	105.6
Bags	140.1	142.9	145.8	128.7	131.2
Manufactured Feeds	245.0	176.4	166.2	282.5	268.4
Purchased Seeds	123.8	112.7	124.1	131.5	150.1
Other Material Inputs	109.8	112.4	115.1	117.4	111.5
Total Material Input	143.2	158.6	159.5	174.3	176.5
Service Inputs	128.6	131.6	114.4	119.0	115.4
TOTAL INPUTS	129.1	136.7	137.9	156.0	154.9
PRICE INDICES-					
Fertilizers	528.4	550.7	692.7	636.2	649.1
Fuel and Power	859.1	904.4	1,194.8	1,159.8	1,103.3
Bags	296.1	301.9	279.8	322.0	257.7
Manufactured Feeds	740.3	1,225.6	1,251.5	1,266.4	1,569.5
Purchased Seeds	1,865.5	1,858.5	2,081.1	2,140.1	1,806.3
Other Material Inputs	340.3	325.0	403.0	414.4	450.4
TOTAL MATERIAL INPUT	647.2	686.2	838.8	829.6	852.8
SERVICE INPUTS	286.2	210.0	230.5	231.7	254.9
TOTAL INPUTS	607.5	634.6	775.3	762.0	782.2

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

8.9. Table 8.7 shows the value of purchased agricultural inputs sold to the agricultural sector. The value of all inputs rose from KSh 14,818 million in 2002 to KSh 15,232 million in 2003. The value of fuel and power decreased by 4.5 per cent from KSh 5,512 million in 2002 to KSh 5,264 million in 2003. This was attributed to increases in fuel pump prices recorded in the year. The value of fertilizers sold increased by 7.2 per cent from KSh 2,946 million in 2002 to KSh 3,159 million in 2003.

Table 8.7: Purchased Agricultural Inputs*, 1999 - 2003, Kshs. Million

	1999	2000	2001	2002	2003**
MATERIAL INPUTS-					
Fertilizers	2,052	1,876	2,347	2,946	3,159
Other Agricultural Chemicals	378	340	422	606	528
Livestock Drugs and Medicines	640	583	450	771	841
Fuel and Power	5,477	5,702	6,266	5,512	5,264
Bags	451	497	486	542	406
Manufactured Feeds	749	748	1,892	2,023	1,799
Purchased Seeds	1,464	1,686	1,687	1,490	2,310
Other Material Inputs	210	234	290	390	360
Total	11,421	11,666	13,840	14,280	14,667
SERVICE INPUTS	504	471	542	538	565
TOTAL INPUTS	11,925	12,137	14,382	14,818	15,232

* Except labour.
** Provisional.

8.10. Table 8.8 shows the price and terms of trade for agriculture sector. The sector's terms of trade has continued to deteriorate over the last five years. During the year 2003, the sector terms of trade worsened from 83.8 in 2002 to 77.2 in 2003. This is largely due to increases in agricultural input prices as reflected in both the cost of farm inputs and cost of goods in rural areas coupled with lower prices offered for agricultural output. The agricultural output index declined from 670.3 in 2002 to 656.9 in 2003.

Table 8.8: Price and Terms of Trade Indices for Agriculture, 1999 - 2003, 1982=100

	1999	2000	2001	2002	2003*
General Index of Agricultural Output Prices**	642.0	694.7	705.6	670.3	656.9
PRICE PAID					
Purchased Inputs	607.5	634.6	775.3	762.9	782.2
Index of Purchased Consumer Goods-Rural Areas	727.3	793.5	820.5	837.7	920.6
INDICES OF PRICES PAID	610.0	666.6	790.0	800.3	851.4
Agricultural Sector terms of Trade	105.2	104.2	89.3	83.8	77.2

* Provisional.

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

8.11. Table 8.9 shows estimated production trend for five selected crops, in the last five years. Maize harvests increased by 7.6 per cent to 28.0 million bags in 2003 from 26.0 million bags year 2002,due to favourable weather conditions in 2003. Production of beans, sorghum and millet did not change at 4.00 million bags, 0.8 million bags and 0.6 million bags respectively over the years 2002 and 2003. Production of potatoes increased by 11.1 per cent from 0.9 million tonnes to 1.0 million tonnes during the year 2003.

Table 8.9: Estimated Production of Selected Agricultural Commodities, 1999 – 2003

CROP	Unit	1999	2000	2001	2002	2003*
Maize	million bags	25.00	25.00	30.60	26.00	28.00
Beans	"	4.00	3.70	4.10	4.00	4.00
Potatoes	million tonnes	1.60	1.10	1.50	0.90	1.00
Sorghum	million bags	1.20	0.90	1.20	0.80	0.80
Millet	"	0.66	0.40	0.50	0.60	0.60

* Provisional.

Source: Ministry of Agriculture

8.12. Table 8.10 shows prices of selected food commodities for months of March and September during the period 2000 to 2003. The September 2003 maize prices were higher than the corresponding period in 2002. The average price for maize at the national level increased by about Ksh 4.0 to Ksh 16.4 per kilogram in September 2003 as compared to 2002. . The September 2003 maize prices were generally higher than the March 2003 period. Similarly, National average price for millet in March and September 2003 reflected an increase by KSh 2.2 and KSh 7.2 per kg respectively. Potatoes and Sorghum reflected a mixed scenario with average prices declining in March 2003 while the same were increasing in September 2003.

Table 8.10: Rural Market Prices for Selected Food Crops, 2000-2003, Ksh. Per Kg.

CROP	Province	2000		2001		2002		2003	
		March	Sep-tember	March	Sep-tember	March	Sep-tember	March	Sep-tember
Maize	Coast	27.0	29.3	27.0	19.4	22.0	15.4	18.2	19.3
	Eastern	17.2	19.2	13.8	10.0	8.9	9.0	10.8	15.0
	Central	15.6	21.6	17.4	12.5	10.5	12.0	12.7	17.3
	Rift Valley	17.0	15.5	19.5	14.5	9.6	12.0	14.6	16.9
	Nyanza	13.2	14.8	13.3	9.9	8.1	11.1	15.2	13.0
	Western	14.5	15.0	14.5	6.5	7.7	10.5	13.8	13.1
	National	17.4	19.2	17.6	12.1	9.7	11.6	14.0	16.4
Beans	Coast	47.2	52.5	47.2	33.2	30.0	29.3	28.4	33.1
	Eastern	31.4	30.3	27.4	26.1	19.1	18.7	19.8	24.7
	Central	27.3	36.3	27.3	29.5	26.0	29.5	30.6	29.2
	Rift Valley	31.7	39.9	33.6	30.9	26.3	25.7	29.7	24.9
	Nyanza	28.8	27.1	29.0	32.0	35.3	31.2	32.8	32.4
	Western	34.1	30.0	28.1	27.1	27.3	25.2	28.1	26.5
	National	33.4	36.0	32.1	29.8	27.8	26.8	28.6	29.3
Potatoes	Coast	14.7	18.3	14.7	16.0	25.1	19.8	21.0	20.8
	Eastern	17.9	15.0	13.7	15.7	28.6	13.6	17.7	14.6
	Central	10.3	10.1	8.6	9.7	12.2	9.5	9.6	9.0
	Rift Valley	12.9	15.2	13.6	15.4	15.4	12.1	11.4	12.9
	Nyanza	11.3	11.0	11.3	12.0	11.6	13.7	10.5	10.1
	Western	12.3	15.0	11.8	12.1	11.7	6.2	10.8	10.5
	National	13.2	14.1	12.3	13.5	14.8	13.4	14.0	13.7
Sorghum	Eastern	18.0	18.0	16.8	14.2	9.1	13.0	12.0	13.4
	Nyanza	15.2	15.0	15.0	14.8	11.4	12.3	20.8	14.1
	Western	14.0	30.0	14.0	13.1	17.9	21.5	21.3	22.4
	National	15.7	15.4	15.3	14.0	19.6	18.3	19.4	22.1
Millet	Eastern	20.0	22.0	21.5	22.0	26.8	35.0	28.8	35.8
	Rift Valley	25.0	20.0	24.5	25.0	24.4	22.2	26.5	28.8
	Nyanza	24.3	26.1	24.1	26.0	31.9	26.6	28.3	27.3
	Western	30.3	21.9	24.3	20.2	26.4	24.5	25.9	25.9
	National	24.9	22.5	23.6	23.3	25.2	26.5	27.4	33.7

8.13. Favourable weather conditions in 2003 throughout the country save for Coast province impacted positively on crop production. Except for sugar cane production, both food and non-food crops went up as indicated in the sale of some major crops to marketing boards shown in Table 8.11.

8.14. **Maize**: - Maize production in the year 2003 rose to 28.0 million bags from 26.0 million bags realized in 2002. This could be attributed to adequate rainfall experienced in the year for both long and short rainy seasons. Purchases by millers and the National Cereals and Produce Board (NCPB) however declined by 29.5 percent to stand at 280.5 thousand tonnes in 2003 from 398 thousand tonnes recorded in 2002. The short fall may be attributed to sales through other outlets.

Table 8.11: Sale of Some Major Crops to Marketing Boards, 1999 - 2003

CROP	UNIT	1999	2000	2001	2002	2003*
Maize++	'000 tonnes	223.5	201.2	461.5	398.0	280.5
Wheat+	"	52.9	70.5	77.7	57.3	61.3
Coffee	"	64.3	98.0	54.6	45.5	61.2
Tea	"	248.8	236.3	294.6	287.1	293.7
Cotton+	"	0.2	0.5	0.5	1.1	1.7
Sugar-cane+	mn. tonnes	4.4	3.9	3.6	4.5	4.2
Pyrethrum (Extract Equivalent)	tonnes	78.1	74.2	78.0	174.9	106.9
Sisal	"	21.9	21.4	23.2	22.1	24.8
Rice Paddy +	"	24.3	18.7	19.3	18.9	19.8

* Provisional.

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

++ Includes maize purchases by NCPB and millers.

8.15. **Wheat**: - Wheat production is shown in Table 8.12 increased by 7.2 percent from 60.1 thousand tonnes in 2002 to 64.4 thousand tonnes in 2003. This production level has however been consistently lower than domestic demand. In order to satisfy the shortfall, an additional 502.1 thousand tonnes of wheat was imported during the year.

Table 8.12: Production and Imports of Wheat, 1999 - 2003, '000 Tonnes

YEAR	PRODUCTION*	IMPORTS	TOTAL
1999	55.4	578.5	633.9
2000	73.8	636.0	709.8
2001	81.5	617.5	699.0
2002	60.1	515.2	575.3
2003**	64.4	502.1	566.5

* Includes retention for seed.

** Provisional.

8.16. **Coffee**: - The successive downward trend in coffee production that has been witnessed since the 1999/00 crop year was reversed in 2002/03 crop-year albeit with an increase of 6.7 percent. Coffee production in 2002/03 crop-year was 55.4 thousand tonnes from 51.9 thousand tonnes produced in the 2001/02 crop-year. The increase could be attributed to a number of small-scale farmers reacting to positive reforms in the domestic coffee industry. However, the coffee sub-sector is still hampered by poor international prices and the high cost of inputs. Table 8.13 shows that productive form estates (large-scale farms) recorded a decline of 7.4 percent while co-operatives (small-scale farms) registered an increase of 18.1 percent in 2002/03 crop-year.

Table 8.13: Production, Area, and Average Yield of Coffee by Type of Grower, 1998/99 - 2002/03

	1998/99	1999/00	2000/01	2001/02	2002/03*
AREA (Ha) '000-					
Co-operatives	128.0	128.0	128.0	128.0	128.0
Estates	42.0	42.0	42.0	42.0	42.0
TOTAL	170.0	170.0	170.0	170.0	170.0
Production (tonnes) '000-					
Co-operatives	39.4	62.2	25.0	28.8	34.0
Estates	28.7	38.5	26.9	23.1	21.4
TOTAL	68.1	100.7	51.9	51.9	55.4
Average yield (kg./Ha.)-					
Co-operatives	308.0	485.9	193.8	198.8	265.8
Estates	683.0	916.7	640.5	537.0	509.9

* Provisional.

8.17. **Tea**: - Tea production rose by 2.3 percent from 287.10 thousand tonnes in 2002 to stand at 293.67 thousand tonnes in 2003. The remarkable production was achieved mainly in the first and last quarters of the year. The increase could be explained by the favourable weather and well distributed rainfall in tea growing regions. In addition, five new tea processing factories were commissioned in tea growing areas during the period under review. Smallholder sub-sector recorded a 2.8 percent increase to stand at 180.8 thousand tonnes in 2003 while the estates sub-sector registered increased production of 1.5 percent to 112.88 thousand tonnes. Total area under tea increased by 0.85 percent from 130.34 thousand hectares in 2002 to 131.45 thousand hectares in 2003.

8.18. In 2003, the volume and value of tea exports declined marginally. The export volumes increased by 1.2 per cent reaching 269.3 thousand tonnes compared to 272.5 thousand tonnes in 2002. In value terms, tea exports in 2003 earned Ksh. 34.3 billion compared to Ksh. 34.3 billion in 2002.

Table 8.14: Production, Area and Average Yield of Tea by Type of Grower, 1999 - 2003

	1999	2000	2001	2002	2003*
AREA (Ha) '000					
Smallholder**	84.66	85.08	85.51	85.94	86.37
Estates	33.88	35.31	38.78	44.40	45.08
Total	118.54	120.39	124.29	130.34	131.45
PRODUCTION (Tonnes) '000					
Smallholder	153.85	145.55	181.72	175.90	180.79
Estates	94.85	90.74	112.90	111.20	112.88
Total	248.70	236.29	294.62	287.10	293.67
AVERAGE YIELD (Kg/Ha)					
Smallholder	1,915	1,793	2,147	2,078	2,136
Estates	2,946	2,790	3,453	3,294	3,331

* Provisionsal

** Revised from 1999 - 2002

8.19. **Cotton**: - Intake of cotton by ginneries increased from 1.1 thousand tonnes in 2002 to 1.7 thousand tonnes in 2003. The average price paid for cotton increased by 21.8 per cent from Ksh. 17,296 per tonne in 2002 to stand at Ksh. 21,074 per tonne in 2003. Performance of the crop is yet to recover from the imports of second hand clothes.

8.20. **Sugarcane**: - Sugar cane output declined by 6.7 percent from 4.5 million tonnes in 2002 to 4.2 million tonnes in 2003. The decline in cane production could be explained by failure of farmers to supply cane to the factories in the months of February to April 2003, in protest against the reduction in cane prices and increased sugar imports. Imports of sugar increased by 40 percent in 2003 to stand at 182 thousand tonnes from 130 thousand tonnes in 2002. Area under cane harvested also declined by 6.6 percent from 54.0 thousand hectares in 2002 to 50.5 thousand hectares in 2003. Average cane yield declined by 2.0 percent from 70.7 tonnes per hectare in 2002 to 69.2 tonnes per hectare in 2003. Output of processed sugar declined by 9.4 per cent from 494.2 thousand tonnes in 2002 to 448.5 thousand tonnes in 2003. Local consumption increased by 1.6 per cent in 2003. Sugar imports increased by 40.2 per cent to 182.2 thousand tonnes during the year under review from 129.97 thousand tonnes in 2002.

Table 8.15: Area Under Sugar Cane, Area Harvested, Production, And Average Yield, 1999 - 2003

	1999	2000	2001	2002	2003*
Area under cane (Ha)	108,793	107,985	117,131	126,826	122,580
Area harvested (Ha)**	51,833	57,243	47,794	54,010	50,468
Production (Tonnes)	4,415,781	3,941,524	3,550,792	4,501,363	4,204,055
Average yield (Tonnes/Ha)	78.39	60.52	63.71	70.67	69.17

* Provisionsal

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

Source: Kenya Sugar Authority

Table 8.16: Production, Imports and Consumption of Sugar, 1999 - 2003, '000 Tonnes

YEAR	PRODUCTION	IMPORTS	CONSUMPTION	EXPORTS
1999	470.79	57.70	609.43	-
2000	401.98	118.01	631.20	2.09
2001	377.44	249.34	644.50	3.60
2002	494.24	129.97	680.49	12.05
2003*	448.49	182.23	691.56	11.30

* Provisional

Source: Kenya Sugar Board

8.21. **Horticulture**: - The volume of exports of fresh horticultural produce increased by 10.0 percent from 121.1 thousand in 2002 to 133.2 thousand tonnes in 2003. Export earnings increased by 7.9 percent in 2003 to stand at Ksh 28.8 billion from Ksh 26.7 billion realized in 2002. Cut flowers continued to take the largest share (45.8 percent) of the export volumes, followed by fruits (36.5 percent) and vegetables (17.7 percent) respectively.

Table 8.17: Exports of Fresh Horticultural Produce*, 1999 - 2003

YEAR	VOLUME '000 Tonnes	VALUE Kshs billion
1999	99.0	14.2
2000	99.2	13.9
2001	98.9	20.2
2002	121.1	26.7
2003**	133.2	28.8

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

** Provisional.

8.22. **Pyrethrum**: - Production of pyrethrum extract (pyrethrin) declined by 38.1 percent from 174.9 tonnes in 2002 to 107.8 tonnes in 2003. The reduction could be attributed to a glut in the quantity of pyrethrin in the world market and delay in payment by the board to farmers.

8.23. Sisal: - As shown in Table 8.11, production of sisal increased by 12.2 percent in 2003 to stand at 24.8 thousand tonnes from 22.1 thousand tonnes realized in 2002. This is partly attributed to increased demand for sisal fibre in the export market over the last five years. As shown in Table 8.4, the price of sisal increased from KSh 4,241.4 per 100 Kilogram to stand at Ksh 4,272.3 in 2003 per 100 Kilogram in 2003.

8.24. Irrigation:-The area cropped as well as paddy produced more than doubled in Mwea irrigation scheme due to inclusion of areas outside but neighbouring the scheme such as GK prison, Kandongu and Kiamanyeki. Production in Ahero was 225 tonnes in 2002/03 down from 880 tonnes in the 2001/02 crop season. No

Table 8.18: Progress and Production at Seven Irrigation Scheme Areas, 1998/99 - 2002/03*

	1998/99	1999/00	2000/01	2001/02	2002/03**
MWEA-					
Area cropped-Hectares	6,052	8,617	10,590	6,054	15,800
Plot-holders-Number***	3,381	3,500	3,381	3,835	3,200
Gross value of output-Kshs million	715	1,327	1,238	183	889
Payments to plot-holders-Kshs million	20	-	-	-	573
ALL (7) SCHEME AREAS-					
Area cropped-Hectares	7,531	10,150	12,431	6,534	29,662
Plot-holders-Number	4,475	4,777	5,348	5,147	3,713
Gross value of output-Kshs million	770	1,371	1,293	236	1,511
Payments to plot-holders-Kshs million	50	10	27	29	954
CROPS PRODUCED - Tonnes					
Mwea-Paddy	31,876	44,830	45,810	14,802	35,550
Ahero-Paddy	1,836	1,497	1,222	880	225
W.Kano-Paddy	1,976	1,580	1,742	-	-
Bunyala-Paddy	837	500	491	-	-
Total Paddy	36,525	48,406	49,265	15,682	35,775
Pekera-Onions	443	101	102	-	
-Chillies	-	101	32	-	
-Cotton	-	-	-	-	
-Water Mellon	-	-	-	-	
-Paw -paw	-	-	-	237	

* Source: National Irrigation Board
** Provisional
*** Farmers outside Mwea Scheme

Livestock and Livestock Products

8.25. Data on production and sale of livestock and livestock products is shown in Table 8.19. Total recorded milk production rose by 14.0 per cent from 178 million litres in 2002 to 203 million litres in 2003. The availability of pastures coupled with water for livestock resulted in the observed increase in production. Output of processed whole milk and cream increased by 8.1 per cent from 99 million litres to 107 million litres.

8.26. Output of butter and ghee decreased by 7.9 per cent from 177 tonnes in 2002 to 163 tonnes in 2003. Cheese production increased by 9.2 per cent from 448 tonnes in 2002 to 489 tonnes in 2003. The total number of cattle and calves as well as sheep and goats slaughtered declined in 2003. Favourable weather in many parts of the country led to fewer livestock available for slaughter. The number of

Table 8.19: Production and Sale of Livestock and Dairy Products*, 1999 - 2003

	UNIT	1999	2000	2001	2002	2003**
Recorded Milk Production	Mn. Litres	180	137	148	178	203
Milk Processed:						
Wholemilk and cream	Mn. Litres	55	60	97	99	107
Butter and ghee	Tonnes	268	113	130	177	163
Cheese	"	257	315	329	448	489
Livestock slaughtered						
Cattle and Calves	'000 Head	2,536	2,870	1,952	1,854	1,669
Sheep and Goats	"	4,355	4,572	4,671	4,765	4,289
Pigs	"	158	189	214	167	175

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

** Provisional.

8.27. As shown in Table 8.20, the total student enrolment in public universities for agricultural degree courses rose by 1.5 per cent from 3,962 in 2002 to 4,020 in 2003. The enrolment of male students stood at 2,970 in 2003 and was approximately three times more than the number of female students. The combined enrolment for diploma courses in public universities and Bukura Institute of Agriculture increased by 4.5 per cent from 1,925 students in 2002 to 2,012 students in 2003. The number of students enrolled for certificate courses rose by 15.9 per cent from 546 students to 633 students in 2003. About 60 per cent of student enrolment for certificate courses joined Kilifi Institute of Agriculture and Ndomba training institutes. The enrolment for short-term vocational courses students reduced to 76 from 124 over the year under review. This was due to lack of student intake at Ndomba Dairy training school.

Table 8.20: Enrolment in Agricultural Training Institutions, 1999 - 2003, Number

	1999			2000			2001			2002			2003*		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
DEGREE LEVEL -Public Universities															
Nairobi	496	131	627	501	133	634	538	118	656	549	124	673	565	125	690
Moi	26	7	33	44	18	62	74	46	120	75	48	123	77	48	125
Jomo Kenyatta (JKUCAT)	121	533	654	412	142	554	307	83	390	313	87	400	322	88	410
Egerton	1,999	723	2,722	1,972	734	2,706	1,945	745	2,690	1,984	782	2,766	2,006	789	2,795
Total	**2,642**	**1,394**	**4,036**	**2,929**	**1,027**	**3,956**	**2,864**	**992**	**3,856**	**2,921**	**1,041**	**3,962**	**2,970**	**1,050**	**4,020**
DIPLOMA LEVEL -Public Universities															
Jomo Kenyatta (JKUCAT)	263	97	360	255	97	352	185	66	251	188	69	257	194	70	264
Egerton	1,035	420	1,455	1,073	408	1,481	1,112	396	1,508	1,134	416	1,550	1,168	420	1,588
Total	**1,298**	**517**	**1,815**	**1,328**	**505**	**1,833**	**1,297**	**462**	**1,759**	**1,322**	**485**	**1,807**	**1,362**	**490**	**1,852**
DIPLOMA LEVEL - MOA & RD**															
Bukura Institute of Agriculture	78	22	100	78	23	101	88	33	121	93	25	118	111	49	160
CERTIFICATE LEVEL-															
Kilifi Institute of Agiculture	160	55	215	153	72	225	144	28	172	147	50	197	159	51	210
Naivasha Dairy Training Institute	42	19	61	40	21	61	44	18	62	39	22	61	35	21	56
Total	**202**	**74**	**276**	**193**	**93**	**286**	**188**	**46**	**234**	**186**	**72**	**258**	**194**	**72**	**266**
Animal Health Training Institutes-															
Kabete	95	23	118	95	32	127	94	27	121	78	23	101	86	36	122
Nyahururu	48	27	75	48	26	74	50	26	76	44	22	66	49	25	74
Ndomba	84	45	129	84	46	130	102	48	150	82	39	121	121	50	171
Total	**227**	**95**	**322**	**227**	**104**	**331**	**246**	**101**	**347**	**204**	**84**	**288**	**256**	**111**	**367**
SHORT-TERM VOCATIONAL COURSES-															
Naivasha Dairy Training School	42	19	61	26	25	51	22	22	44	24	26	50	-	-	-
Athi River M.T. School	29	6	35	40	11	51	42	10	52	58	16	74	62	14	76
Total	**71**	**25**	**96**	**66**	**36**	**102**	**64**	**32**	**96**	**82**	**42**	**124**	**62**	**14**	**76**

* Provisional.

** Ministries of Agriculture and Livestock & Fisheries

8.28. Total number of societies and unions increased by 2.8 per cent from 10,017 societies in 2002 to 10,297 in 2003. The coffee, sugar-cane, multi-produce and savings and credit societies increased by 2.7 per cent, 33 per cent, 11.6 per cent and 4.5 per cent respectively in 2003. Other agricultural societies and non-agricultural, societies registration raised their numbers to 1,125 and 1,838 from 956 and 1,494 respectively in 2003. Unions recorded on increase by 4.5 per cent to 93 from 89. Pyrethrum, cotton, dairy, farm produce societies including fisheries

Table 8.21: Number of Societies and Unions by Type, 1999 - 2003, Number

TYPE OF SOCIETY	1999	2000	2001	2002	2003*
Coffee	335	366	462	474	487
Sugar-cane	108	112	112	112	149
Pyrethrum	71	73	152	152	140
Cotton	86	86	71	71	59
Dairy	331	337	332	332	239
Multi-produce	1,504	1,560	1,593	1,608	1,794
Farm Purchase	717	731	624	624	109
Fisheries	79	82	82	85	64
Other Agricultural Societies	968	1,002	944	956	1,125
TOTAL	4,199	4,349	4,372	4,414	4,166
Savings and Credit	3,538	3,627	3,925	4,020	4,200
Other Non-Agricultural Societies	1,325	1,378	1,382	1,494	1,838
TOTAL	4,863	5,005	5,307	5,514	6,038
Unions	89	89	89	89	93
TOTAL	9,151	9,443	9,768	10,017	10,297

* Provisional

8.29. Overall production from co-operatives decreased by 12.6 per cent. The value of coffee produced by co-operatives declined by 14.7 per cent, sugarcane by 36.4 per cent and cotton by 33.3 per cent. The share of co-operatives to the total value of output of the selected agricultural produce declined from 26.1 per cent in 2002 to 24.3 per cent in 2003. The shares for coffee, sugar cane, pyrethrum, cotton and dairy produce declined compared to the previous year.

Table 8.22: Sale of Selected Agricultural Produce by Co-Operative and Their Contribution to Gross Farm Revenue, 1999 - 2003

YEAR	COFFEE	SUGAR-CANE	PYRETHRUM	COTTON	MILK	TOTAL
	Sale Kshs million					
1999	7,661	332	122	5	2,421	10,541
2000	7,741	345	128	5	1,501	9,720
2001	4,193	344	129	4	1,529	6,199
2002	2,976	343	122	3	1,325	4,769
2003*	2,538	218	120	2	1,290	4,168
	Percentage Share					
1999	76.2	4.4	30.1	33.9	89.9	50.7
2000	68.6	4.3	17.6	47.4	73.2	44.2
2001	65.3	4.8	16.8	41.5	79.7	38.1
2002	54.7	3.8	9.6	15.4	53.7	26.1
2003*	42.6	2.9	15.4	5.7	45.3	24.3

* Provisional.

Chapter 9
Environment and Natural Resources

Overview

Sustainable exploitation of natural resources for Economic Recovery Strategy for Employement and Wealth Creation is a major challenge for the Government as it endeavours to put in place policies to guide the process in all environment and natural resources sub-sectors. The Government is in the process of reviewing and implementing policies that govern the natural resources exploitation, management and conservation.

9.2 Overall development expenditure on water supplies and related services as reflected in Government expenditure increased by 88.4 per cent from Ksh 2.4 billion in 2002/2003 to Ksh 4.4 billion in 2003/2004. Total revenue generated from the fisheries sub-sector increased by 5.3 per cent from Ksh 7.6 billion in 2002 to Ksh 8.0 billion in 2003. Freshwater fish contributed 92.1 per cent of the total fisheries revenue. The area planted with trees increased from 6.7 thousand hectares in 2002 to 8.0 thousand hectares in 2003, an increase of 19.4 per cent. The value of the mineral products increased from Ksh 4.7 billion in 2002 to Ksh 5.1 billion in 2003.

Water Supply

9.3. The Government through the Ministry of Water Resources Management and Development has the responsibility of ensuring that all Kenyans have access to safe drinking water within a reasonable walking distance and in achieving the set goals of the Millennium Development Goals (MDGs). It is estimated that about 75.0 per cent of the urban population and nearly 50.0 per cent of rural population had access to safe drinking water in 2003. However, with the increasing population coupled with inadequate resources for expansion and maintenance of water supply programmes, these proportions are deteriorating. In this regard, the Government has put in motion a reform process in the water sector and has embarked on implementing the Water Act 2002. The new legislation encompasses commercialisation of the urban water programmes and community participation in the rural water supply. The new policy details Government's role, including, regulation and supervision of water resources; while welcoming stakeholders and beneficiary communities to participate in the implementation, financing, operation and maintenance of water resources and supply facilities. The purpose is to attract investment in the water sector and provide adequate water and sanitation services to meet the various sectoral demands.

9.4. In its efforts to provide clean water to the public, the Government in collaboration with other stakeholders continued with the maintenance of Water Purification Points (WPP) and drilling of boreholes across the country as shown in Table 9.1. A total of 47 boreholes were drilled during the 2003/2004 financial year. Rift Valley province had the highest number of drilled boreholes followed by Eastern as shown in the table. The number of water purification points has not changed in the last five years.

Table 9.1: Water Purification Points and New Boreholes Drilled, 1998/99 - 2003/2004**

Province	1999/2000		2000/2001		2001/2002		2002/2003		2003/2004*	
	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	40	34	43	34	17	34	26	34	7
Coast	8	5	8	8	8	9	8	1	8	6
Eastern	28	34	28	63	28	24	28	31	28	14
N/Eastern	7	5	7	6	7	20	7	1	7	1
Nyanza	33	13	33	2	33	2	33	9	33	2
R/Valley	43	151	43	147	43	68	43	46	43	17
Western	33	12	33	7	33	11	33	4	33	-
Total	186	260	186	276	186	151	186	118	186	47

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

Table 9.2 Development Expenditure on Water Supplies and Related Services, 1999/00 - 2003/2004*, Ksh 000

	1999/2000	2000/2001	2001/2002*	2002/2003**	2003/2004**
Water Development	450,739	329,535	410,444	661,698	934,772
Training of Water Development Staff	34,977	24,090	12,442	23,084	29,016
Rural Water Supplies	53,938	68,632	175,099	261,515	586,036
Self-Help Water Supplies***	0	0	0	0	0
County Council and Urban Water Supplies	4,608	13,088	322,258	325,500	1,548,600
Miscellaneous and Special Water Programmes	37,934	253,160	157,719	224,870	532,674
Water Conservation and Pipeline Corporation	206,409	243,766	265,164	822,461	737,642
TOTAL	**788,605**	**932,271**	**1,343,126**	**2,319,128**	**4,368,740**

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

9.5. Table 9.2 shows the development expenditure on water supplies and related services. Overall expenditure increased by 88.4 percent from Ksh 2,319 million in 2002/2003 to Ksh 4,369 million in 2003/2004. This is largely attributed to increased funding from development partners during the period.

9.6. Budget allocation on Water Development increased by 41.2 per cent from Ksh 662 million in 2002/2003 to Ksh 935 million in 2003/2004 while allocation to the Kenya Water Institute increased by Ksh 6 million to stand at Ksh 29 million.

9.7. Rural Water Supplies, County Council and Urban Water Supplies and Special Water Programmes received a substantial budget allocation in this financial year. Their allocation increased from Ksh 262 million, Ksh 325 million and Ksh 225 million in 2002/2003 to Ksh 586 million, Ksh1, 549 million and Ksh 533 million, respectively, in 2003/2004. The additional funding to these institutions is a result of the ongoing rehabilitation on water programmes, which are in various stages of being handed-over to community groups and for commercialisation, in line with the Water Act of 2002.

9.8. Special water programmes involved in water resources conservation, dam construction, water rights research, flood control and land reclamation had a budget of Ksh 533 million in 2003/2004, up from Ksh 225 million in 2002/2003. The budget allocation to Water Conservation and Pipeline Corporation dropped from Ksh 823 million to Ksh 738 million over the same period.

9.9. Some of the major water projects that continued to be developed jointly by the government and donors include the Community Management of Water Resources. The project has a budget of Ksh 185 million in 2003/2004. The Meru water project has a budget allocation of Ksh 420 million while Garissa water supply, has a budget of Ksh 385 million in 2003/2004. Other major projects are the Mombasa Customer Management Project and Uasin Gishu Sewerage project with a budget allocation of Ksh 256 million and Ksh 420 million, respectively in 2003/2004.

Fisheries

9.10. Fish continues to play an important role not only as a source of food and income for local fishing communities but also for the export market. The Government has directly put in place a task force to develop a comprehensive fisheries policy that will guide the sector towards the MDGs. It will also take cognisance of all environmental issues and within the framework of the Economic Recovery Strategy paper.

Table 9.3: Quantity and Value of Fish Landed, 1999 - 2003*

	1999	2000	2001	2002	2003*
Quantities - Tonnes:					
Freshwater fish-					
Lake Victoria	200,153	192,738	151,804	114,812	132,561
Lake Turkana	5,239	2,108	3,787	4,004	4,328
Lake Naivasha	449	384	5	95	110
Lake Baringo	406	463	117	0	0
Lake Jipe	101	54	65	78	96
Tana River Dams	1,196	364	232	569	673
Fish Farming	984	967	998	962	1,109
Other areas	913	798	802	846	934
TOTAL ..	209,441	197,876	157,810	121,366	139,811
Marine fish	4,125	3,779	5,141	5,570	6,289
Crustaceans	881	777	1,033	939	1,164
Other marine products ..	265	207	277	352	401
GRAND TOTAL ..	214,712	202,639	164,261	128,227	147,665
Value - Kshs' 000					
Freshwater fish ..	7,435,866	7,679,570	7,453,079	7,159,158	7,346,978
Marine fish	204,217	185,655	244,607	265,805	310,649
Crustaceans	96,533	80,618	198,557	213,443	286,213
Other marine products	14,687	17,925	21,936	26,091	29,648
TOTAL ..	7,751,303	7,963,768	7,918,179	7,664,497	7,973,488

* Provisional

Source : Fisheries Department

9.11. As shown in Table 9.3 the overall freshwater fish and marine landing increased by 15.2 per cent from 128.2 thousand tones in 2002 to 147.7 thousand tonnes in 2003. The tonnage of freshwater fish landed increased by 15.2 per cent from 121,366 tonnes in 2002 to 139,811 tonnes in 2003. The downward trend, which has been witnessed since 1999 has been reversed due to, increases in fish landed in Lake Jipe, Lake Naivasha, Tana River dams and Lake Victoria with respective increases of 23.1 per cent, 15.8 per cent, 18.3 per cent and 15.7 per cent. Lake Victoria continued to dominate by contributing 94.8 per cent of all the freshwater fish landed in 2003. Lake Baringo, for a second year running was under a ban on fishing imposed by the Department of Fisheries as a conservation measure.

9.12. The total revenue generated from the fisheries sector increased by 5.3 per-cent from Ksh 7.6 billion in 2002 to Ksh 8.0 billion in 2003. The average price per tonne of fresh water fish decreased from Ksh 58,988 in 2002 to Ksh 52,549 in 2003.

Forestry

9.13. The Department of Florestry has continued to experience difficulties in discharging its mandate due to limitations of the current forest policy and legislation. An emergency tree planting programme is being implemented to address the serious degradation and destruction of the country's forests.

9.14. The programme aims at planting backlogs standing at 25,500 hectares and rehabilitating degraded conservation sites. However, the total area targeted for planting within the year was not realised.

9.15. The total plantation area was 122.0 thousand hectares as shown in Table 9.4. There was a 19.4 percent increase in the area planted in the review period from 6.7 thousand hectares in 2002 to 8.0 thousand hectares in 2003. The total area clear felled increased from 1.0 thousand to 1.5 thousand hectares in the same period. This contributed to an increase in area under forest plantation from 100.9 thousand hectares in 2002 to 107.4 thousand hectares in 2003 as shown in Table 9.5.

Table 9.4: Forest Plantation Area, 1999 - 2003*, '000 Hectares

Type of Forest	1999	2000	2001	2002	2003*
Indigenous Trees	12.3	12.3	12.3	12.3	12.3
Exotic Trees...	116.6	116.6	89.4	89.4	89.4
Total	**128.9**	**128.9**	**101.7**	**101.7**	**101.7**
Fuel Wood and Poles					
Exotic Trees...	18.3	18.3	18.3	19.3	20.3
TOTAL AREA	**147.2**	**147.2**	**120.0**	**121.0**	**122.0**

* Provisional.

Source : Ministry of Environment and Natural Resources

Table 9.5: Changes In Forest Plantation Stocking, 1999 - 2003*, '000 Hectares

	1999	2000	2001	2002	2003*
Previous Plantation Area	107.2	89.2	92.2	95.2	100.9
Area Planted	3.0	4.0	4.0	6.7	8.0
Total	110.2	93.2	96.2	101.9	108.9
Area Clear felled	19.0	1.0	1.0	1.0	1.5
Total Area	91.2	92.2	95.2	100.9	107.4

*Provisional

Source : Ministry of Environment and Natural Resources.

Table 9.6: Recorded Sales of Forest Products, 1999 - 2003*

Forest Product	1999	2000	2001	2002	2003*
Timber - '000 true cu. metres-					
Soft wood	345.7	216.8	197.2	162.0	183.1
Hardwood	0.0	0.0	0.0	0.0	0.0
TOTAL .	345.7	216.8	197.2	162.0	183.1
'000 stacked cu. metres-					
Fuelwood /Charcoal	61.9	0.8	45.5	67.0	77.4
Power &Telegraph Poles	24.6	0.5	3.3	0.0	0.3

* Provisional.

Source : Ministry of Environment and Natural Resources.

9.16. The sale of forest products is shown in Table 9.6. There was a 13.0 per cent increase in sales of softwood timber products from 162.0 thousand true cubic meters in 2002 to 183.1 thousand true cubic meters in 2003. No sales of hardwood timber has been permitted by the Government for the last 5 year running. Sale of fuel wood/charcoal increased by 15 per cent in the year under review.

Mining

9.17. The Government through the Department of Mines and Geology in the Ministry of Environment Natural Resources and Wildlife has prepared a mining policy and is in the process of enacting a new mining law. The aim is to develop a comprehensive policy framework for regulating the mining sector and an appropriate legal and fiscal framework, which are in line with the current global mining trends. The proposed law once enacted, will attract, guide and encourage private investments into the sector as well as tap the country's huge mineral potential. Under the envisaged mining law, a new mining licensing system is to be introduced to provide for among others; a simplified and harmonised licensing of mining operations, a considerably curtailed discretion on the part of the Minister in charge of mining and a greater security of tenure for mining investors. The new law also seeks to harmonise mining with the Environment Management and Co-ordination Act of 1999 and requires a restoration and rehabilitation of mined out areas and cushioning of local communities against adverse effects of mining.

Table 9.7: Quantity and Value of Mineral Production, 1999 - 2003*

Mineral	1999	2000	2001	2002	2003*
Quantities - Tonnes:					
Minerals-					
Soda Ash	245,680	238,190	297,780	304,110	352,560
Fluorspar	93,602	100,102	118,850	85,015	80,201
Salt	44,886	16,359	5,664	18,848	21,199
Crushed Refined Soda	335,230	382,556	207,647	474,014	576,146
Other	10,682	8,323	6,087	5,668	4,971
TOTAL	730,080	745,530	636,028	887,655	1,035,077
Value - Kshs'000:					
Soda Ash**	1,848,520	1,955,500	2,716,000	2,729,113	3,100,169
Fluorspar**	651,260	627,860	727,000	632,829	503,630
Salt	136,240	51,740	99,000	61,388	61,105
Crushed Refined Soda	36,980	42,200	22,906	38,252	46,494
Other	738,240	933,380	1,189,440	1,273,641	1,353,253
TOTAL	3,411,240	3,610,680	4,754,346	4,735,223	5,064,651

Source : Department of Mines and Geology.

* Provisional

** Including Export Value.

9.18. Table 9.7 shows the quantity and value of mineral production from 1999-2003. Total mineral output in 2003 recorded positive growth in quantity and value. The quantity produced for all the minerals, expanded by 16.6 per cent, indicating remarkable improvement over the 4.0 per cent growth in 2002. This was attributed to increased production of all minerals except fluorspar and minerals under 'other' category. The marked growth in soda ash, crushed refined soda and salt was a result of the on-going restructuring of the Magadi Soda Company.

9.19. The overall value of the mineral products increased by 6.9 per cent in 2003 after a drop in value in 2002. Soda ash maintained the highest share of mineral values over the period, recording more than Ksh 3,100 million in 2003. Fluorspar products, on the other hand, continued to record poor performance registering a decline of 15.6 per cent in sales value in 2003.

Table 9.8 Average Export Prices of Soda Ash and Fluorspar, 1999 - 2003*, Kshs per tonne

Mineral	1999	2000*	2001	2002	2003*
Soda Ash	7,827	8,511	9,403	9,307	9,058
Fluorspar	6,958	6,272	6,116	7,444	6,280

9.20. Table 9.8 shows the average export prices for soda ash and fluorspar in the period 1999 to 2003. After reaching a peak price in 2001, average export price of soda ash continued its downward trend second year running. Prices of fluorspar which went up in 2002, dropped in 2003.

Refuse Management

9.21. Accumulation of refuse in most urban centres in the country remains a serious health and environmental problem. The emergence of such substances as mobile phone scratch cards, polythene bags and plastic bottles has raised concern about the products' effects on environment, as they do not decompose. The situation is more serious in major towns of Nairobi, Mombasa, Kisumu and Nakuru where the daily refuse accumulation out-pace the quantity disposed. This is a result of limited resources allocated to most local authorities coupled with inefficient waste disposal methods.

Table 9.9: Expenditure on Public Health by the Nairobi City Council, 1999/2000 - 2003/2004*, Ksh. '000

	1999/2000	2000/2001	2001/2002	2002/2003	2003/2004*
Cleaning and Administration	75,734	83,166	57,810	58,092	60,997
Cleaning - General	163,344	164,196	139,136	139,327	140,293
Refuse Removal	70,112	74,304	60,955	64,884	68,128
Conservancy	494	496	148	155	163
Total	**309,684**	**322,162**	**258,049**	**262,458**	**269,581**

Source : Nairobi City Council.

* Provisional

9.22. In Nairobi for example, the total allocation for Public Health which include cleaning and administration, cleaning general, refuse removal, and conservancy was only Ksh 270 million in 2003/2004 down from Ksh 310 million in 1999/2000 as shown in Table 9.9. Of the Ksh 270 million allocation in this financial year, Cleaning general took the largest share contribution of 52.0 per cent.

Weather Outlook

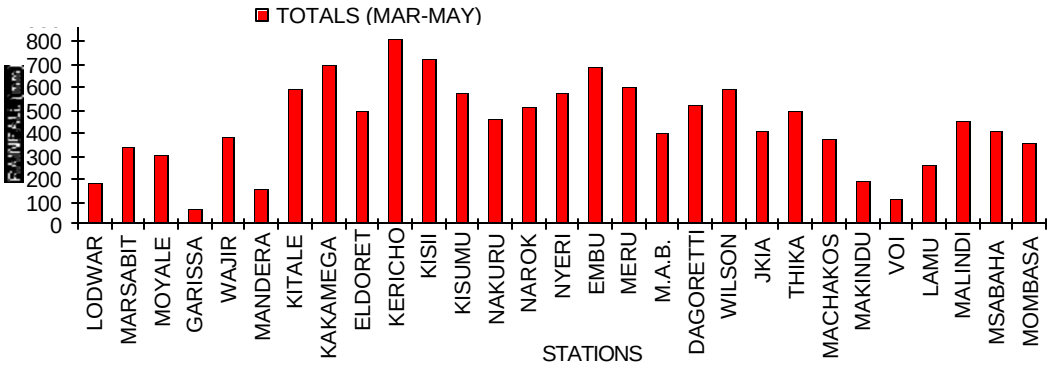
Brief Climatology of Kenya 2003

9.23. Most parts of Kenya exhibit two rainy seasons in a year namely the "**Long Rains**" lasting from March to May and the "**Short Rains**" lasting from October to December. The Long Rains Season contributes more to the annual total than the short rains season over most places. A third rainfall peak, however, occurs in some parts of the western highlands and some parts of the central Rift Valley during July/August. In terms of temperature, June to September is a cool season of the year over most parts of Kenya. The lowest temperatures are observed over the highlands east of the Rift Valley, Nairobi area, some parts of the central Rift Valley as well as some areas in the western highlands.

March-April-May (MAM)2003

9.24. An assessment of the March-April-May 2003 "Long Rains" Season (Figures 1 and 2) indicated that most parts of the country received near normal to above normal rainfall except for some few coastal areas (Lamu), Southeastern lowlands (Voi) and Northeastern areas (Garissa) which received below normal rainfall amounts. Figure 1 compares the observed rainfall various stations in Kenya.

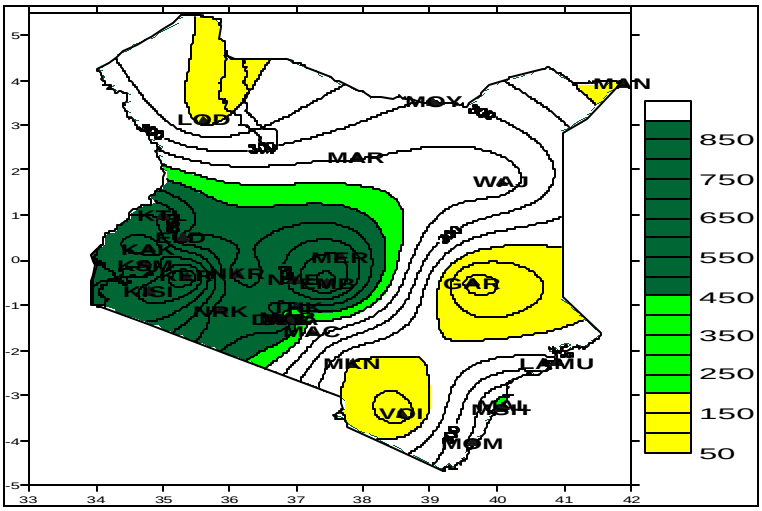
Figure 1: Perfomance of MAM 2003 seasonal Rainfall



Source Kenya Meteorological Department

9.25. Figures 2 show the spatial rainfall distribution for the MAM season. It is evident that the highest amount of rainfall (of between 450mm to 825mm) occurred in the Highlands West of Rift Valley, Lake Basin and the Central districts including Nairobi area while the lowest rainfall amounts (of between 68 to 117mm) was received in parts of Southeastern (Voi) and Northeastern (Garissa) regions.

Figure 2: March April May 2003 Rainfall (mm)Source: KMD



Source: Kenya Meteorological Department

Impacts of the MAM Rains:

9.26. This section describes various socio-economic impacts that were associated with the MAM rains of 2003. Heavy and intense rainfall was received in most parts of the country. This was associated with widespread excessive soil moisture and flooding which adversely affected the various socio-economic sectors of the country.

October-November-December (OND) 2003 Review

9.27. Most parts of the country experienced depressed rainfall especially in November and December with generally dry conditions occurring in some areas as shown in **Figure 3**.

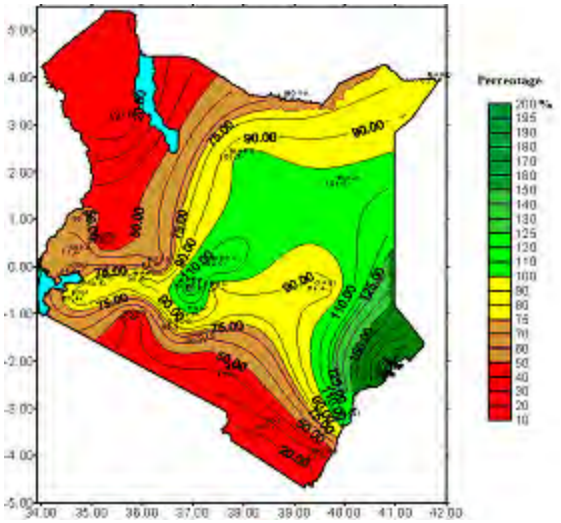
Observed Impacts

9.28. The poor October-December seasonal rainfall performance impacted negatively on water availability, agricultural activities and pasture over various parts of the country. Most of the crops withered at the flowering stage due to lack of enough soil moisture. Some isolated cases of conflicts between communities and between humans and wildlife over the limited water and pasture resources occurred in some of the marginal areas of the country.

Resource monitoring

9.29. Kenya is a signatory to the Montreal protocol, which commits signatories to phasing out use of Ozone Depleting Substances (ODSs). During the 15th meeting of Parties to the Montreal Protocol held at the UNEP Headquarters, in Gigiri, Nairobi the Government reiterated its commitment to phasing out chemicals harmful to the ozone layer by the year 2010. The government called for more funding to developing nations to help them implement the Montreal Protocol since effective ban of the chemical requires adequate resources, as the available alternatives are expensive.

Figure 3: October-November - December 2003 Rainfall in mm



Source Kenya Meteorological Department

9.30. The Enforcement and Compliance Measures of Environmental Management And Coordination Act (EMCA 1999) is being done through new policies, standards, regulations, guidelines, and procedures; The guidelines specify the minimum standards anybody wishing to establish a processing plant is expected to meet to protect the environment. The regulations, guidelines and procedures had been submitted to the Attorney General for gazettement. The regulations will enable NEMA to ensure all organisations complied with the provisions of the Environmental Management Act.

9.31. The Fisheries Department has undertaken programmes for the enhancement of exploitation and conservation of fish in Kenya. Some of those geared toward exploitation included; improvement of fish landing sites; roads, provision of electricity, law enforcement, fish farming among others. In the areas of conservation of fish the department used monitoring, control and surveillance activities to include closed seasons, protected breeding areas, international collaboration for the management of transboudary species; cross sectoral approaches in conservation of catchments areas; Industrial and municipal effluent pollution control activities.

Chapter 10
Energy

Overview

International crude oil prices were expected to soar in 2003 with the onset of US led military action in Iraq. However, prices declined from US$ 31 per barrel to US$ 24 per barrel due to the decision by Organization of Petroleum Exporting Countries (OPEC) to increase output by 1.5 million barrels per day , before the start of the war. Expectations for cheap oil after the short period of the settlement of the Iraqi war, were however short lived as prices inched up in May and by December the prices had increased by 11.1 per cent from US$ 27 per barrel in December 2002 to US$ 30 per barrel . The rise in prices were as a result of production cuts of 2 million barrels per day in late April 2003 and output quotas agreed upon by OPEC, shrinking production capacities of Venezuela and Nigeria, and delays in resuming the Iraqi oil exports. Changing energy prices and stockpiling trends in the U.S may also explain the high crude oil prices. The two subsequent general meetings of the OPEC held after the April cuts in production did not change the production quotas.

10.2. In the year under review, the high international oil prices translated to low demand for domestic energy as overall consumption in the country declined by 6.1 per cent from 2,707.1 thousand tonnes of oil equivalent in 2002 to 2,542.7 thousand tonnes of oil equivalent in 2003. Energy consumption per capita expressed in kilograms of oil equivalent per person declined by 7.2 per cent in 2003 compared to an increase of 1.0 per cent in 2002.

10.3. In 2003, the country imported 3,234.6 thousand tonnes of petroleum products compared to 2,562.2 thousand tonnes in the previous year. The total oil import bill rose by 46.9 per cent from Kshs. 43,957.4 in 2002 to Kshs. 64,561.5 million in 2003.

10.4. During the review period, installed capacity for the electricity generation system remained constant at 1,142.2 MW . The installed capacity was 677.2 MW for domestic hydropower, 407.0 MW for oil-fired thermal and 58.0 MW for geothermal. The country imported an equivalent of 20 MW of hydropower from Uganda in 2003. Total electricity generation was 4,662.6 GWh in 2003 compared to 4,685.8 GWh recorded in 2002, a marginal decrease of 0.5 per cent. However, generation by hydropower went up by 1.6 per cent.

Petroleum

10.5. Petroleum oil is imported into the country both in form of crude oil for domestic processing and as refined products. In 2003, imported crude and refined petroleum products accounted for 83.7 per cent of the total energy consumption in the country compared to 85.2 per cent in 2002.

10.6. Table 10.1 and Figure 10.1 show details of quantity and value of respective imports and exports of petroleum products for the period 1999 to 2003. The increase in total quantity of imports by 26.2 per cent in 2003, reversed the declining trend observed in the previous years to stand at 3,234.6 thousand tonnes. The total import bill rose by 46.9 per cent from Kshs. 43,957.4 million in 2002 to Kshs. 64,561.5 million in 2003. This is attributed to major world events, which buffeted world oil markets and reduced oil production namely unrest and major oil supply disruption in Venezuela starting in December 2002; severe winter and persistent low oil inventories in the United States; war in Iraq; and civil unrest in Nigeria.

Table 10.1: Quantity and Value of Imports and Exports of Petroleum Products*, 1999 – 2003

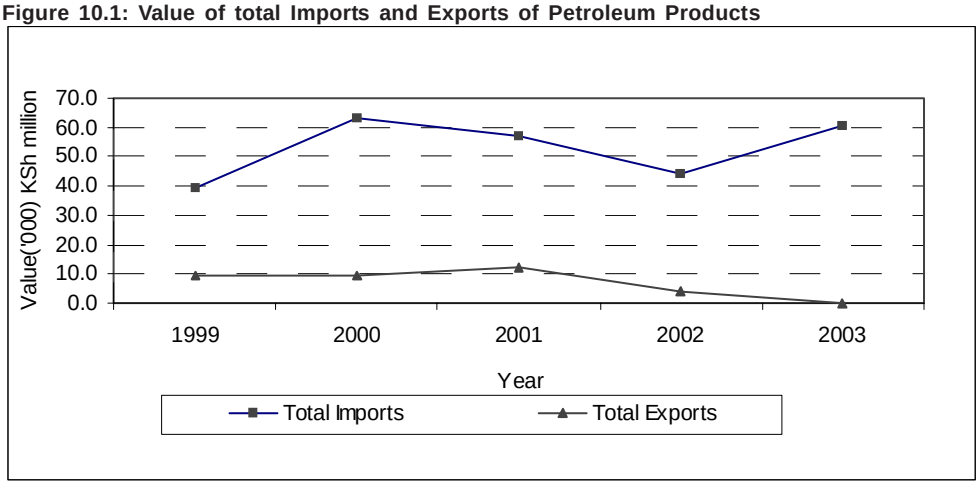
	Quantity ('000 Tonnes)					Value (Ksh. Million)				
	1999	2000	2001	2002	2003**	1999	2000	2001	2002	2003**
IMPORTS										
Crude Petroleum	2,139.3	2,452.3	1,965.6	1,493.4	1,382.6	22,355.4	41,907.2	31,179.0	23,940.0	25,415.4
Petroleum Fuels	1,250.9	874.9	1,208.3	1,023.5	1,820.0	15,746.2	19,622.2	24,370.5	18,512.2	37,990.4
Lubricating Oils	41.5	40.0	29.7	33.6	26.4	1,144.8	1,473.4	1,138.4	1,278.0	1,010.2
Lubricating Greases	0.8	0.9	0.7	11.7	5.6	99.4	109.6	78.8	227.2	145.5
TOTAL	**3,432.5**	**3,368.1**	**3,204.3**	**2,562.2**	**3,234.6**	**39,345.8**	**63,112.3**	**56,766.7**	**43,957.4**	**64,561.4**
EXPORTS										
Petroleum Fuels	627.3	441.9	469.1	190.6	2.2	9,147.2	9,077.7	12,099.3	3,544.6	56.6
Lubricating Oils	3.9	4.8	3.5	4.5	0.1	230.8	355.0	280.4	367.1	8.5
Lubricating Greases	0.2	0.1	0.1	0.2	0.0	13.0	12.5	11.7	28.0	1.6
TOTAL	**631.4**	**446.8**	**472.7**	**195.3**	**2.3**	**9,391.0**	**9,445.3**	**12,391.4**	**3,939.7**	**66.7**
NET BALANCE						**29,954.8**	**53,667.0**	**44,375.3**	**40,017.7**	**64,493.8**

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



10.7. Exports and export earnings from petroleum products fell significantly in the review period by 98.8 per cent and 98.3 per cent, respectively, and mirrors a general decline in all the petroleum products exported from the country. The decline is attributed to direct importation by Kenya's tradional trading partners, within the Great Lakes region.

10.8. Details of crude oil intake at the Kenya Petroleum Refineries Limited (KPRL) by type for the period 1999-2003 are presented in Table 10.2. The total crude oil intake at the refinery maintained its declining trend since 2000 as a result of preference in importing already refined petroleum products. The refinery processed 1,492.1 thousand tonnes of crude oil in 2003 compared to 1580.8 thousand tonnes in 2002, representing a 5.6 per cent drop. Murban crude oil, which accounts for the bulk of the total crude oil, decreased by 8.3 per cent occasioning the drop in the total crude oil processed.

10.9. Arabian medium, Iranian heavy and Murban were the only types of crude oil refined in 2003. Crude oil intake of Arabian medium rose more than threefold from 82.7 thousand tonnes in 2002 to 284.2 thousand tonnes in 2003 while 84.6 thousand tonnes of Iranian heavy was processed.

Table 10.2: Crude Oil Intake at the Refinery by Type, 1999 - 2003 ('000 Tonnes)

Crude intake	A.P.I. Gravity	1999	2000	2001	2002	2003*
Arabian Heavy	27.9	54.2	-	-	-	-
Arabian Medium	31	-	73.1	-	82.7	284.2
Iranian Heavy	30.4	30.7	64.6	64.3	-	84.6
Kuwait	32	49.9	-	-	-	-
Zakum	40.1	309.5	115.2	-	-	-
Murban	39.6	1,252.7	1,759.9	1,461.9	1,225.6	1,124.4
Khafji	-	-	-	160.5	-	-
Oman	-	-	-	-	188.8	-
Dubai	-	-	-	-	83.6	-
Slops	-	1.1	-	8.9	0.10	-1.10
TOTAL		1,698.1	2,012.8	1,695.6	1,580.8	1,492.1

Source: Kenya Petroleum Refineries Limited

* Provisional.

A.P.I Means American Petroleum Institute

10.10. Processed petroleum products by the KPRL for the period 1999-2003 are shown in Table 10.3. In general, output of petroleum products declined by various margins in 2003. This decline in total output can be attributed to the 5.6 per cent decline in crude oil intake at the refinery during the year under review. However, production of jet/turbo fuel, marine diesel oil and fuel oil increased by 2.2 per cent, 60.2 per cent, and 1.9 per cent respectively.

Table 10.3: Finished Petroleum Products, ** 1999 - 2003 ('000 Tonne)

	1999	2000	2001	2002	2003*
OUTPUT-					
Liquefied petroleum gas	27.1	34.0	28.1	24.1	24.0
Motor gasoline premium	157.9	201.6	154.4	150.7	149.1
Motor gasoline regular	127.4	133.2	119.0	102.1	79.8
Illuminating kerosene and					
Jet/turbo fuel	337.4	400.4	320.0	272.9	279.0
Light diesel oil	406.0	482.2	406.8	379.1	301.4
Heavy diesel oil and					
Marine diesel oil	25.1	28.6	29.6	25.4	40.7
Fuel oil	507.2	615.8	534.6	533.1	543.4
Bitumen	20.3	21.5	22.3	16.4	10.7
Additives	(0.6)	(0.8)	(0.6)	(0.4)	(0.4)
Refinery usage	90.2	96.3	81.3	77.4	64.4
THROUGHPUT=TOTAL OUTPUT	1,698.0	2,012.8	1,695.5	1,580.8	1,492.1

Source: Kenya Petroleum Refineries Limited.
* Provisional.
** Excludes lubricants.
*** Revised series

10.11. Details of supply and demand of petroleum products for the period 1999-2003 are presented in Table 10.4. The total demand for petroleum products decreased by 14.7 per cent, while total domestic demand dropped by 8.0 per cent from 2,383.3 thousand tonnes in 2002 to 2,193.7 thousand tonnes in 2003. In general, the demand for all petroleum products decreased except that of liquefied petroleum gas, Jet/turbo fuel and light diesel oil whose demand increased by 1.0 per cent, 3.7 per cent and 2.2 per cent respectively. Overall, total supply of petroleum products dropped from 2,573.9 thousand tonnes in 2002 to 2,195.9 thousand tonnes in 2003, while supply of petroleum fuels increased by 77.8 per cent in 2003 relative to 2002.

Table 10.4: Petroleum Supply and Demand Balance, 1999 - 2003 ('000 Tonnes)

	1999	2000	2001	2002	2003*
DEMAND-					
Liquefied petroleum gas	32.2	33.4	35.6	40.5	40.9
Motor spirit (premium and regula	384.6	365.7	374.3	365.8	327.1
Aviation spirit	2.5	2.2	2.4	1.8	1.5
Jet/turbo fuel	418.7	432.2	417.3	470.2	487.4
Illuminating kerosene	406.8	383.7	306.1	273.6	194.6
Light diesel oil	601.7	712.8	663.7	627.3	641.0
Heavy diesel oil	25.7	28.1	27.7	28.0	24.5
Fuel oil	439.4	490.0	558.1	498.7	412.3
TOTAL	2,311.6	2,448.1	2,385.2	2,305.9	2,129.3
Refinery usage	90.2	96.3	81.3	77.4	64.4
TOTAL DOMESTIC DEMAND	2,401.8	2,544.4	2,466.5	2,383.3	2,193.7
Exports of petroleum fuels	627.3	441.9	469.1	190.6	2.2
TOTAL DEMAND**	3,029.1	2,986.3	2,935.6	2,573.9	2,195.9
SUPPLY-					
Imports:					
Crude oil	2,139.3	2,452.3	1,965.6	1,493.4	1,382.6
Petroleum fuels	1,250.9	874.9	1,208.3	1,023.5	1,820.0
TOTAL	3,390.2	3,327.2	3,173.9	2,516.9	3,202.6
Adjustment***	-361.1	-340.9	-238.3	57.0	-1,006.7
TOTAL SUPPLY**	3,029.1	2,986.3	2,935.6	2,573.9	2,195.9

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

10.12. Domestic sales of petroleum fuels by consumer category for the period 1999-2003 are shown in Table 10.5. Total domestic sale of petroleum fuels declined from 2,305.9 thousand tonnes in 2002 to 2,129.3 thousand tonnes in 2003, reflecting a 7.7 per cent drop. Retail pump outlet and road transport consumed 1,111.9 thousand tonnes in 2003 compared to 1,208.2 thousand tonnes in 2002. Consumption by government increased threefold from 7.5 thousand tonnes to 21.5 thousand tonnes. Increased consumption was also recorded in rail transport, tourism and aviation.

Table 10.5: Net Domestic Sale of Petroleum Fuels by Consumer Category, 1999 - 2003, ('000 Tonnes)

User	1999	2000	2001	2002	2003*
Agriculture	89.6	90.7	87.8	73.8	57.0
Retail pump outlets & road transport	1,109.7	1,184.8	1,135.9	1,208.2	1,111.9
Rail transport	15.7	12.8	10.4	21.6	24.2
Tourism**	10.6	10.7	11.0	8.0	8.4
Marine (excl. Naval Forces)	111.4	68.7	116.0	48.4	12.6
Aviation (excl. Government)	421.0	424.4	438.6	459.6	486.4
Power Generation	279.3	289.3	270.3	208.9	151.5
Industrial, Commercial and Other	367.2	413.8	382.5	310.0	280.4
Government	18.6	21.9	19.4	7.5	21.5
Balancing Item	-111.6	-69.0	-86.7	-40.1	-24.6
TOTAL	**2,311.6**	**2,448.1**	**2,385.2**	**2,305.9**	**2,129.3**

Source: Ministry of Energy

* Provisional

** Comprises sales to tour operator

10.13. Consumption of petroleum products by the agriculture sector declined further by 22.8 per cent in 2003 compared to a decline of 15.9 per cent in 2002, a downward trend that started in 2001. Fuel usage in power generation declined for the third year running due to a 6.1 per cent decline in generation by thermal based plants.

10.14. Data on wholesale prices of petroleum products at Mombasa for the period 1999 to 2003 are presented in Table 10.6 and Figure 10.2. Generally, wholesale prices for all petroleum products decreased in 2003 except for fuel oil which recorded an increase of 2.4 per cent from Kshs.16,059 per tonne in 2002 to Kshs.16,449 per tonne in 2003. Wholesale prices for liquefied petroleum gas and regular motor gasoline declined by 26.8 per cent and 30.1 per cent, respectively while that of illuminating kerosene and light diesel oil declined by 25.3 per cent and 17.7 per cent, respectively.

Table 10.6: Wholesale Prices* of Petroleum Products at Mombasa 1999 - 2003, Ksh. per tonne

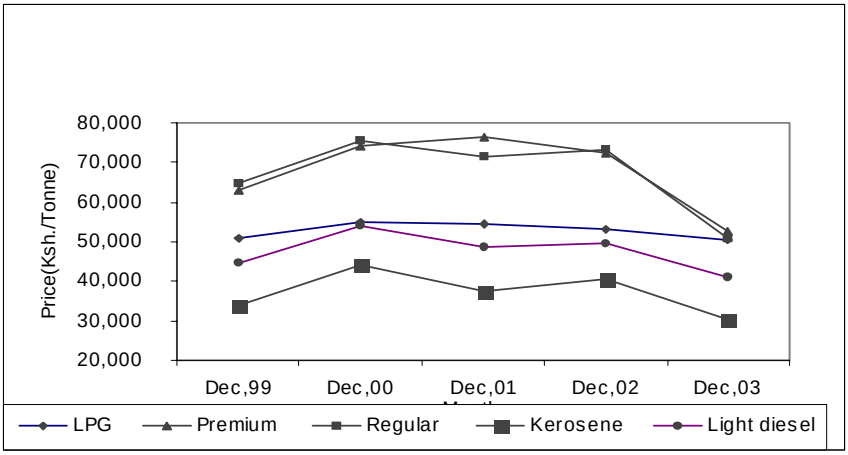
PRODUCT	Dec,99	Dec,00	Dec,01	Dec,02	Dec,03
Liquefied petroleum gas	51,000	55,110	52,410	53,320	50,546
Premium motor gasoline	63,200	74,299	76,541	72,176	52,805
Regular motor gasoline	64,600	75,677	71,629	73,079	51,095
Illuminating kerosene	34,069	43,964	37,622	40,672	30,367
Light diesel oil	44,700	53,931	48,459	49,686	40,893
Industrial diesel oil	35,090	38,610	32,117	33,708	27,674
Fuel oil	25,900	25,520	22,800	16,059	16,449

Source: Ministry of Energy

* Including duties and VAT.

The decrease in wholesale prices can be partly attributed to the low demand for petroleum products and the reduction of VAT from 18 per cent to 16 per cent during the year under review.

Figure 10.2: Wholesale Prices of Petroleum Products, Mombasa Dec'99- Dec'03



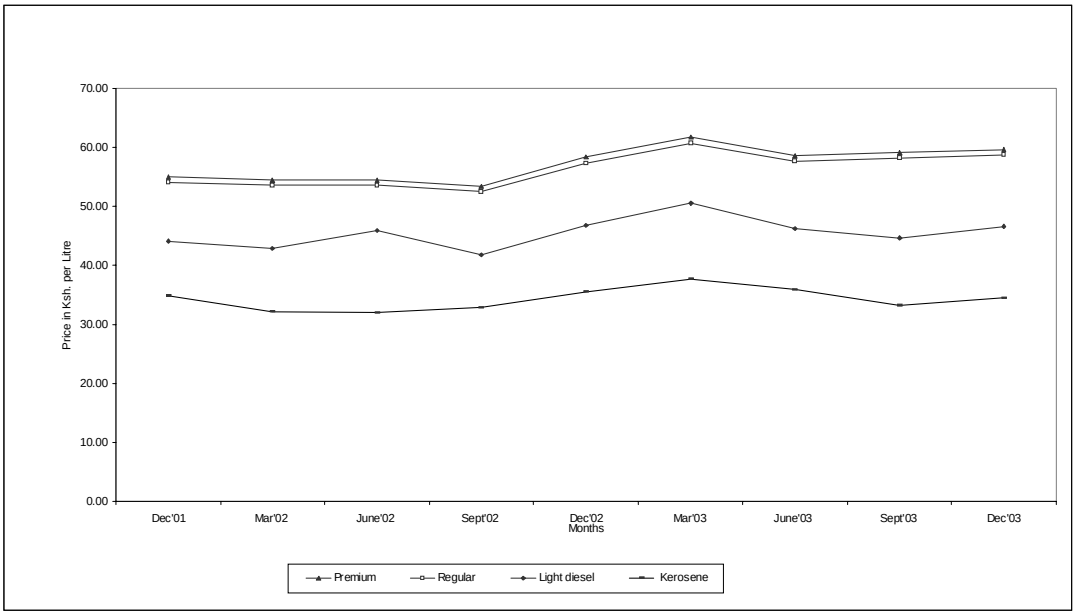
10.15. Table 10.7 and Figure 10.3 shows Nairobi average retail prices of selected Petroleum products from December 2001 to December 2003. In general, average retail prices for all petroleum products in Nairobi were higher in 2003 compared to 2002. Average retail prices for all petroleum products were highest in March 2003 and lowest in June 2003. The high average retail prices recorded during the year under review were not reflective of the decline in wholesale prices of petroleum products

Table 10.7: Nairobi Average Retail Prices of Selected Petroleum Products, Dec 2001-Dec 2003, (KSh per litre)

	Motor Spirit			Illuminating
Date	Premium	Regular	Gas Oil	Kerosene
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
Jan'03.	60.19	59.16	48.69	36.04
Mar'03.	61.81	60.79	50.62	37.66
June'03.	58.62	57.64	46.29	35.95
Sept'03 .	59.10	58.16	44.71	33.30
Dec'03 .	59.73	58.71	46.65	34.49

Source: Ministry of Energy/ Central Bureau of Statistics

Figure 10.3: Nairobi Retail prices of selected Petroleum Products, Dec'01-Dec'03



Electricity

10.16. Electricity is second to petroleum fuels as a source of energy. It is produced from hydropower, thermal oil and geothermal plants. Small quantities of commercial electricity are also produced from wind and solar energy.

10.17. Table 10.8 and Figure 10.4 present details of installed capacity and generation of electricity in the period 1999-2003. The generation system had an installed capacity of 1,142.2 MW comprising 677.2 MW for domestic hydropower, 407.0 MW for oil-fired thermal and 58.0 MW for geothermal power. The imported hydropower of 20 MW from Uganda accounts for 2.0 per cent of the installed capacity. Domestic hydropower accounts for 55.0 per cent of the total installed capacity while oil-fired thermal and geothermal account for 35.0 per cent and 5.0 per cent respectively.

Table 10.8: Installed Capacity and Generation of Electricity 1999 - 2003

	INSTALLED CAPACITY MW **				GENERATION GWh ***						
						Thermal oil		Total			
	Hydro	Thermal Oil	Geotheral	Total	Hydro****	KenGen	IPPs	Thermal Oil	Geothermal	Wind	Total
1999	594.5	290.7	45.0	930.2	3,062.5	716.0	420.1	1,136.1	383.0	0.2	4,581.8
2000*	674.5	427.9	58.0	1,160.4	1,793.8	1,201.1	816.7	2,017.8	367.1	0.2	4,178.9
2001	677.2	407.0	58.0	1,142.2	2,031.0	652.6	1,312.8	1,965.4	455.6	0.1	4,452.1
2002	677.2	407.0	58.0	1,142.2	3,070.9	279.8	887.5	1,167.3	447.2	0.4	4,685.8
2003	677.2	407.0	58.0	1,142.2	3,233.3	248.1	682.5	930.6	498.4	0.4	4,662.6

Source: Kenya Power and Lighting Company

* 'Includes generation for industrial establishment with generation capacity of over 100KVA plus Emergency supply of 99 MW by Contracted generators

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

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

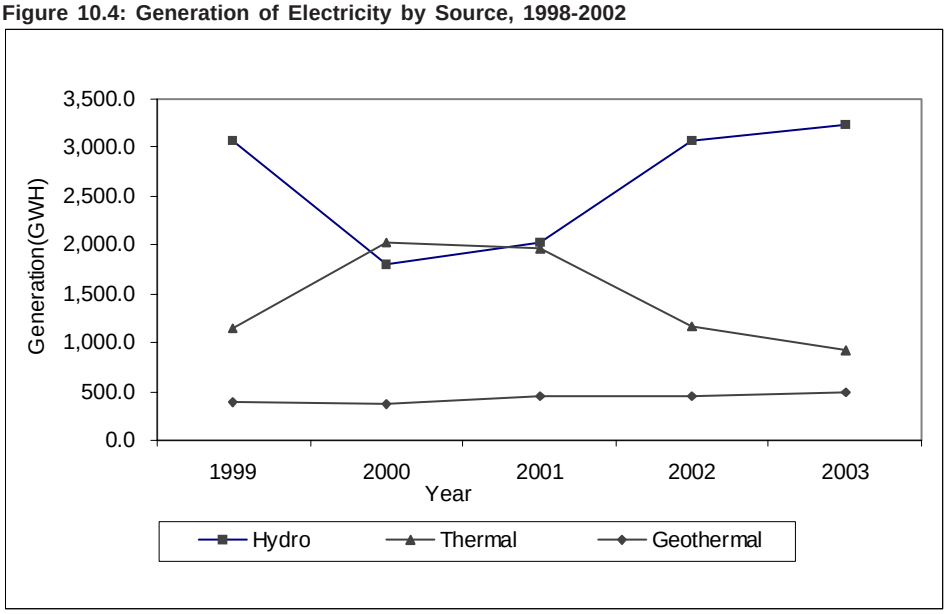
**** Import from Uganda not included

IPP means Independent Power Producers

10.18. Total generation of electricity declined marginally by 0.5 per cent from 4,685.8 GWh in 2002 to 4,662.6 GWh in 2003 despite an increase of 1.6 per cent generation by hydropower plants. The hydropower generation of 3,233.3 GWh, the highest recorded in five years, accounted for 69.3 per cent of the total electricity generation. This increase in generation by hydropower can be attributed to the good rains, which were experienced during 2003.

10.19. Oil fired thermal electricity generation declined by 20.3 per cent in 2003 compared to a decline of 40.6 per cent in 2002. This is attributed to increases in hydropower generation, which is cheaper relative to thermal oil generation. Geothermal electricity increased by 3.4 per cent from 447.2 GWh in 2002 to 498.4 GWh in 2003. Wind energy contributed 0.4 GWh to the national grid.

Figure 10.4: Generation of Electricity by Source, 1998-2002



10.20. Table 10.9 gives details of electricity energy supply and demand balance for the period 1999-2003. The total demand for electricity decreased slightly by 0.5 per cent in 2003 to record 4,662.3 million KWh compared to an increase of 7.2 per cent in 2002.

Table 10.9: Electricity Energy Supply and Demand Balance, 1999-2003 (Million KWh)

	1999	2000	2001	2002	2003*
DEMAND-					
Domestic and Small Commercial	1,256.8	1,065.6	1,132.8	1,262.9	1,283.0
Large & Medium(Commercial and Industrial)	2,180.8	2,061.8	2,167.5	2,277.9	2,305.0
Off-peak	84.9	59.8	54.0	60.5	59.0
Street Lighting	10.7	8.8	6.5	6.4	7.0
Rural Electrification	152.0	124.7	129.0	134.3	153.2
TOTAL	3,685.2	3,320.7	3,489.8	3,742.0	3,807.2
Transmission losses and unallocated demand	896.6	858.2	962.3	943.6	855.1
TOTAL DEMAND = TOTAL SUPPLY	4,581.8	4,178.9	4,452.1	4,685.6	4,662.3
of which imports from Uganda ..	149.6	220.5	113.7	238.4	189.4
Net generation	4,432.2	3,958.4	4,338.4	4,447.2	4,472.9

Source: Kenya Power and Lighting Company

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

+ Figures are in calendar year

10.21. Demand by all categories increased during the period under review. Electricity demand by domestic and small commercial consumers increased by 1.6 per cent in 2003 to record 1283.0 million KWh compared to 1,262.9 million KWh in 2002. Consumption by large and medium commercial industry also increased by 1.2 per cent to 2,305.0 million KWh in 2003 compared to a demand of 2,277.9 KWh recorded the previous year. Demand for electricity by street lighting and rural electrification increased by 9.4 per cent and 14.1 per cent respectively, while off-peak demand decreased by 2.5 per cent. Imports from Uganda declined by 20.6 per cent to record 189.4 million KWh compared to 238.4 million KWh recorded in 2002. The decrease in energy purchased from Uganda in 2003 is attributed to an increase in generation by the domestic hydropower stations and the relatively cheaper cost of local electricity compared to imported electricity.

10.22. During the year under review, transmission losses and unallocated demand decreased by 9.4 per cent. The system losses declined from 943.6 million KWh in 2002 to 855.1 million KWh in 2003.

10.23. Total domestic demand and supply of commercial energy expressed in terms of primary source for the period 1999-2003 are presented in Table 10.10 and Figure 10.5. The total energy consumption declined by 6.1 per cent from 2,707.1 thousand tonnes of oil equivalent in 2002 to 2,542.7 thousand tonnes of oil equivalent in 2003. The declining trend in the consumption of liquid fuels, which started in 2000, continued into 2003. Consumption of liquid fuel fell by 7.7 per cent from 2,305.9 thousand tonnes of oil equivalent in 2002 to 2,129.3 thousand tonnes of oil equivalent in 2003. The consumption of liquid fuels accounted for 83.8 per cent of the total energy consumption in the country as shown in Figure 10.5.

Table 10.10: Production, Trade and Consumption of Energy Expressed in Terms of Primary Sources, 1999 -2003, '000 Tonnes of Oil Equivalent**

	1999	2000	2001	2002	2003*
COAL AND COKE CONSUMPTION	71.5	66.1	66.1	98.6	92.4
Imports of crude oil	2,139.3	2,452.3	1,965.6	1,493.4	1,382.6
Net exports of petroleum	533.4	336.7	657.9	755.5	1,753.4
Stock changes and balancing item	-361.1	-340.9	-238.3	57.0	-1,006.7
TOTAL CONSUMPTION OF LIQUID FUELS	2,311.6	2,448.1	2,385.2	2,305.9	2,129.3
HYDRO AND GEOTHERMAL ENERGY:-					
Local production of hydro power	250.5	135.3	155.1	243.6	261.8
Local production of geothermal power	32.9	31.6	39.2	38.5	42.9
Imports of hydro power	12.9	19.0	9.8	20.5	16.3
TOTAL CONSUMPTION OF HYDRO AND GEOTHERMAL ENERGY	296.3	185.9	204.1	302.6	321.0
TOTAL LOCAL ENERGY PRODUCTION	283.4	166.9	194.3	282.1	304.7
TOTAL NET IMPORTS	1,690.3	2,200.7	1,383.6	857.0	-262.1
TOTAL ENERGY CONSUMPTION	2,679.4	2,700.1	2,655.4	2,707.1	2,542.7
LOCAL PRODUCTION AS PERCENTAGE OF TOTAL	10.6	6.2	7.3	10.4	12.0
PER CAPITA CONSUMPTION IN TERMS OF KILOGRAMS OF OIL EQUIVALENT ***	90.8	89.4	86.2	87.0	80.7

Source: Central Bureau of Statistics

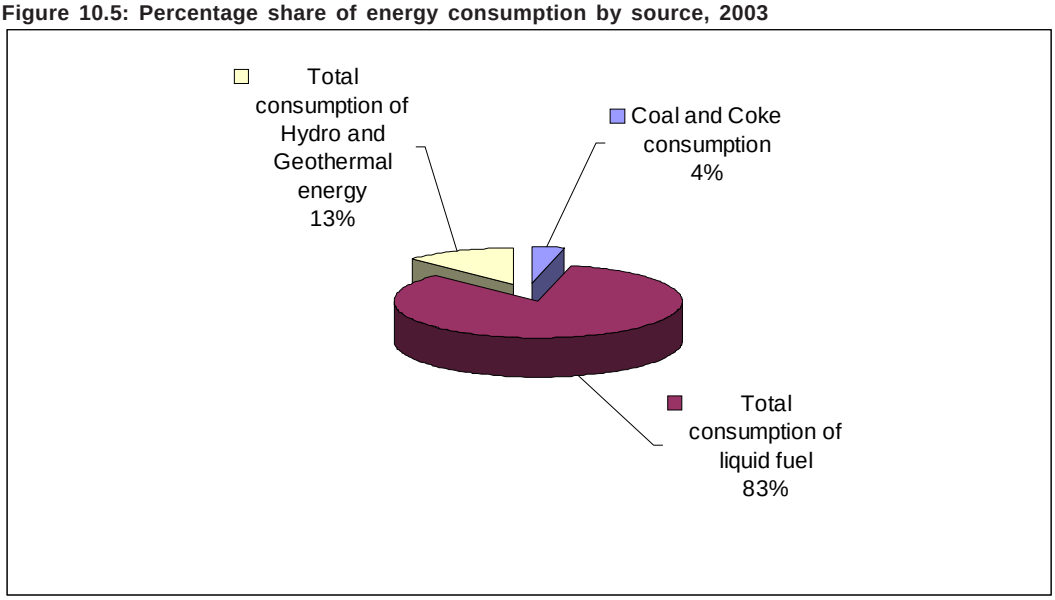
* Provisional.

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

*** Revised series

10.24. Total local energy production increased by 8.0 per cent from 282.1 thousand tonnes of oil equivalent in 2002 to 304.7 thousand tonnes of oil equivalent in 2003. Consumption of locally produced energy as a percentage of the total energy consumed increased by 1.6 percentage points. Consumption of coal and coke declined by 6.3 per cent in 2003 to record 92.4 thousand tonnes of oil equivalent. Energy consumption per capita expressed in kilograms of oil equivalent per person declined by 7.2 per cent in 2003 compared to a rise of 1.0 per cent in 2002.

Figure 10.5: Percentage share of energy consumption by source, 2003



Rural Electrification

10.25. Implementation of The Rural Electrification programme commenced in 1973 to support non-economic electricity schemes in the rural areas. The programme has been funded by the Government, development partners and KPLC. In July 1998, the Government introduced a 5.0 per cent levy on all commercial electricity sales to finance rural electrification in accordance with Electric Power Act, No 11 of 1997. By the end of 2003, the programme had supplied electricity to a total number of 91,069 customers spread as follows: Western Kenya 44,554, Mt. Kenya 26,217, Nairobi 15,903 and Coast 4,395.

Other Renewable energy

10.26. Kenya is endowed with significant amounts of other renewable energy sources, which include solar, wind and small hydropower. Other sources include power alcohol, biogas, and municipal waste energy. Only solar, wind and small hydropower are currently harnessed for use in Kenya.

Solar Energy

10.27. Solar photovoltaic energy is widely used for provision of electricity in off grid rural areas for low power application. It is estimated that 4MW of photovoltaic power is installed in the country. On the other hand, solar thermal is used for drying and water heating.

Biomass

10.28. Biomass energy resources include wood fuels (firewood and charcoal) and agricultural residues. Biomass fuels are the most important source of primary energy consumption, and its consumption accounts for 80.0 per cent of the total energy consumption in the rural areas.

Wood fuel

10.29. It is estimated that Kenya has a sustainable wood fuel of 15 million metric tonnes against a demand of about 35 million metric tonnes. Current supply sources for wood fuel are on-farm production, which accounts for 84.0 per cent, where as trust land and gazetted forests each account for 8.0 per cent.

Developments in the Energy sector

10.30. Two projects with a combined installation capacity of 108 MW are currently under implementation. These are the geothermal projects at Ol Karia with a capacity of 48 MW and the Sondu-Miriu hydropower with a capacity of 60 MW.

10.31. In its effort to accelerate system losses reduction, KPLC appointed a System Reduction Team in 2003. The task of the team was to focus on the coordination and implementation of intensified customer installation inspections, implementation of major system reinforcement schemes, optimization of relevant information systems and installation of grid meters to facilitate segregation of transmission and distribution losses. The KPLC is targeting to reduce system losses by 3.0 per cent in 2003/04, 1.5 per cent in 2004/05 and 1.0 per cent per annum thereafter.

10.32. There are three on-going donor funded projects under the rural electrification programme including the Coffee Factories Rural Electrification Programme (COFREP).By end of 2003, out of the targeted 168 coffee factories under the first phase of COFREP, 84 factories were electrified at a cost of Kshs. 230 million. A further 60 coffee factories were declared ineligible on account of being on electricity supply. There are 24 factories, which have not been electrified. Survey and design is in progress for the proposed COFREP phase II.

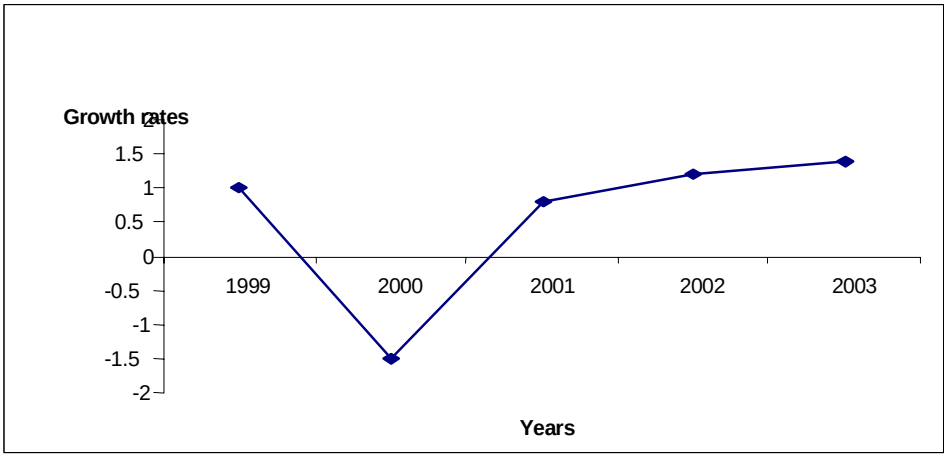
10.33. The Ministry of Energy has initiated the process of preparing a new National Energy Policy covering the period 2004-2023. The policy document which is in the final stages of preparation is expected to provide a more investor friendly fiscal, regulatory and legal regime of the energy sector. This is aimed at attracting private investors, lowering costs of production, increasing exploitation of indigenous resources and providing equitable access to quality energy services while protecting the environment.

Chapter 11
Manufacturing

Overview

Real output in the manufacturing sector expanded by 1.4 per cent in 2003 compared to 1.2 per cent growth recorded in 2002. Key factors that contributed to the improved performance were; zero rating of excise duty and related taxes for majority of inputs, government interventions in promoting export opportunities for the manufactured products and enforcement of anti- dumping measures to protect local industries.The African Growth Opportunity Act (AGOA) and the COMESA trading arrangement continued to play a major role in the exports of manufactured goods in Kenya. The growth of the sector was however constrained by consumer spending; high energy costs, insecurity, and poor infrastructure. Other factors affecting the sector were increased production costs due to escalating prices on raw material, high fuel prices and appreciation of the Kenyan shilling against the US dollar which constrained the exports.

Figure 11.1: Manufacturing Growth rates 1999-2003



11.2. The continued recovery was attributed to rise in output of some of the agro processing industries. However, key sub-sectors including sugar and grain mill recorded declines. Significant growth was registered in dairy production, fish processing, fats and oils, confectionary and chocolate, miscellaneous foods and prepared animal feeds sub-sectors. Other key sub-sectors which performed well are in drugs and medicines, perfumes and toiletries, petroleum produce and non-metallic products. The motor vehicle assembly experienced some positive turnaround as a result of incentives provided by the government. Growth was registered in production of alcoholic spirits and soft drinks on account of increased demand coupled with the incentives to the consumers through competition by the main players in the sector. Other major industries that recorded growth were in wearing apparel, paper products, plastic products and electrical machinery apparatus and appliances.

11.3. The sector recorded increased investment in EPZ by 23.4 per cent to reach Ksh.15, 709 million from Ksh.12, 728 million recorded in 2002. Sales from the Zones accounted for 5.8 per cent of total turnover of the manufacturing sector in 2003 compared to 4.3 per cent in 2002. Employment in the EPZ's accounted for 14.9 per cent of total employment in the manufacturing sector in 2003.

Employment

11.4. Employment in the manufacturing sector grew by 5.2 per cent in 2003. Overall, employment is estimated to have grown to 241, 754 persons in 2003 from 229, 746 in 2002. However, employment at the EPZ increased substantially by 32.4 per cent from 27, 148 recorded in 2002 to 35, 935 in 2003. This was in response to the acess to US market under the AGOA initiative and increase in the number of new factories from 54 to 69 in 2003.

Manufacturing Sales and Stocks

11.5. Provisional data from Business Expectation Enquiry (BEE) shows that sales of manufactured goods in 2003 increased by 6.1 per cent compared to data for 2002. The value of stocks and work in progress in this sector as at 31st December 2003 is estimated to have risen by 1.5 per cent.

Industrial Output

11.6. The estimated value of output, intermediate consumption, value added and wages paid at current prices; in the manufacturing sector for the period 1999-2003 are given in Table 11.1.

Value of output rose by 6.1 per cent in 2003 compared with a 2.3 per cent increase in 2002. The value of intermediate consumption rose by 2.8 per cent while total wages paid in the sector increased by 22.1 per cent in 2003.

Figure 11.2: Manufacturing sector- Output, Wages and Value Added

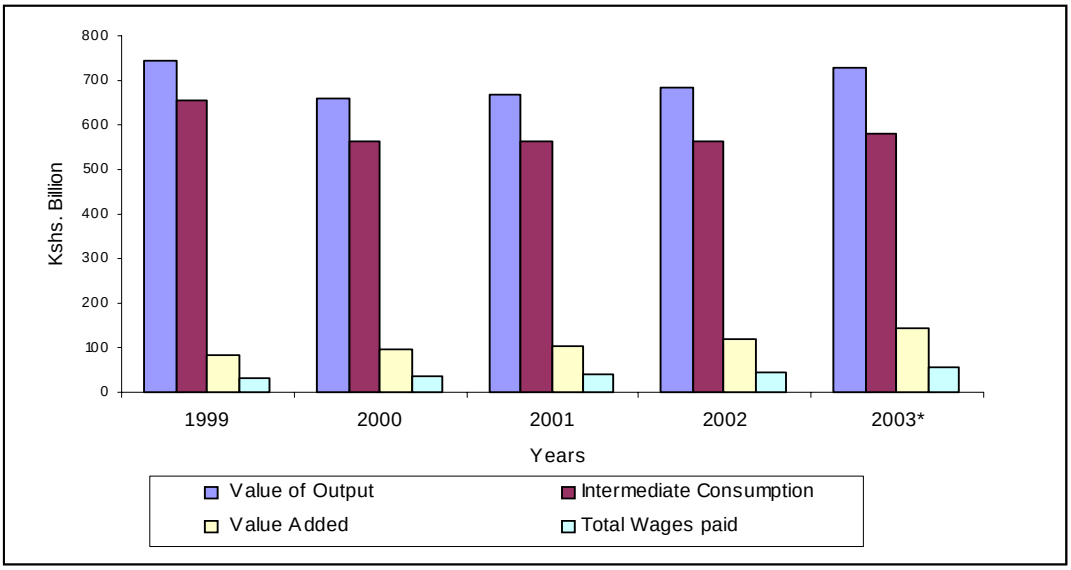


Table 11.1 Manufacturing Sector – Output, Wages and Value Added, at Current Prices, 1999 – 2003, Ksh Billion

YEAR	Value of Output	Intermediate Consumption	Value Added	Total Wages paid
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
2003*	726.7	581.2	145.5	55.2

* Provisional.

Quantum Indices

11.7 Outputs in various manufacturing sub sectors recorded mixed performance as shown in Table 11.2. The food processing industry registered marginal decline of 0.7 per cent in 2003 after registering a growth of 3.9 per cent in 2002. The beverages and tobacco sub-sector registered an impressive growth of 13.1 per cent up from the growth of 4.5 per cent recorded in 2002. Output in the meat and dairy sector went up by 5.7 per cent mainly as a result of an increase in production of beef and dairy products. Output of beef increased by 2.0 per cent while that of processed chicken rose by about 3 per cent. Production of sausages rose by 8.0 per cent while processed milk rose from 99.0 million litres recorded in 2002 to 106 million litres in 2003. Production of cheese went up by 9.1 per cent while that of butter, baby foods with milk base and ice cream dropped by various margins.

11.8 The clothing sector recorded substantial gains compared to 2002 while leather and footwear sector recorded a decline of 4.7 per cent in 2003. Other sub-sectors that showed growth include pertoleum and other chemicals, non metallic minerals, electrical equipments and transport equipments. There were significant declines in output of textiles and wood and cork products.

Table 11.2 Quantum Index Of Manufacturing Production, 1999 - 2003, 1976 = 100

11.9. The canned vegetables, fruits, processed fish, fats and oils sub-sectorgrew by 4.5 per cent in 2003. The growth in the sub-sector was attributed to the lifting of the European Union (EU) ban on fish exports from Kenya and increased demand in export market. During the year under review, production of edible oils went up from 30 million litres to 46 million litres, a 50 per cent increase. One factor that led to the growth in the production of edible oils is the market opportunity within COMESA for Kenyan manufactured products. Cotton seed oil rose by 22 per cent. Production of fruits and vegetable juices, Jams and marmalades fell by 27.7 and 2.6 per cent in 2003 respectively. Production of canned fruits in 2003 was 162.3 thousand tonnes, 9.2 per cent below the 178.6 thousand tonnes recorded in 2002.

11.10. The grain sector in year 2003 registered a decline of 10.3 per cent compared to a growth of 4.1 per cent recorded in 2002. High prices for wheat products contributed to depressed demand for the commodity. Consequently, production of wheat flour in 2003 was 179 thousand tonnes, 5 per cent below the 188.1 thousand tonnes of 2002 as shown in Table 11.3. Institutional and managerial bottlenecks in the rice industry led to a further decrease in rice production by 17.0 per cent. Production of sifted maize meal dropped by 14.0 per cent from 140.6 thousand tonnes in 2002 to 120.9 thousand tonnes in 2003. The growth of the informal grain milling in the urban and peri urban areas continued to eat into the formal grain millings. Production of wheat offals, maize germ and maize offals and bran fell in the review period. Output from the bakery products industry showed a marginal decline in 2003. Production of bread, scones and cakes rose during this period by 0.6,5.0 and 6.0 per cent respectively while production of biscuits went down by 9.0 per cent during the same review period.

Table 11.3: Production of Grain Milling Products, 1999 – 2003, '000 Tonnes

YEAR	COMMODITY		
	Sifted Maize meal	Wheat Flour	Rice
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
2003*	120.9	179.4	3.3

* Provisional

11.11. Production of sugar in 2003 was 448.0 thousand tonnes, 9.0 per cent below 494.0 thousand tonnes produced in 2002. However, sugar consumption is estimated to have increased from 680.0 thousand tonnes to 692.0 thousand tones over the same period. On sugar exports to the EU, negotiation are geared towards increasing the Kenyan quota of direct exports to the EU beyond the 11,000 tonnes already permitted. During the year the country imported sugar amounting to 200.0 thousand tonnes mainly from COMESA region. Similarly output of confectionery and chocolate rose by 14.7 per cent. Production of Toffee and chewing gum went up by 12.0 per cent and 31.0 per cent respectively.

11.12. The miscellaneous foods sub sector registered a growth of 4.6 per cent. This was attributed to increased production of tea and coffee. However, the export of Kenyan tea was affected by the strengthening of the Kenyan shilling against the US dollar. Production of black tea was 293.7 thousand tonnes in 2003 up by 2.0 per cent from 287.1 thousand tonnes in 2002.

Output of milled coffee went up from 45,000 tonnes in 2002 to 61, 225 tonnes in 2003. However, the coffee sub sector continued to be faced with poor international prices and high input cost. Lack of access to credit among others compounded the problems facing the sub-sector. Production of ground coffee rose by a marginal 0.5 per cent in 2003. Production of instant coffee rose by 32 per cent while that of cocoa, milo and salt went up significantly compared to the previous year. Output of cattle, pig and poultry feeds rose by 9.6, 7.4 and 4.2 per cent respectively in the review period.

11.13. The beverage and tobacco sub-sector experienced a growth of 13.1 per cent compared to 4.5 per cent growth in 2002. Production of beer increased from 192.0 million litres in 2002 to 222.0 million litres in year 2003, a growth of 15.8 per cent. High cost of production and depressed consumer spending constained the growth of the subsector. Output of cigarettes increased by 2.6 per cent while production of piped tobacco went down by 31.5 per cent. Production of mineral waters (soft drinks) maintained an up ward trend for the sixth year running.

11.14. Real output from the textile industry fell by a significantly by 25.5 per cent in 2003. Output of cotton woven fabrics fell by 9.0 per cent in 2003. Significant increases were posted in production of polyester fabrics, nylon fabrics, toweling material, canvas materials and pullovers and jumpers. Production of rope and twine registered a decline of 35.3 per cent. Cotton lint production went up substantially. Production of blankets and bed sheets dropped drastically by 19.8 and 30.0 per cent respectively. The clothing industry recovered to register a 5.0 per cent growth after remaining almost stagnant at 3.0 per cent in year 2001 and 2002. However, stiff competition from cheap imports of new and second hand clothes especially from USA, EU and South East Asian countries continued to inhibit growth of the sub-sector.

11.15. In the year under review, the leather and footwear industry declined by 4.7 per cent. There was increased production in sheep and goat skin by 27.0 per cent to stand at 4.9 million pieces in 2003. Production of leather shoes decreased to 796.0 thousand pairs, a decrease of 8.0 per cent from the 862.0 thousand pairs of 2002 while production of finished leather dropped by 1.6 per cent. Imports of inexpensive second hand shoes constrained output growth in the industry

11.16. Government ban on logging as a measure to conserve forests continued to constrain growth in the wood and cork sub sector. Real output of the industry declined by 14.3 per cent in 2003. Production of timber went down by 14.3 per cent. This drop consequently constrained growth in the wooden furniture and fixtures sub sector.

11.17. Paper and paper products industry declined further by 5.2 per cent after a marginal drop of 0.3 per cent in 2002. Kraft paper board grew by 5.5 per cent in the review period. Production of paper bags and sacks, toilet paper rolls and exercise books recorded growths of 16.6, 15.7 and 4.4 per cent in 2003 respectively. Output of wrapping paper, corrugated paper containers and envelopes declined. Printing and publishing, production of newsprints and locally made paper sub sectors grew marginally by 0.3 per cent in 2003.

11.18. Output of basic industrial chemicals increased by 10.2 per cent in 2003 after a decline of 7.4 per cent in 2002. In the year under review, production of oxygen, nitrogen, hydrogen increased by 14.0 per cent to 3.0 million cubic metres in 2003. Production of pyrethrum extract rose by 22.3 per cent to 119.7 tons in 2003 from 98 tons in 2002. In 2003, production of wattle bark extract declined further by 12.6 per cent to stand at 2,490 tons. Production of pyrethrum powder decreased to 214.6 tons from 303 tons produced in 2002. Production of acetylene dropped from 248 thousand cubic metres in 2002 to 228 thousand cubic metres in 2003.

11.19. Output of the petroleum and other chemicals sub-sector grew by 8.6 per cent compared to a growth of 1.3 recorded in 2002. Output of various products from the sector grew as shown in parenthesis; distempers (9.2), drugs (tablets) (4.0) , drugs (liquids) (3.4), pharmaceuticals (21.3), laundry soap (28.6), washing soap (10.2) and detergent (powder) (19.2) Production of petroleum related products increased by various margins in the review period.

11.20. Imports of rubber products contributed mainly to decline in output of the rubber products sub-sector. In the year under review, the sector dropped by 2.6 per cent. Production of new motor vehicle tyres dropped from 443, 497 units to 405, 270 units. There has been an influx and imports of tyres imported from Egypt under COMESA Free Trade Area Zero-rates of duty. Production of new motor vehicle tubes increased from 379 thousand units to 412 thousand units. Production of rubber shoes, new bicycle tyres and new bicycle tubes rose by various margins.

11.21. The plastic manufacturing industry continued with the upward trend and recorded a 4.9 per cent growth in 2003. The rise in output in the industry is attributed to the increased use of plastic products in packaging both at industrial and retail levels. Production of plastic crates increased from 4, 869.1 thousand units in 2002 to 6, 147.2 thousand units in 2003. Polythene film bags rose from 8.2 thousand tonnes to 10 thousand tonnes in the year under review. Similarly, production of plastic plates, P.V.C floor tiles and plastic bottles rose by 15, 14 and 11 per cent respectively. There was minimal change recorded in output of PVC pipe while output of plastic shoes dropped.

11.22. Production of clay and glass products industry grew marginally by 0.6 per cent in 2003 after registering a decline of 0.3 per cent in 2002. Increased use of plastic bottles relative to glass bottles contributed to stagnation of output of glass bottles produced from 74.1 million in 2002 to 74.8 million bottles in 2003. Production of windscreens increased by 1.3 per cent while production of floor and wall tiles rose from 6.1 million units to 6.5 million units.

11.23. Cement production and utilization is as shown in Table 11.4. Production in year 2003 was 1649.4 thousand tonnes, 7.3 per cent above 1537 thousand tonnes produced in 2002. Exports to Uganda and Tanzania increased from 174.2 thousand tonnes in 2002 to 234.8 thousand tonnes, a 34.8 per cent increase in total export volume.

Table 11.4: Cement Production and Utilization, 1999 - 2003 '000 Tonnes

YEAR	PRODUCTION	IMPORTS	CONSUMPTION AND STOCKS	EXPORT TO	
				Uganda and Tanzania	All Other Countries
1999	1,388.60	6.5	1,110.90	117.2	167
2000	1,366.50	2.6	1,067.00	183.8	118.3
2001	1,319.30	5.2	1,089.00	76.6	159.5
2002	1,537.00	6.6	1,212.30	174.2	157.1
2003*	1649.4	9.1	1,267.00	234.8	156.7

* Provisional.

11.24. The metallic products sub- sector grew by 1.8 per cent in the review period. Production of galvanized iron sheets rose from 149.0 thousand tonnes in 2002 to 168.0 thousand tones in 2003. Production of steel drums and parts increased from 876 thousand unit in 2002 to 882.0 thousand units, while gas cylinders rose from 66.0 thousand to 75.0 thousand units, razor blades from 2.6 million units to 3.1 million units and of wheel barrows which grew from 22, 638 units to 22, 854 units. Production of pangas, tabular furniture, metal cans and tins, nails, exhaust pipes, water tanks and metal beds dropped by a variety of margins in 2003.

11.25. The electrical machinery sub-sector grew by 6 per cent. Output of dry cells and motor vehicle batteries rose in 2003 from 103 million to 112 million units and from 179 thousand units to 189 thousand units respectively. There was decline in production of electrical lamps and battery plates.

11.26. The transport equipments industry recorded a further growth of 3.9 per cent in 2003 after registering growth of 7.1 per cent in 2002. During the year under review the number of assembled vehicles increased from 2,771 units to 3,500 units while coaches and buses dropped from 841 units to 585 units.

11.27. The miscellaneous manufacturing sub-sector registered a growth of 1.6 per cent after a decline in 2002. Production of ballpoint pens, household brushes, industrial and paint brushes, illuminated signs, mattresses and sunglasses and sun falls all went up by various margins.

11.28. Table 11.5 depicts trends in manufacturing productivity. The rate of growth in employment and real output was on decline while wage cost as percentage of gross output increased by 7.6 per cent.

Table 11.5: Indicators Of Labour Productivity In Manufacturing, 1999 – 2003

INDICATOR	1999	2000	2001	2002	2003*
Change in the quantum index of manufacturing	1.0	-1.4	0.8	1.2	1.4
Change in numbers employed in manufacturing	0.9	-0.6	-0.8	6.1	5.2
Implicit change in labour productivity	0.1	-0.8	1.6	-4.9	-3.7
Wage cost as percentage of gross output	4.4	5.6	6.1	6.6	7.6
Wage cost as percentage of value added	38.4	38.2	38.9	38	37.9

* Provisional.

Industrial Credit

11.29. Table 11.6 shows industrial financing by Government and quasi Government development institutions which continued to provide credit to the manufacturing sector. The role of these institutions is still pivotal but as in other sectors of the economy. The high cost of doing business continued to hamper growth in this sector. There was decreased demand for term loans although the sector witnessed a modest increase in enquiries. This was occasioned by hope for economic recovery after the peaceful General elections at the end of 2002 coupled with positive indications of resumption of donor aid. Total credit in 2003 was Kshs. 638.0 million as shown in Table 11.6. This accounted for 86 per cent of the total credit advanced by development institutions. Kenya Industrial Estates financed 33 manufacturing related projects worth Ksh 5.06 million compared to 36 projects worth Ksh 4.14 million in 2002. Though there were fewer loans to micro projects financed in 2003, there were some small and medium scale project loans whose capital investment was much higher. The lending level was still very insignificant compared to the institutions' capacity to lend.

11.30. Investment and lending from Industrial and Commercial Development Corporation (ICDC) in 2003 was fairly low. The corporation mainly invested in the purchase of equities and shares and corporate loans for purchase of machinery and working capital with no small loans disbursed to firms engaged in manufacturing activities.

11.31. In 2003, Industrial Development Bank (IDB) approved Ksh 45 million to 3 manufacturing firms as opposed to Ksh 69 million in 2002 depicting a 35.0 per cent decline in lending to the sector. The manufacturing related projects approved were in dairy, juice and ginnery representing 63% per cent of total approvals with the remaining 37.0 per cent directed to healthcare and media sector. New investments were expected to create about 96 jobs by the time the projects are fully operational.

Table 11.6: Industrial Projects Approved By Selected Government Or Quasi-Government, 1999-2003

	Number of Projects					Approved Expenditure(Ksh Million)				
INSTITUTION	1999	2000	2001	2002	2003*	1999	2000	2001	2002	2003*
Industrial Development Bank Limited (I.D.B.)	2	2	8	2	3	88	74	165	69	45
Development Bank of Kenya (DBK)	3	5	1	6	8	126	52	19	47	588
Kenya Industrial Estates Limited (K.I.E.)	70	65	18	36	33	6	8	4	4	5
Industrial and Commercial Development Corporation (I.C.D.C.)	3	3	0	35	0	62	8	0	19	0
TOTAL	78	75	27	79	44	282	142	188	139	638

* Provisional.

11.32. Development Bank of Kenya (DBK) experienced low demand for term loans in the first half of year 2003. During the year under review, DBK approved term loans and short-term investments of Ksh 588.3 million in 8 projects employing a total of 2,431 people. The overall performance of the bank was comparatively better than the previous year when only 6 projects were approved with total lending of Ksh.46.5 million. For the third consecutive year, the bank chose to adopt a cautious lending attitude, especially with Greenfield projects concentrating more on short term investments such as purchase of Government securities, inter-bank lending and trade financing.

Export Processing Zones (EPZ)

11.33. Export Processing Zones (EPZ), 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 2003. Summaries of key performance indicators of EPZ, over the last 5 years are highlighted in table 11.7. In 2003 the number of operating companies rose to 69 up from 54 in the previous year. The total cumulative capital investment rose by 23.6 per cent to stand at Ksh15.7 billion as compared to Kshs12.7 billion in 2002. Direct employment of Kenyans in the EPZ stood at 35,000 in 2003 an increase of 32.0 per cent from 26,447 in 2002. The zones created an estimated 11,667 indirect jobs in sub-contracting and supplies bringing the total employment attributable to EPZ to over 46,667. Employment of expatriates constituting 2.6 per cent of total employment also grew from 701 registered in 2002 to 935 in year 2003. The total value of domestic expenditure in terms of salaries spent on employed Kenyans, utilities consumed, purchases of local raw materials and other expenditures rose to Kshs.5 billion in 2003 from Ksh 3.6 billion in 2002 representing a 39.0 per cent increase. Value added of EPZ output has been increasing over the last few years and is currently estimated at 32.0 per cent of the total turnover.

11.34. Total turnover for the EPZ companies expanded by 43.0 per cent from Ksh 11.0 billion in 2002 to Ksh15.8 billion in 2003. Exports increased by 36 per cent from Ksh 9.7 billion in 2002 to Ksh13.3 billion in 2003. Export to turnover ratio stood at 84 per cent in 2003. Domestic sales rose from Ksh. 932 million in 2002 to Ksh. 1.4 billion in 2003 while imports into EPZ stood at Kshs9.2 billion compared to Ksh7.0 billion in 2002. Local purchases increased from Ksh1.1 billion in 2002 to Ksh1.6 billion in 2003, representing an increase of 45 per cent

Table 11.7: Selected EPZ performance Indicators 1999-2003

	1999	2000	2001*	2002	2003*
Gazetted Zones (Numbers)	16	19	23	31	37
Enterprises Operating (Numbers)	22	24	39	54	69
Employment - Locals	4,684	6,487	13,444	26,447	35,000
(Numbers) - Expatriates	83	133	314	701	935
Total Workers	**4,767**	**6,620**	**13,758**	**27,148**	**35,935**
Export Sales (Ksh Million)	3,020	3,635	5,962	9,741	13,273
Domestic Sales (Ksh Million)	706	755	538	932	1,384
Total Sales (Ksh) Million	**3,726**	**4,390**	**6,500**	**10,673**	**14,657**
Foreign Imports (Ksh Million)	2,126	2,349	399	7,043	9,223
Local Purchases of Goods and Services (Ksh Million)	955	1,229	2,235	1,127	5,085
Investment (Ksh Million)	5,941	6,107	8,950	12,728	15,709

* Provisional

11.35. On investment, the zones continued to provide investment opportunities to local entrepreneurs. In 2003, 13.0 per cent of total EPZ companies were wholly Kenyan up from 11.0 per cent in 2002, joint ventures stood at 16.0 per cent while wholly foreign investments stood at 71.0 per cent down from 74.0 per cent in 2002. The main foreign investors were from UK, USA, Sri Lanka, India, China, Taiwan, Hong Kong, Netherlands, Denmark, and Belgium among others.

Chapter 12
Building and Construction

Overview

Development of infrastructure is one of the key pillars in achieving the economic recovery and has been identified as a priority area in Economic Recovery Strategy for Employment and Wealth Creation. In 2003,the building and construction sectors' key economic indicators recorded improved performance. Cement consumption went up by 4.5 per cent from 1,212.3 thousand tonnes in 2002 to 1,267.0 thousand tonnes in 2003 partly due to use of cement in road construction and maintenance. The index of government expenditure on roads increased from 62.7 in 2002 to 68.5 in 2003. The total value of building plans approved increased by 2.7 per cent from Ksh 10,607.4 million to Ksh 10,892.6 million in the years 2002 and 2003 respectively. The total estimated cost of new private buildings completed registered an increase of 2.2 per cent from Ksh 1,395.6 million in 2002 to Ksh 1,426.2 million in 2003. The overall construction cost index recorded an increase of 7.1 per cent in 2003 as compared to 1.4 per cent in 2002. Wage employment increased marginally from 76.5 thousand persons in 2002 to 76.6 thousand persons in 2003. *El Nino* emergency Fund reconstructed several roads spread across the country at a total cost of Ksh 522.2 million. Commercial banks' loans and advances to the sector went down marginally by 1.8 per cent from Ksh 17,298 million in 2002 to Ksh 16,995 million in 2003. The Kenya Roads Board disbursed a total of Ksh 6.92 billion to the various roads agencies in 2003.

Key Economic Indicators

12.2. Trends of selected key economic indicators in building and construction sector for 1999 to 2003 are presented in Table 12.1. The index of reported private building works completed in main towns increased from 24.6 in 2001 to 25.2 in 2002. The index of reported public building works completed in main towns increased to 0.6 in 2002 from 0.5 in 2001. The index of government expenditure on roads increased from 62.7 in 2002 to 68.5 in 2003. Consumption of cement went up by 4.5 per cent from 1,212.3 thousand tonnes in 2002 to 1,267.0 thousand tonnes in 2003. Indices of both reported private and public building works completed for the year 2002 went up, which is an indication of an increase in the number of both public and private building works completed.

Table 12.1: Trends of Selected Key Economic Indicators in Building and Construction *, 1999-2003 (1982=100)

	1999	2000	2001	2002	2003**
"Index" of reported private building work completed in main towns***	29.8	26.6	24.6	25.2	..
"Index" of reported public building work completed in main towns***	1.1	0.5	0.5	0.6	..
"Index" of government expenditure on roads .	60.4	76.8	83.6	62.7	68.5
Cement consumption ('000 tonnes)	1,111.1	1,067.0	1,089.0	1,212.3	1,267.0
"Index" of Cement consumption	191.8	184.2	188.0	209.2	218.7
Employment ('000)	79.2	78.6	76.7	76.5	76.6
"Index" of Employment	131.1	130.1	127.0	126.7	126.8

* Actual deflated by various building or construction cost indices.

** Provisional.

*** The average of the actual of two consecutive years is taken in each case for reported completion of buildings

12.3. Wage employment in the sector went up marginally by 0.1 per cent from 76.5 thousand persons in 2002 to 76.6 thousand persons in 2003.

12.4. Table 12.2 presents the annual percentage increase in building and construction cost indices for the years 2001 to 2003. The overall cost index of materials increased by 7.6 per cent in 2003 as compared to 2.0 per cent in 2002. This is as a result of the prices of cypress, sand and aggregate increasing by 12.6, 38.5 and 8.3 per cent respectively in 2003. The ban on loggingt also contributed to the shortage of timber.

Table 12.2: Annual Percentage Increase in Building and Construction Cost Indices*, 2001 - 2003

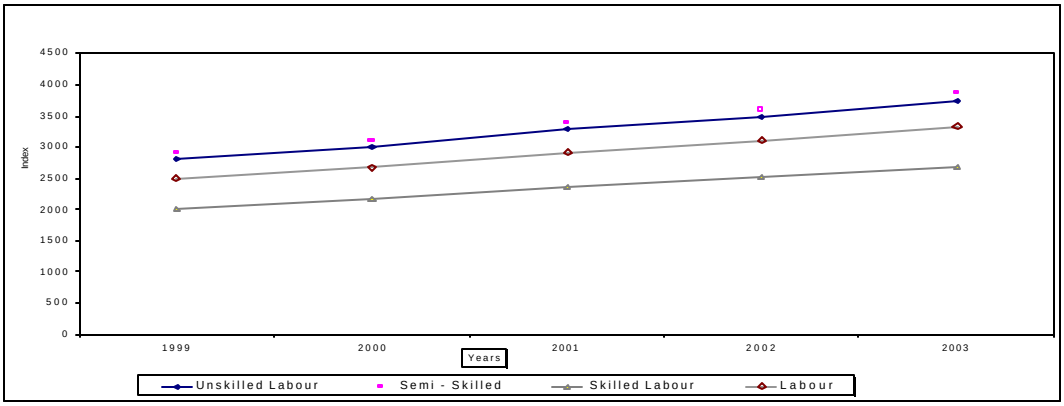
	Materials			Labour			Total Cost		
	2001	**2002**	**2003****	**2001**	**2002**	**2003****	**2001**	**2002**	**2003****
Residential Buildings..	3.4	7.5	8.9	9.2	6.1	7.2	4.6	7.2	8.5
Non-Residential Buildings	2.0	5.8	8.9	9.2	6.1	7.2	3.9	5.9	8.5
All Buildings	2.8	6.8	8.9	9.2	6.1	7.2	4.3	6.6	8.5
"Other" Construction	1.7	0.5	9.3	9.2	6.1	7.2	5.0	0.3	7.8
Overall Cost Index	**-0.2**	**2.0**	**7.6**	**9.2**	**6.1**	**7.2**	**2.7**	**1.4**	**7.1**

* From December to December.

* * Provisional.

12.5. Figure 12.1 presents trends in overall labour construction cost indices for the years 1999 to 2003. Labour costs in building and construction sector recorded an increase of 7.2 per cent in 2003 as compared to an increase of 6.1 per cent in 2002. Wages for skilled, semi-skilled and unskilled labour increased by 7.2, 7.2 and 7.3 per cent respectively in 2003 as compared to increases of 6.4, 6.0 and 5.8 per cent respectively in 2002. This was as a result of the continuous implementation of the collective bargaining wage agreements.

Figure 12.1: Trend in overall labour construction cost indices, 1999 – 2003, Base 1982=100



12.6. Value of building plans approved by Nairobi City Council (NCC) and other towns for the years 1999 to 2003 is shown in Table 12.3. Total value of building plans approved by Nairobi City Council declined by 19.9 per cent from Ksh 6,311.5 million in 2002 to Ksh 5,054.1 million in 2003 while those of other towns recorded significant increase of 35.9 per cent from Ksh 4,295.9 million in 2002 to Ksh 5,838.5 million in 2003. The total value of building plans approved increased by 2.7 per cent from Ksh 10,607.4 million to Ksh 10,892.6 million in the years 2002 and 2003 respectively.

Table 12.3: Value of Building Plans Approved by Nairobi and other Towns, 1999 – 2003 (KSh million)

Year	Nairobi	Other Towns	Total
1999	9,058.40	2,072.00	11,130.40
2000	6,601.30	3,374.10	9,975.40
2001	4,343.60	5,774.80	10,118.40
2002	6,311.50	4,295.90	10,607.40
2003*	5,054.10	5,838.50	10,892.60

* Provisional.

12.7. Analysis of value of reported private building works completed in selected main towns for the years 1999 to 2003 is presented in Table 12.4. Value of reported private building works completed for Nairobi decreased by 10.7 per cent from Ksh 1,261.8 million in 2002 to Ksh 1,126.5 million in 2003. Total value of reported private building works completed decreased by 4.2 per cent from Ksh 1,617.1 million to Ksh 1,549.1 million in the years 2002 and 2003 respectively. Except for Nairobi and Mombasa towns, all the other towns registered increases in values of reported private building works completed

Table 12.4: Value of Reported Private Building* Works Completed in Selected Main Towns, 1999 – 2003(KSh million)

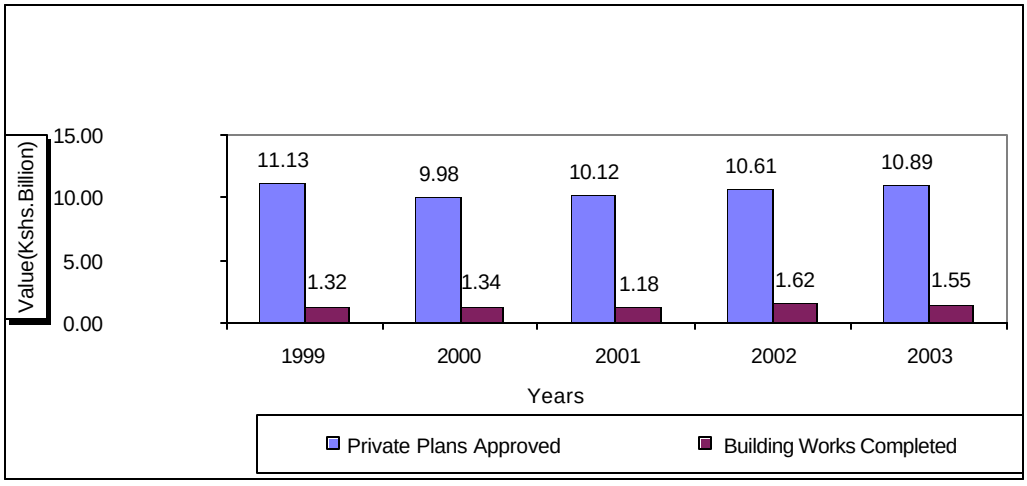
Year	Nairobi	Mombasa	Kisumu	Nakuru	Malindi	Total
1999	628.40	366.80	42.00	117.00	170.00	1,324.20
2000	746.68	292.09	40.53	123.16	139.16	1,341.62
2001	656.20	257.69	37.52	152.32	80.70	1,184.43
2002	1,261.80	185.60	31.40	64.45	74.50	1,617.13
2003**	1,126.47	159.16	37.79	117.20	108.48	1,549.10

* Including the value of extension.

** Provisional.

12.8. Figure 12.2 presents the comparison of values of private plans approved and building works completed in main urban areas from 1999 to 2003. The value of private plans approved recorded an increase of 2.6 per cent from Ksh 10.6 billion in 2002 to Ksh 10.9 billion in 2003. While the value of building works completed in main urban areas decreased by 6.3 per cent from Ksh 1.6 billion in 2002 to Ksh 1.5 billion in 2003. The analysis shows that only a small proportion of the plans approved were completed.

Figure12.2: Comparison of Value of Private Plans Approved and Building Works Completed in Main Urban Areas,1999-2003



12.9. Table 12.5 presents reported completions of new private buildings in selected main towns for the years 1999 to 2003. The number of residential units increased from 1,040 units in 2002 to 1,142 units in 2003, representing an increase of 9.8 per cent. Non- residential units increased by 33.3 per cent from 27 units in 2002 to 36 units in 2003. The estimated cost of non- residential units increased by 21.0 per cent from Ksh 429.7 million in 2002 to Ksh 520.1 million in 2003. The total estimated cost of new private buildings completed registered an increase of 2.2 per cent from Ksh 1,395.6 million to Ksh 1,426.2 million in the years 2002 and 2003 respectively.

Table 12.5: Reported Completions of New Private Buildings* in Selected Main Towns, 1999 - 2003

	Number		Estimated Cost (KSh million)		
Year	Residential	Non-Residential	Residential	Non-Residential	Total
1999	1,113	22	890.2	384.8	1,275.00
2000	1,017	37	862.81	353.6	1,216.41
2001	941	11	855.5	169.5	1,025.00
2002	1,040	27	965.9	429.72	1,395.62
2003**	1,142	36	906.14	520.05	1,426.19

* Excluding the value of extensions.

** Provisional

12.10. Table 12.6 presents a five-year period data series of reported completions of new public buildings in selected main towns from 1999 to 2003. The number of residential units increased from 10 units in 2002 to 30 units in the years 2002 and 2003 respectively. The estimated cost of residential units similarly increased significantly from Ksh 6.5 million in 2002 to Ksh 49.9 million in 2003. The total estimated cost of residential and non-residential units increased from Ksh 28.1 million in 2002 to Ksh 49.9 million in 2003. This sharp increase in numbers and costs was necessitated by the completion of 30 units of mortgage houses by National Housing Corporation in Kiambu town at a total cost of Ksh 49.9 million.

Table 12.6: Reported Completions of New Public Buildings* in Main Towns, 1999-2003

	Number		Estimated Cost(KSh million)		
Year	Residential	Non - Residential	Residential	Non - Residential	Total
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
2003**	30	0	49.94	0.00	49.94

* Including the value of extensions.

** Provisional.

Housing

12.11. Analysis of approved and actual Central Government expenditure on housing for the financial years 1999/2000 to 2003/2004 is presented in Table 12.7. Approved expenditure on housing doubled from Ksh 48.6 million in 2002/2003 fiscal year to Ksh 81.2 million in 2003/2004 fiscal year. Actual central Government expenditure on housing has continued to decline mainly due to tight fiscal policy. Approved expenditure as a percentage of development expenditure went up marginally by 0.4 per cent in 2003/2004 financial year as compared to 0.29 per cent in 2002/2003 financial year.

Table 12.7: Approved and Actual Central Government Expenditure on Housing, 1999/00 - 2003/ 2004

Year	Expenditure in Ksh Million		Approved Expenditure as Percentage of Development Expenditure
	Approved	Actual	
1999/2000	108.20	108.20	0.2
2000/2001 .	10.10	70.50	0.0
2001/2002 .	24.00	24.00	0.1
2002/2003 .	48.60	-	0.3
2003/2004* .	81.20	-	0.4

* Provisional

12.12. During the year under review, no funds were allocated to complete the stalled urban pool housing projects in Nairobi, Kapsabet, Kericho and Voi. The projects were undertaken by the Housing Department of the Ministry of Roads, Public Works and Housing. The situation is set to change during this financial year.

12.13. The National Housing Corporation (NHC) completed only one housing project during the year under review mainly due to inadequate budgetary provision for housing development. The Kiambu housing project completed in 2003 costed a total of Ksh 49.94 million comprising of 30 maisonettes (units). No rural housing loans were advanced during the year under review.

Roads

12.14. Kenya's road network is currently 150,000 Kilometres, out of which 63,300 kilometres are classified. The total number of kilometres of road by type and classification between July 1999 and July 2003 is presented in Table 12.8. The total kilometres of road under bitumen increased by 3.2 per cent from 8.66 thousand kilometres in 1999 to 8.94 thousand kilometres in 2003. Secondary roads under bitumen decreased from 1.18 thousand kilometres in 1999 to 1.17 thousand kilometres in 2003 representing a 0.8 per cent decline. Primary roads under bitumen declined by 2.7 per cent from 2.56 thousand kilometres in 1999 to 2.49 thousand kilometres in 2003. The special purpose roads under earth/gravel grew by 0.8 per cent from 11.00 thousand kilometres in 1999 to 11.09 thousand kilometres in 2003.

Table 12.8: Kilometres of Road as at 1st July, 1999 and 1st July, 2003 by Type and Classification ('000Km)

	1999		2003	
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. In the year under review, the Ministry of Roads, Public Works and Housing undertook rehabilitation, recarpeting, gravelling and resealing of some of the major roads spread across the country. The roads that were under rehabilitation are Amalo river- Sotik (59 Kms), Magumu-Njabini (47 Kms) and Rironi- Mai Mahiu (21 Kms). Those under resealing/recarpeting were Kisumu- Yala (42 Kms), Bachuma Gate-Maji Ya Chumvi (55 Kms), Machange-Eldama Ravine- Makutano (83 Kms), Marua-Nyeri- Kiganjo-Marua Loop (38 Kms), Nyeri- Kangema (40 Kms) and Timboroa-Songhor- Awasi (61 Kms). Mandera- Elwak (160 Kms), Komar- Barwesa- Arror (132 Kms), Londiani- Fort Ter1nan (45 Kms) and Maili Tatu- Ndalu- West Pokot boundary roads were under gravelling.

12.16. Under the *El Nino* Emergency Fund, Chepsir- Molo, Sotik- Kipranye, Litein-Cheborge, Esageri- Emining, Lanet- Dundori and Lake Bogoria- Mugurin roads in Rift- Valley Province were reconstructed at a total cost of Ksh 86.3 million. Kisii-Keroka, Meta Mayua- Kebirigo and selected Kisii roads were done at a total cost of Ksh 112.1 million. Makuyu- Mbombo, Makuyu- Karuri, Makutano- Muranga, Njabini-Dundori, Maginga- Maroo, Makuyu- Naro Moru and Muranga- Kairo roads in Central Province were done at a total cost of Ksh 323.8 million.

12.17. Table 12.9 presents analysis for the total expenditure on roads for the last five financial years. Overall, total expenditure on roads increased by 15.9 per cent from Ksh 8,618.81 million in 2002/2003 financial year to Ksh 9,992.66 million in 2003/2004 financial year. Development expenditure on trunk roads went up by 13.3 per cent from Ksh 1,459.50 million in 2002/2003 fiscal year to Ksh1, 654.13 million in 2003/2004 fiscal year, while expenditure on primary roads increased by 17.5 per cent from Ksh 808.34 million to Ksh 950.00 million in 2002/2003 and 2003/2004 financial years respectively. Development expenditure on secondary roads went up from Ksh 345.80 million in 2002/2003 fiscal year to Ksh 495.00 million in 2003/2004 fiscal year, representing a 43.1 per cent increase. The need to do urgent road reconstruction led to total expenditure on development increasing by 18.6 per cent from Ksh 2,613.64 million in 2002/2003 financial year to Ksh 3,099.13 million in 2003/2004 financial year. Regular maintenance and repair on our roads has resulted in an increase on recurrent expenditure by 14.8 per cent from Ksh 6,005.17 million to Ksh 6,893.53 million in the fiscal years 2002/2003 and 2003/2004 respectively.

Table 12.9: Total Expenditure on Roads, 1999/2000 - 2003/2004 (KSh million)

	1999/2000	2000/2001	2001/2002	2002/2003	2003/2004*
Development:					
Trunk Roads	714.30	711.00	1,385.00	1,459.50	1,654.13
Primary Roads	18.30	505.00	601.40	808.34	950.00
Secondary Roads ..	5.80	1,131.07	635.80	345.80	495.00
Miscellaneous Roads..	124.60	277.19	-	-	-
Total	**863.00**	**2,624.26**	**2,622.20**	**2,613.64**	**3,099.13**
Recurrent (maint. & repair)	5,922.10	6,696.00	8,042.44	6,005.17	6,893.53
Total	**6,785.10**	**9,320.26**	**10,664.64**	**8,618.81**	**9,992.66**

* Provisional

12.18. Labour based methods are used in the *Roads 2000 Programme* to achieve effective maintenance of the classified road network to an economic level of serviceability using local resources. The main focus of the program is spot improvement to achieve basic accessibility in the road network. During the year under review, development partners provided Ksh 184 million to cover Kieni and Mwea divisions of Nyeri and Kirinyaga districts, which were originally left out in the initial phase of the programme. Phase 1 of Roads 2000 programme in 8 districts of Eastern Province was donor- funded with Ksh700 million. Phase 2 of the programme will receive funds to the tune of Ksh 600 million. Development partners also supported the programme in 4 districts of Coast Province namely Kilifi, Kwale, Malindi and Taita-Taveta with Ksh 279.3 million. The roads programme in Coast Province came to an end in June 2003.

Chapter 13
Tourism

Overview

The tourism sector recorded a marginal improvement despite the adverse travel advisory issued by the UK and USA in 2003. Tourism earnings in creased from Kshs. 21,734 million in 2002 to Kshs. 25,768 million in 2003. International visitor arrivals increased by 14.5 per cent from 1,001,300 in 2002 to 1,146,100 in 2003. The visitors on business more than doubled, while those on holiday declined by 6.4 per cent during the year.

Visitors to Museums, Snake Park and historical sites increased by 13.8 per cent in 2003 as compared to a fall of 10.8 per cent in 2002. However, the number of visitors to game parks and game reserves declined by 13.0 per cent in 2003 compared to a rise of 7.3 per cent in 2002.

Bed-nights occupancy by residents from European countries registered a significant decline from 2,208,900 in 2002 to 1,387,500 in 2003 although their share in hotel bed-nights stood at 53.2 per cent of the total. Similarly, bed-nights occupancy by residents from America, Canada and Asian countries declined. However bed-nights occupancy of residents from African countries including Kenya increased by 9.3 per cent in 2003. Overall bed occupancy rate dropped from 42.0 per cent in 2002 to 33.6 per cent in 2003.

Conference tourism activities on the other hand increased. The Local conferences held went up from 754 in 2002 to 805 in 2003, while the international conferences increased from 115 to 126 respectively . Subsequently, the number of delegates attending the conferences increased with local almost doubling while international delegates increased by 31.8 per cent.

Arrivals and Departures

13.2. Visitor arrivals improved in 2003 over 2002 rising from 1,001,300 to 1,146,100. This represents an an increase of 14.5 per cent compared to a marginal increase of 0.8 per cent in 2002. On the other hand,departures increased marginally from 1,013,400 in 2002 to 1,022,900 in 2003.

Table 13.1 Quarterly Visitor Arrivals by Purpose of Visit, 1999-2003, '000s

Quarter	Purpose	1999	2000	2001	2002	2003*
1st Qr.	Holiday	193.8	194.5	200.3	176.0	206.7
	Business	24.5	24.6	25.3	26.1	34.7
	Transit	27.6	41.2	39.4	47.0	51.9
	Other	5.5	5.5	4.9	5.8	7.7
	TOTAL	251.4	265.8	270.7	254.9	301.0
2nd Qr.	Holiday	163.7	165.5	149.6	158.5	112.5
	Business	20.7	20.9	18.9	17.1	44.7
	Transit	24.4	33.0	38.5	42.7	48.2
	Other	4.5	4.6	4.2	3.8	18.9
	TOTAL	213.3	224.0	211.1	222.1	224.3
3rd Qr.	Holiday	207.7	211.1	184.7	194.1	183.9
	Business	26.2	26.6	23.3	20.4	53.4
	Transit	29.1	32.6	37.7	37.4	62.1
	Other	5.7	5.8	5.1	4.4	11.6
	TOTAL	268.7	276.1	250.8	256.3	311.0
4th Qr.	Holiday	181.7	207.1	194.2	204.0	180.9
	Business	23.0	26.2	24.6	23.0	49.3
	Transit	26.3	31.7	37.0	36.2	56.9
	Other	4.9	5.6	5.3	4.9	22.8
	TOTAL	235.9	270.6	261.0	268.1	309.9
Year	Holiday	746.9	778.2	728.8	732.6	684.0
	Business	94.4	98.3	92.1	86.6	182.1
	Transit	107.4	138.5	152.6	163.3	219.0
	Other	20.6	21.5	20.1	19.0	61.0
	TOTAL	969.3	1,036.5	993.6	1,001.3	1,146.1

* Provisional

13.3. Table 13.1 shows the details of visitor arrivals by purpose. In the first quarter, arrivals increased by 18.1 per cent from 254,900 in 2002 to 301,000 in 2003, compared to a decline of 5.8 per cent in 2002. During the same period, visitors on business rose by 32.9 per cent from 26,100 to 34,700 while holidaymakers increased by 17.4 per cent in the same period. Similarly, those on transit rose by 10.4 per cent, while arrivals for other purposes increased from 5,800 in 2002 to 7,700 in 2003. Similarly, there was a marginal increase in the second quarter from 222,100 in 2002 to 224,300 in 2003. Third and fourth quarters recorded increases of 21.3 and 15.6 per cent respectively.

13.4. Overall, visitors on holiday decreased by 6.6 per cent in 2003 mainly as a result of adverse travel advisories made during the year by UK and USA. However, those on business increased significantly by 45.7 per cent in 2003 from 86,600 in 2002 to 182,100 in 2003. The rise in the number of visitors on business can be attributed to the visits made by foreigners interested in investing in Kenya after a new government came to power. Visitors on transit also continued to rise from 163,300 in 2002 to 219,000 in 2003 representing a significant increase of 34.1 per cent.

Table 13.2 Quarterly Visitor Departures by Purpose Of Visit, 1999-2003, '000s

Quarter	Purpose	1999	2000	2001	2002	2003*
	Holiday	196.0	204.3	214.9	176.4	184.3
	Business	24.8	25.9	27.2	22.3	31.7
1st Qr.	Transit	26.5	29.6	32.3	37.9	46.3
	Other	5.6	5.8	6.1	5.0	6.9
	TOTAL	252.9	265.6	280.5	241.6	269.1
	Holiday	165.5	164.3	165.2	166.8	117.9
	Business	20.9	20.7	20.9	21.1	46.9
2nd Qr.	Transit	23.2	22.8	33.3	39.9	51.5
	Other	4.5	4.5	4.5	4.5	19.8
	TOTAL	214.1	212.3	223.8	232.2	236.1
	Holiday	203.0	199.0	179.6	203.7	147.2
	Business	25.0	24.5	22.1	25.1	42.7
3rd Qr.	Transit	29.4	25.3	33.5	41.0	49.7
	Other	6.6	6.5	5.8	6.6	9.3
	TOTAL	264.0	255.3	241.1	276.4	248.9
	Holiday	182.0	204.6	182.3	197.8	157.3
	Business	23.0	25.9	23.0	25.0	42.8
4th Qr.	Transit	27.3	25.8	35.0	34.8	50.9
	Other	5.1	5.7	5.1	5.5	17.8
	TOTAL	237.4	262.0	245.5	263.2	268.8
	Holiday	746.5	772.2	742.0	744.6	606.6
	Business	93.7	97.0	93.2	93.4	164.1
Year	Transit	106.4	103.5	134.1	153.6	198.4
	Other	21.8	22.5	21.5	21.7	53.8
	TOTAL	968.4	995.2	990.9	1,013.4	1,022.9

* Provisional

13.5 The number of visitors who departed from the country by purpose of visit is presented in Table 3.2. The first quarter registered an increase of 11.4 per cent in departing visitors from 241,600 in 2002 to 269,100 in the same period in 2003, Similarly, the second and fourth quarters recorded marginal increases in departing visitors. However, during the third quarter, departing visitors declined from 276,400 visitors in 2002 to 248,900 visitors in 2003.

13.6. Overall, the number of departing visitors on holidays dropped by 18.5 per cent from 744,600 in 2002 to 606,600 in 2003, while those on business increased significantly from 93,400 in 2002 to 164,100 in 2003. On the other hand, the number of departing visitors on transit which registered a remarkable growth in 2002 increased by 29.2 per cent in 2003. Similarly, visitors departing under 'other' category more than doubled.

13.7 Table 13.3 summarises departing visitors by country of residence and main purpose of visit. Total number of departing visitors by country of residence and purpose decreased by 2.3 per cent from 991,700 in 2002 to 969,100 in 2003. The share of departing visitors, headed for Europe stood at 77.4 per cent in 2003, compared with 79.8 per cent in 2002. United Kingdom and Germany accounted for 56.0 per cent of departing visitors to Europe. Departing visitors to USA and Canada dropped by 22.7 per cent in 2003. Departing visitors destined to Africa increased significantly by 43.1 per cent, while those destined to Asia recorded marginal growth.

Table 13.3: Departing visitors by country of residence and purpose of visit, 2002-2003, '000s

	Holiday		Business		Transit	
Country of Residence	**2002**	**2003**	**2002**	**2003**	**2002**	**2003**
Germany	194	125.6	24.3	33.9	40.1	34.9
United Kingdom	159	139.1	20	37.5	32.8	44.2
Switzerland	58.7	54.2	7.4	14.6	12.1	17.2
Italy	56.9	46.8	7.2	12.6	11.8	14.9
France	44.3	36	5.6	9.7	9.1	11.4
Scandinavia	15.2	19.1	1.9	5.2	3.1	6.1
Other Europe	65.8	52	8.3	14	13.6	16.5
TOTAL EUROPE	593.9	472.8	74.7	127.6	122.6	150.3
U.S.A	46.3	28.3	5.8	7.6	9.6	9
Canada	6	5.7	0.8	1.5	1.2	1.8
TOTAL NORTH AMERICA	52.3	34	6.6	9.2	10.8	10.8
Uganda	7.2	8.1	0.9	1.2	1.1	4.7
Tanzania	7.2	9.1	0.9	2.5	1	2.9
Other Africa	37.7	45.1	4.7	12.2	8.5	14.3
TOTAL AFRICA	52.1	62.4	6.5	16.9	10.6	19.8
India	6.8	7.9	0.8	2.1	1.4	2.5
Japan	11.9	8.6	1.5	2.3	2.4	4.7
Israel	10.1	6.8	1.3	1.8	2.1	2.2
Other Asia	4.7	3.3	0.6	0.4	1.1	1.6
TOTAL ASIA	33.5	26.6	4.2	6.7	7	11
Australia and New Zealand	5.9	5	0.7	1.4	1.2	1.6
All Other Countries	6.9	7.9	0.8	2.1	1.4	2.3
TOTAL	744.6	606.6	93.4	164.1	153.6	198.4

* Provisional

13.8. Table 13.4 summarises the number of days stayed by visitors categorised by purpose of visit. The total number of days stayed dropped marginally from 8,427,700 in 2002 to 8,352,500 in 2003 a decline of 0.9 per cent compared to an increase of 3.5 per cent in 2002. The number of days stayed by visitors on holiday reduced from 7,335,800 days in 2002 to 6,975,900 in 2003, while those on business increased from 717,100 to 979,800 over the same period. Similarly, those on transit increased from 374,800 in 2002 to 396,800 in 2003 representing an increase of 5.9 per cent. The average length of stay which grew marginally in 2002, reverted to the 2001 level.

Table 13.4: Number of days stayed* by purpose of visit, 1999-2003, '000s

Purpose	1999	2000	2001	2002	2003**
Holiday	7,754.6	7,413.1	7,123.2	7,335.8	6,975.9
Business	712.1	814.8	699.0	717.1	979.8
Transit	468.2	279.5	321.8	374.8	396.8
TOTAL	8,934.9	8,507.4	8,144.0	8,427.7	8,352.5
Average length of stay in days	9.4	8.7	8.4	8.5	8.4

* Excludes days stayed by''Other Visitors'' Category

** Provisional

Hotel Occupancy

13.9. Table 13.5 presents hotel bed-night occupancy by visitors' country of residence. Hotel bed night's occupancy dropped significantly by 24.2 per cent from 3,436,800 in 2002 to 2,605,900 in 2003. The decline was due to low business, mainly as a result of travel advisories. These developments are reflected in the hotel bed-nights occupancy rate which dropped from 42.0 per cent in 2002 to 33.6 per cent in 2003. Total number of available hotel bed-nights declined by 5.1 per cent, as a result of closure of a to number of hotels due to low business or destruction by fire.

Table 13.5: Hotel Bed-nights by Country of Residence, 1999-2003, 000

Country of Residence	1999	2000	2001	2002	2003*
Permanent Occupants**	15.2	20.4	21.1	12.9	9.7
Germany.	536.1	605.1	541.2	721.3	420.4
Switzerland.	164.0	174.8	175.1	218.3	125.9
United Kingdom.	399.1	558.6	606.0	591.4	324.3
Italy	151.7	202.4	136.2	211.9	144.0
France	137.5	212.8	180.6	164.8	113.9
Scandinavia	50.6	69.9	66.7	56.3	45.6
Other Europe	190.7	259.3	229.6	244.9	213.5
EUROPE	1,629.7	2,082.9	1,935.4	2,208.9	1,387.5
Kenya Residents	653.8	794.1	740.2	656.1	738.7
Uganda	30.7	30.0	34.2	26.9	26.2
Tanzania	39.4	41.4	38.9	26.7	30.4
East and Central Africa	41.4	50.0	45.8	34.5	27.6
West Africa	18.8	22.6	24.6	25.1	15.4
North Africa	16.5	15.9	17.3	12.7	16.5
South Africa	36.4	38.7	39.0	42.7	34.4
Other Africa	50.9	65.5	50.2	24.9	39.8
AFRICA	887.9	1,058.2	990.2	849.6	928.9
U.S.A	171.8	228.9	169.9	149.8	109.6
Canada	21.8	26.8	25.5	22.4	17.6
Other America	16.3	27.7	20.4	22.3	17.5
AMERICA	209.9	283.4	215.8	194.5	144.7
Japan	38.8	55.9	39.5	44.2	26.2
India	29.9	34.7	29.5	25.0	29.2
Middle East	46.9	50.5	53.7	37.7	20.3
Other Asia	17.0	27.2	19.5	17.3	18.2
ASIA	132.6	168.3	142.2	124.2	93.8
Australia and New Zealand	21.2	26.9	20.6	21.9	17.0
All Other Countries	54.5	47.7	29.6	25.0	24.2
TOTAL-OCCUPIED	2,951.0	3,687.8	3,354.9	3,436.8	2,605.9
TOTAL-AVAILABLE	8,711.4	9,382.3	8,327.8	8,182.7	7,765.7
Occupancy rate %	33.9	39.3	40.3	42.0	33.6

* Provisional

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

13.10. Bed night's occupancy by all European countries went down significantly from 2,208,900 in 2002 to 1,387,500 in 2003. Europe's share in total hotel bed-nights declined from 64.3 per cent in 2002 to 53.2 per cent in 2003. This may be partially explained by the decline in the number of visitors from the region. Bed-nights occupied by Africa stood at 35.6 per cent in 2003 compared with 24.7 per cent in 2002. Germany recorded the largest bed-nights occupancy. However, the bed-nights occupancy by residents of Germany dropped to 420,400 in 2003 from 721,300 in 2002. Similarly, United Kingdom, Italy and Switzerland registered declines of 54.8 per cent, 68.0 per cent and 57.7 per cent respectively. Other declines registered were USA including Canada 49.8 per cent and Asia , 24.5 per cent.

13.11. Bed-nights occupancy by residents from Africa including Kenya increased by 9.3 per cent from 849,600 in 2002 to 928,900 in 2003. During the same period, Kenya resident's bed-nights increased from 656,100 to 738,700 in 2003. This can be explained by improved domestic tourism in the country. The overall bed-night occupancy rate, which is a measure of the total bed-nights occupied as a percentage of total beds available, dropped significantly in 2003 to 33.6 per cent compared to 42.0 per cent in 2002.

13.12. Table 13.6 presents 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 which accounted for 48.7 per cent of total hotel bed-nights decreased by 41.5 per cent from 2,171,800 in 2002 to 1,269,600 in 2003. Bed-nights in other coastal hotels decreased from 108,200 in 2002 to 36,500 in 2003. Bed-nights occupancy in coastal hinterland increased from 44,900 in 2002 to 60,900 in 2003 an increase of 35.6 per cent.

Table 13.6: Hotel bed-nights by Zone, 1999-2003

Zone	1999	2000	2001	2002	2003*
Coastal-Beach	1,625.2	2,065.2	1,438.2	2,171.8	1,269.6
-Other	73.9	85.8	136.1	108.2	36.5
Coastal Hinterland	48.7	76.3	56.6	44.9	60.9
Nairobi-High Class	685.5	836.1	568.6	589.8	572.7
-Other	173.2	167.2	124.9	65.7	124.0
Central	77.5	145.7	74.5	80.7	143.8
Masailand	84.3	141.5	138.3	135.2	130.4
Nyanza Basin	110.1	87.3	94.4	103.7	127.9
Western	69.2	72.4	91.3	95.9	97.2
Northern	3.4	10.3	41.2	40.9	42.9
TOTAL-OCCUPIED	2,951.0	3,687.8	3,354.9	3,436.8	2,605.9
TOTAL-AVAILABLE	8,711.4	9,382.3	8,327.8	8,182.7	7,765.7

* Provisional

13.13 Bed occupancy in Nairobi's high-class hotels recorded a decrease of 2.9 per cent compared to an increase of 3.7 per cent in 2002. The other categories of hotels in Nairobi performed very well in 2003 recording an increase of 88.7 per cent, that is, from 65,700 in 2002 to 124,000 in 2003. The Central region recorded improved bed nights occupancy which increased from 80,700 in 2002 to 143,800 in 2003, an increase of 78.2 per cent. Bed nights in Masailand zone declined from 135,200 in 2002 to 130,400 in 2003. Nyanza, Western and Northern Kenya recorded improved business activity in 2003 compared to 2002.

13.14 The declines in bed-nights occupancy in Coastal beach and other hotels in the Coast, Nairobi high class hotels and Masailand hotels can be attributed to the decline in the number of visitors from European and American regions who are the main visitors to these zones. On the other hand, the increase of bed-nights in Coastal hinterland hotels, other category of Nairobi hotels, Central region, Nyanza , Western and Northern Kenya can be attributed to the increased number of visitors from African countries as well as Kenyans residents travelling from one region to another on holiday, business etc.

13.15 Table 13.7 presents hotel bed-nights by area and country of residence. The table shows that most of the visitors prefer to stay in the Coastal region as depicted by the share in bed-nights occupancy which stood at 50.6 per cent occupancy in the country during the year under review. Germany remained the highest consumer of bed-nights in the Coast, followed by Kenya residents, United Kingdom, Italy and other European residents.

Table 13.7: Hotel bed-nights by area and country of residence, 2003*, '000s

Country of Residence	Nairobi	Coast	Lodges	Others	Total
Permanent Occupants**	6.9	1.1	0.0	1.6	9.7
Germany	22.1	374.3	20.9	3.1	420.4
Switzerland	7.8	110.2	6.7	1.2	125.9
United Kingdom	68.6	192.6	45.2	17.9	324.3
Italy	9.1	124.4	9.3	1.2	144.0
France	24.4	65.0	21.6	2.9	113.9
Scandinavia	13.7	20.5	6.8	4.6	45.6
Other Europe	49.6	134.5	22.3	7.0	213.5
Kenya	180.9	238.1	34.9	284.8	738.7
Uganda	18.1	4.1	0.4	3.6	26.2
Tanzania	23.2	3.4	0.5	3.4	30.4
East & Central Africa	18.5	2.1	0.5	6.6	27.6
West Africa	12.3	1.7	0.7	0.7	15.4
North Africa	14.7	0.6	0.5	0.7	16.5
South Africa	29.4	3.0	1.0	1.0	34.4
Other Africa	26.6	2.8	1.5	8.9	39.8
U.S.A.	65.9	10.4	21.7	11.6	109.6
Canada	9.3	3.9	3.3	1.1	17.6
Other America	9.8	3.4	2.8	1.4	17.5
Japan	17.5	1.8	5.4	1.5	26.2
India	17.7	5.2	3.8	2.5	29.2
Middle East	16.3	1.5	1.4	1.0	20.3
Other Asia	10.7	3.0	3.3	1.3	18.2
Australia & New Zealand	9.3	3.4	3.3	1.1	17.0
`All Other Countries	14.5	8.5	0.8	0.4	24.2
TOTAL	696.7	1,319.5	218.7	370.9	2,605.9
PERCENTAGE SHARE	26.7	50.6	8.4	14.2	100.0

* Provisional

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

13.16 In Nairobi, most of the bed-nights were occupied by Kenyan residents, followed by United Kingdom and USA. Overall, Nairobi accounted for 26.7 per cent of the total hotel bed-nights. The lodges had 8.4 per cent, while the other category of hotels accounted for 14.2 per cent of the total. The analysis further reveals that most of the visitors from Europe prefer to stay in the Coastal region, while those from America, Asia and African prefer Nairobi.

Table 13.8 Game Lodges* Occupancy, 2001 - 2003, Bed-Nights Occupied, '000

	Foreign Residents			E.A. Residents		
	2001	2002	2003**	2001	2002	2003**
Game Reserves	127.5	121.2	120.0	11.8	11.9	12.2
National Parks	100.6	85.4	62.9	8.8	8.0	23.6
TOTAL	228.1	206.6	182.9	20.6	19.9	35.8
Of which full Catering ..	199.1	195.1	155.5	16.1	17.2	28.6
Self Service	29.0	28.1	27.4	4.5	5.0	7.2

* Lodges in National Parks and Game Reserves

** Provisional

13.17. Table 13.8 presents data on the number of bed-nights occupied in Game Reserves and National Parks of Kenya. The number of bed-nights by foreign residents declined by 11.5 per cent while that of East African residents increased by 80.0 per cent. Most of the occupants of the Game Lodges preferred full catering service as opposed to self service.

13.18. There was a significant increase of bed-nights by East African residents which rose from 17,200 in 2002 to 28,600 in 2003, a rise of about 80 per cent. Like the foreign residents, East African residents visiting the game lodges preferred full catering.

Other Tourists Attractions

13.19. Table 13.9 presents data on the number of visitors to parks and game reserves. The total number of visitors decreased from 1,771,300 in 2002 to 1,540,600 in 2003 a fall of 13.0 per cent. Significant fall was recorded in Nairobi Safari Walk, which dropped from 114,400 visitors in 2002 to 66,300 in 2003. This was followed by visitors to Kisumu Impala Sanctuary which declined from 117,700 in 2002 to 69,600 in 2003, a fall of 40.9 per cent. Visitors to Lake Nakuru National Park dropped by 15.5 per cent over the same period.

Table 13.9: Number of visitors to parks and game reserves, 1999-2003, '000s

	1999	2000	2001	2002	2003*
Nairobi	139.2	130.3	101.6	90.4	71.3
Nairobi Safari Walk	-	-	113.5	114.4	66.3
Animal Orphanage	235.1	266.1	151.1	254.5	205.3
Amboseli	77.0	93.5	91.5	92.0	54.7
Tsavo (West)	61.0	78.6	78.7	76.3	62.6
Tsavo (East)	111.6	124.9	132.7	152.8	119.2
Aberdare	44.2	44.9	40.5	41.5	30.3
Lake Nakuru	189.1	193.3	209.4	229.8	193.6
Masai Mara	171.0	193.5	207.2	231.1	233.0
Haller's Park	96.4	92.6	87.2	87.0	99.9
Malindi Marine	23.9	35.7	26.5	29.8	22.8
Lake Bogoria	53.0	56.1	59.6	18.7	64.7
Meru	3.5	6.0	7.8	8.2	5.7
Shimba Hills	17.7	20.5	18.3	14.4	16.2
Mount Kenya	22.7	11.5	26.3	27.9	25.5
Samburu	7.0	8.2	6.3	6.0	6.0
Kisite/Mpunguti	34.2	37.9	45.7	47.1	35.9
Mombasa Marine	36.1	38.4	29.1	30.5	31.4
Watamu Marine	40.8	28.4	30.0	29.3	21.1
Hell's Gate	72.7	74.0	73.0	60.9	75.1
Impala Sanctuary(Kisumu)	77.4	90.4	96.9	117.7	69.6
Other**	19.8	20.1	17.4	11.0	30.5
TOTAL	1,533.4	1,644.9	1,650.3	1,771.3	1,540.6

* Provisional

** Other includes Mount Elgon, Ol-Donyo Sabuk, Marsabit, Saiwa swamp, Ruma National Park, Mwea National Reserve, Central Ilsland National Park, Nasolot National Reserve and Kakamega National Reserve.

13.20. The total number of visitors to museums, snake parks and historical sites as shown in Table 13.10 rose from 603,070 visitors in 2003 to 686,300 an increase of 13.8 per cent. Visitors to the National Museum Nairobi rose from 202,700 in 2002 to 275,400 in 2003 an increase of 35.9 per cent. Visitors to Fort Jesus dropped from 140,700 in 2002 to 122,400 in 2003, while those to Snake Park rose from 76,200 to 84,200 in 2003.

Table 13.10: Number of visitors to museums, snake park and sites,1999-2003, '000s

	1999	2000	2001	2002	2003*
National Museum:(Main Gate)	196.4	210.9	251.6	202.7	275.4
National Museum:(Snake Park)	81.1	85.0	83.6	76.2	84.2
Fort Jesus	107.8	96.5	140.3	140.7	122.4
Kisumu Museum	45.9	48.1	62.3	45.1	70.2
Kitale Museum	22.5	28.1	29.6	21.5	34.0
Gedi	27.3	21.8	18.1	23.3	25.6
Meru Museum	16.6	18.1	19.2	14.9	16.9
Lamu	6.7	7.3	4.3	0.8	3.4
Jumba la Mtwana	5.5	5.1	4.6	3.1	2.7
Olorgessaile	2.2	2.4	1.8	7.3	-
Kariandusi	5.2	5.0	4.6	5.7	5.5
Hyrax Hill	2.5	3.3	3.4	6.1	3.7
Karen Blixen	50.0	52.6	51.3	46.4	34.0
Kilifi Mnarani	3.4	0.9	1.1	1.8	0.4
Kabarnet	0.0	0.8	0.9	1.2	1.3
Kapenguria	4.1	3.7	3.5	3.4	3.8
Pete Sites	0.1	0.0	0.1	0.1	-
Swahili House	0.3	0.7	0.8	0.5	0.5
German Post	0.1	0.1	0.1	0.1	0.1
Lamu Fort	1.2	1.0	1.1	0.8	0.9
Takwa Ruins	1.1	1.5	1.6	1.4	1.3
TOTAL	573.1	585.1	675.8	603.1	686.3

* Provisional

Conference Tourism

13.21. The year recorded increased conference tourism activities after a drop in 2002. Local conferences increased from 754 in 2002 to 805 in 2003, while International conferences rose from 115 to 126 in 2003. Number of local delegates rose from 28,645 in 2002 to 52,477 in 2003, while for international delegates rose from 12,405 to 16,362. The number of delegate days for locals also rose from 118,425 to 209,908 in 2003, while for international rose from 48,333 to 57,267 over the same period. Local and international conference registered occupancy rates of 12.7 per cent and 3.5 per cent in 2003 compared to the respective occupancy rates of 8.2 and 3.4 per cent in 2002 as displayed in Table 13.11. The increase in conference tourism activities during the year can be explained by the Government acquisition of the Kenyatta International Conference Centre and other efforts to promote it as an International Conference Centre. It should be noted that since the change in government, several International Conferences have been held at the KICC, including most of the government organised workshops and seminars.

Table 13.11: Reported conferences, 2001-2003

	2001		2002		2003*	
	Local	International	Local	International	Local	International
No.of conferences	609	108	754	115	805	126
No.of delegates	31,979	5,375	28,645	12,405	52,477	16,362
No.of delegate days	120,385	23,626	118,425	48,333	209,908	57,267
No.of delegate days available	1,387,000	1,387,000	1,441,233	1,441,233	1,648,201	1,648,201
Percentage Occupancy	8.7	1.7	8.2	3.4	12.7	3.5

* Provisional

Tourism Promotion

13.22. 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 mainly from the Far East and China, and promotion of domestic tourism and strategic partnership between public and private sector in marketing the country abroad.

13.23. The Kenya Utalii College continued training those aspiring to work in the tourism industry as shown in Table 13.12. Those who finished in-service courses in 2003 were 1,169 representing an increase of 18.9 per cent from 2002.

Table 13.12 Kenya Utalii College graduates, 1999-2003

	In-Service	Professional Courses			Grand Total	Grand
Year		MDP*	Ordinary	Service Advance	Total	Total
1999	1,061	136	307	31	474	1,535
2000	886	146	270	24	440	1,326
2001	880	128	317	22	467	1,347
2002	983	151	363	18	532	1,515
2003	1,169	179	391	15	585	1,754

Source: Kenya Utalii College
*MDP Management Development Programmes

13.24. Those who trained in management development programme increased from 151 in 2002 to 179 in 2003, while those who graduated at professional ordinary level courses increased from 363 in 2002 to 391 in 2003. However, advanced level courses decreased from 18 to 15 in 2003.

Chapter 14
Transport, Storage & Communications

Overview

Indicators on performance of the transport and communications sector show increased activity for almost all sub-sectors in 2003. However, real output growth from the sector was 8.7 per cent compared to 24.3 per cent expansion recorded in the previous year. This was as a result of the economic depression that prevailed in the country due to the political transition.

14.2. Railway transport posted the highest output increase of 27.1 per cent compared to a decline of 10.9 per cent in 2002. This was a remarkable performance against a background of reduced demand for railway transport services in the recent past. Although there was a slight decrease in the number of international flights in 2003, the local air transport industry remained vibrant with the number of domestic flights rising by 49.6 per cent. The air transport sub-sector posted a 17.7 per cent growth in 2003 compared to 10.7 per cent in 2002.

14.3. A total of 33,917 new vehicles were registered to operate on Kenya roads in 2003 compared to 32,638 vehicles in 2002. Despite the increase,performance of the road transport industry remained constrained mainly due to the crumbling state of roads. Total cargo traffic handled at the port of Mombasa rose substantially by 12.6 per cent to 14,384 thousand tonnes from 12,779 thousand tonnes in 2002. The communications industry remained one of the fastest growing sub-sectors of the economy contributing 37.0 per cent of the total output realised in the transport and communications sector in 2003.

Value of Output

14.4. Value of Output from the Transport and Communications Sector increased by 8.7 per cent to Ksh 158,550 million in 2003 from Ksh 145,808 million in 2002 (see Table 14.01). The growth was however below the 24.3 per cent recorded in 2002. The sharp fall of receipts in the road transport and communications sub-sectors mainly accounted for the drop; Railway transport posted an outstanding 27.1 per cent output growth compared to a previous decline of 10.9 per cent in 2002. Notable growth of 17.7 per cent was attained in the air transport industry, despite the travel warnings of possible terrorist attacks. The high output expansion realised by the communication sub-sector in 2002 of 37.1 per cent slowed down to 5.7 per cent in 2003. Water transport registered a modest output rise of 2.9 per cent. The poor state of roads in the country further constrained the efficiency of the road transport industry leading to a slowed growth of 5.9 per cent compared to 41.0 per cent recorded in 2002.



Table 14.01: Transport and Communications - Value of Output, 1999 – 2003, KSh million

	1999	2000	2001	2002	2003*
Road Transport	18,552	21,353	25,659	36,167	38,291
Railway Transport**	5,206	5,954	5,879	5,237	6,658
Shipping	7,432	8,461	9,477	9,549	9,821
Air Transport	20,002	23,025	24,913	27,584	32,470
Services Incidental to Transport	3,274	3,750	4,284	5,012	5,846
Pipeline Transport	5,728	6,202	6,462	6,601	6,661
Communications	24,028	25,760	40,591	55,657	58,804
TOTAL	**84,222**	**94,504**	**117,265**	**145,808**	**158,550**

*Provisional

**Includes other revenue

Road Transport

Roads

14.5. The Roads Maintenance Levy Fund (presented in Table 14.02), the mechanism through which the government finances roads network, decreased by 1.2 per cent in the financial year 2002/2003 to Kshs. 7.7 billion from Kshs. 7.8 billion in 2001/2002. However Transit Toll rose by 11.2 per cent to Kshs 221.8 million in 2003 from Kshs 199.5 million in 2002. It is projected that collection for 2003/2004 of Kshs. 8.4 billion on Fuel Levy will be attained, having collected Kshs. 6.7 billion by March 2004.

Table 14.02: Road Maintenance Funds, 1999/2000 - 2003/2004 (Kshs. Million)

	1999/2000	2000/2001	2001/2002	2002/2003	2003/2004*
Fuel Levy	6,030	6,600	7,836	7,739	8,040
Transit Toll	160	180	200	222	225
Total	6,190	6,780	8,036	7,961	8,265

*provisional

14.6. The Roads Maintenance Fund had a total of 96 projects in progress in 2002/2003. Fourty three (43) of these were undergoing rehabilitation, resealing or gravelling. A total of 282 kilometres were gravelled; 20 kilometres of bitumen roads rehabilitated (involving pavement construction); 151 kilometres of bitumen roads were either resealed or re-carpeted, mainly involving potholes repair and application of a bitumen seal. Eleven (11) road projects were substantially completed in 2002/2003. A total of 8,910 kilometres of roads were graded while 9,559 kilometres were maintained on routine basis.

Roads Traffic

14.7. Although roads network is the most developed mode of transport in the country, its dilapidated status has progressively constrained earnings accruing to the road transport industry. During 2003, estimated passenger traffic earnings increased by 5.2 per cent from Kshs. 16,745 million in 2002 to Kshs. 17,614 million, as shown in Table 14.03. Earning from freight transport by road rose by 6.5 per cent from Kshs. 19,422 million in 2002 to Kshs. 20,677 million.

Table 14.03: Earnings from Road Traffic, 1999 – 2003, KSh Million

	1999	2000	2001	2002	2003*
Passenger Traffic	9,764	10,026	13,394	16,745	17,614
Freight Traffic	8,788	11,477	12,265	19,422	20,677
Total Road Traffic	**18,552**	**21,503**	**25,659**	**36,167**	**38,291**

*Provisional

New Registration for Motor Vehicles

14.8. The number of newly registered motor vehicles, reflected in Table 14.04, rose by 3.9 per cent in 2003 to 33,917 vehicles from 32,638 vehicles registered in 2002. The slow rise is attributed to the ban of imported second hand vehicles that are more than 10 years old, spelt out during the 2003 budget speech. Consequently the number of saloon cars registered decreased by 7.8 per cent. However, increases of 19.1 and 7.8 per cent in registration for station wagons and lorries/trucks were recorded in 2003, though far below the respective growths of 42.5 and 49.5 per cent in 2002 in the same vehicle categories. Registration for buses and coaches rose significantly as evidenced by the 63.9 per cent rise in registration in 2003, from a decline of 16.9 per cent in 2002. The number of newly registered minibuses declined sharply by 28.6 per cent in 2003 compared to the increase of 11.1 per cent in 2002. Increased demand for freight transport by road led to 7.8 per cent increase in new registration of lorries.

Table 14.04: New Registration of Road Vehicles, 1999 – 2003, Number

Type of Vehicle	1999	2000	2001	2002	2003*
Saloon Cars	8,917	6,514	8,258	10,534	9,709
Station Wagons	4,251	4,004	4,733	6,746	8,032
Panel Vans, Pick-ups, etc.	6,984	4,413	4,747	5,834	6,819
Lorries/Trucks	2,087	1,104	1,283	1,919	2,069
Buses and Coaches	866	466	490	407	667
Mini Buses/Matatu	872	1,751	3,598	3,996	2,854
Special Purposes Vehicles	29	23	87	29	30
Trailers	567	331	603	503	861
Rollers, Graders, Cranes	70	46	69	54	60
Wheeled Tractors	1,112	510	575	678	663
Crawler Tractors	6	3	20	28	59
Motor and Auto Cycles	2,127	1,065	1,559	1,907	2,084
Three Wheelers	4	6	2	3	10
Total	27,892	20,236	26,024	32,638	33,917

*Provisional

Road Licenses

14.9. All categories of Licenses issued by the Transport Licensing Board (TLB) in 2003 decreased as shown in Table 14.05. The fall is attributed to the fact that the Government had previously done away with the licenses but re-introduced them in the 2003 Budget. The main purpose being the need to streamline the road transport business. The licences are however expected to rise following concerted efforts by the Ministry of transport and Communication to enforce the Traffic Act in order to streamline the public road transport business.

Table 14.05: TLB Licenses, 1999- 2003 (Number)

	1999	2000	2001	2002	2003*
PSV Matatus	28,805	30,675	26,475	29,403	24,775
PSV Buses and Tourist Vehicles	3,359	4,673	7,264	8,853	4,903
Freight Transport Vehicles	7,706	17,697	13,509	25,845	17,663
Total	39,870	53,045	47,248	64,101	47,341

*Provisional



Rail Transport

14.10. It is estimated that about 30 per cent of the total cargo handled at the port of Mombasa is carried via the railway network. Between 1999/2000 and 2002/2003 the Kenya Railways Corporation ferried an average of 2.3 million tonnes of cargo and moved an average of 4.7 million passengers per annum over the same period. Freight traffic (shown in Table 14.06) recorded a continued decrease of 2.8 per cent in 2003 to stand at 2,165 thousand tonnes from 2,227 thousand tonnes in 2002. Total income from passenger and freight services dropped by 8.0 per cent to Ksh 4,293 million from Ksh 4,667 million in 2002.

Table 14.06: Railway Traffic, 1998/1999 - 2002/2003

	Unit	1998/1999	1999/2000	2000/2001	2001/2002	2002/2003*
Freight:						
Tonnes	'000'	2,200	2,400	2,330	2,227	2,165
Tonne-km	million	1,492	1,557	1,603	1,638	1,571
Revenue	Kshs. mill.	4,514	4,727	4,660	4,514	4,133
Revenue per tonne-Km	cts	303	332	290	293	260
Passenger:						
Journeys	'000'	4,700	4,200	5,517	4,794	4,400
Passenger-Km	million	306	302	216	306	295
Revenue	Kshs. mill.	288	227	202	153	160
Revenue per passenger-Km.	cts	94	75	94	42	54
Total Revenue	Kshs. mill.	4,802	4,954	4,862	4,667	4,293

*Provisional

14.11. Kenya Railways, in its improvements strategy, re-introduced the suspended passenger train services between Nairobi and Butere through Kisumu, and between Karatina and Sagana late in 2003.

Marine Transport

14.12. Total cargo traffic handled at Mombasa Harbour in the past four years has been on a steady increase. Despite a decline in the number of ships docking at the port by 0.9 per cent, cargo throughput increased by 12.6 per cent in 2003 compared to 0.5 per cent increase in 2002. Total imports of cargo went up by 19.8 per cent, while cargo exports decreased by 14.2 per cent. Container traffic went up by 24.5 per cent to 380,353 Twenty-Foot Equivalent Units (TEUs) in 2003 compared to 305,427 TEUs in 2002.

Table 14.07: Traffc at Mombasa Port, 1999 - 2003

	1999	2000	2001	2002	2003*
Containers Traffic (No.)	232,417	236,928	290,500	305,427	380,353
Ships Docking (No.)	979	991	1,111	1,720	1,705
Cargo Loaded-Exports (000 Tonnes):					
Dry Cargo	1,613	1,530	1,802	2,172	1,803
Oils	232	192	196	208	265
Transit Outward	285	301	273	340	266
Total	**2,130**	**2,023**	**2,271**	**2,720**	**2,334**
Cargo Landed-Imports (000 Tonnes):					
Dry Cargo	3,772	4,075	4,471	4,358	5,301
Oils	2,571	3,329	4,131	3,826	4,562
Transit Inward	1,025	1,153	1,844	1,875	2,186
Total	**7,368**	**8,557**	**10,446**	**10,059**	**12,049**
Total Freight Handled	**9,498**	**10,580**	**12,717**	**12,779**	**14,384**

*Provisional

Pipeline Transport

14.13. The deregulation of the petroleum sector coupled with the rising growth in demand for refined petroleum products has continued to create new challenges for Kenya Pipeline Company Limited (KPC), the principal transporter of light petroleum products. Transport throughput of white petroleum products from the Refineries and Kipevu Terminal increased by 7.4 per cent from 2,761 thousand cubic metres in 2002 to 2,965 thousand cubic metres in 2003, as reflected in Table 14.08. All brands, recorded increases in pumping throughput except for motor spirit (regular) that decreased by 32.6 per cent.

Table 14.08: Pipeline Throughput of White Petroleum Products, 1999 - 2003 ('000 Cu. Metres)

	1999	2000	2001	2002	2003*
Motor Spirit (Premium)……	631.0	598.6	624.3	625.2	675.0
Motor Spirit (Regular)……	192.4	184.2	177.0	154.5	104.2
Kerosene Illuminating Oil……	443.5	397.8	372.8	375.7	389.6
Light Diesel Oil……	876.9	980.7	1,003.4	913.5	1,057.0
Jet Fuel……	639.4	622.0	639.4	692.2	739.2
Total	**2,783.2**	**2,783.3**	**2,816.9**	**2,761.1**	**2,965.0**

* Provisional

14.15. As a result of the rising demand for petroleum products in Western Kenya and the markets beyond the boundaries, the current Nairobi-Western Kenya pumping capacity of 160,000 litres per hour is inadequate. To enhance the pumping capacity, KPC has completed constructing a new pump station at Morendat that will boost the capacity by 37.5 per cent to 220,000 litres per hour.

Air Transport

14.16. There was a slight decline in the number of total international flights recorded at Jomo Kenyatta Airport-Nairobi (JKIA) from 31,933 in 2002 to 31,665 in 2003, a decrease of 0.8 per cent. Domestic flights increased by a significant 49.6 per cent from 17,964 in 2002 to 26,883 flights in 2003. International flights at Moi International Airport-Mombasa (MIA) increased by 8.3 per cent from 4,097 in 2002 to 4,437 flights in 2003. The number of domestic flights at the airport declined by 17.8 per cent in 2003.

Passenger Traffic

14.17. Total passenger traffic increased by 6.1 per cent to 4,747 thousand passengers in 2003 from 4,474 thousand in 2002 (see Table 14.09). Total Domestic Passenger traffic increased by 3.6 per cent in 2003 to 1,444 thousand passengers from 1,394 thousand passengers in 2002. International passenger traffic increased by 7.2 per cent from 3,080 thousand passengers in 2002 to 3,303 thousand in 2003. The two major airports, JKIA and MIA, recorded an increase in passenger traffic of 8.3 per cent in 2003. MIA however had a significant decrease of 7.6 per cent in passenger traffic. The domestic passenger traffic at MIA Mombasa went up by 0.8 per cent, whereas the international passenger traffic declined by 18.0 per cent from 424 thousand passengers in 2002 to 348 thousand passengers. The poor performance was as a result of adverse effects of the travel advisory notices issued by some western countries. JKIA recorded an increase of 12.9 per cent in 2003 from 3,057 thousand passengers in 2002 to 3,451 thousand in 2003.

Table 14.09: Airports Passenger Traffic, 1999 - 2003 (000 No.)

		1999	2000	2001	2002	2003
Nairobi (JKIA) -	Arrivals	1,248	1,376	1,383	1,458	1,680
	Departures	1,205	1,358	1,399	1,472	1,632
	In Transit**	215	211	187	127	139
	Total	**2,668**	**2,945**	**2,968**	**3,057**	**3,451**
Mombasa (MIA)	Arrivals	416	428	413	426	389
	Departures	424	427	419	426	391
	In Transit**	50	46	19	39	44
	Total	**890**	**901**	**851**	**891**	**823**
Sub - total	Arrivals	1,664	1,804	1,796	1,884	2,069
	Departures	1,629	1,785	1,818	1,898	2,023
	In Transit**	265	257	206	166	182
	Total	**3,558**	**3,847**	**3,819**	**3,948**	**4,274**
Eldoret	Arrivals	10	18	15	14	13
	Departures	9	17	15	13	12
	In Transit**	5	7	1	1	1
	Total	**23**	**42**	**32**	**28**	**26**
Others	Arrivals	210	247	237	249	220
	Departures	200	236	229	240	215
	In Transit**	11	12	12	9	12
	Total	**421**	**495**	**478**	**498**	**447**
TOTAL	Arrivals	1,884	2,068	2,036	2,147	2,302
	Departures	1,837	2,039	2,048	2,151	2,250
	In Transit**	281	276	245	176	194
	Total	**4,002**	**4,383**	**4,329**	**4,474**	**4,747**

*Provisional

** Transit passengers are those changing planes at an airport with different country as their destination

Freight Traffic

14.19. Total freight handled by air in all airports decreased by 2.1 per cent (as reflected in Table 14.10) from 222,540 tonnes in 2002 to 217,955 tonnes in 2003. Freight traffic at JKIA decreased by 1.5 per cent, while it increased by 70.7 per cent at MIA. This was due to a five hold increase in the domestic cargo traffic, from 161 tonnes in 2002 to 1,036 tonnes in 2003. The cargo volumes at Eldoret Airport declined by 28.4 per cent from 12,563 tonnes in 2002 to 8,999 tonnes in 2003. The drop may be attributed to the cargo flights ban late in 2003.



Table 14.10: Commercial Airfreights, 1999 - 2003 (Tonnes)

Airport	Item	1999	2000	2001	2002	2003*
	Cargo: Unloaded ..	31,183	37,918	40,161	45,419	43,305
	Loaded	94,369	101,702	98,986	123,385	122,919
Nairobi (JKIA)	Mail: Unloaded ..	734	728	292	96	142
	Loaded ..	335	296	173	109	151
	Total	**126,621**	**140,643**	**139,612**	**169,009**	**166,517**
	Cargo: Unloaded ..	1,329	1,435	1,507	1,243	1,485
	Loaded	1,021	1,280	1,962	1,769	3,323
Mombasa (MIA)	Mail: Unloaded ..	1	0	4	2	1
	Loaded ..	24	24	24	31	39
	Total	**2,376**	**2,740**	**3,497**	**3,045**	**4,848**
	Cargo: Unloaded ..	32,512	39,353	41,668	46,661	44,790
	Loaded	94,703	101,997	99,159	125,154	126,242
Sub - Total	Mail: Unloaded ..	735	728	296	98	143
	Loaded ..	94,393	101,725	99,010	140	190
	Total unloaded	33,247	40,082	41,963	46,759	44,933
	Total loaded	189,096	203,723	198,169	125,294	126,432
	Cargo: Unloaded ..	4,133	4,724	9,635	12,560	5,798
	Loaded	79	244	472	3	3,201
Eldoret	Mail: Unloaded ..	-	-	0	-	-
	Loaded ..	-	-	3	-	-
	Total	**4,212**	**4,968**	**10,110**	**12,563**	**8,999**
	Cargo: Unloaded ..	421	708	325	1,203	1,236
	Loaded	19,268	23,239	6,385	36,721	36,353
Others	Mail: Unloaded ..	5	1	0	-	1
	Loaded ..	5	1	-	-	0
	Total	**23,911**	**28,916**	**16,821**	**37,924**	**37,590**
	Cargo: Unloaded ..	**37,067**	**44,785**	**51,628**	**60,425**	**51,824**
	Loaded	**114,050**	**125,480**	**106,016**	**161,878**	**165,796**
TOTAL: Arrivals	**Mail:** Unloaded ..	**741**	**729**	**296**	**98**	**145**
	Loaded ..	**94,398**	**101,726**	**99,013**	**140**	**190**
	Total cargo unloaded	**37,807**	**45,514**	**51,924**	**60,522**	**51,968**
	Total cargo loaded ..	**208,448**	**227,206**	**205,029**	**162,018**	**165,986**
GRAND TOTAL		**246,255**	**272,721**	**256,953**	**222,540**	**217,955**

*provisional

Communications

Postal Services

14.20. The Postal Corporation of Kenya that previously enjoyed monopoly of providing postal services has in recent past faced increased competition. The total number of correspondences handled (as reflected in Table 14.11) increased four fold from 27 million in 2002 to 124 million in 2003. Parcels handled (through EMS) increased by 38.0 per cent to 64 thousand in 2003 from 50 thousand in 2002. Though the number of letter boxes rented went down by 1.6 per cent in 2003, the installed capacity increased by 0.4 per cent from 396 thousand in 2002 to 398 thousand in 2003. The number of Post Offices also increased from 884 in 2002 to 890 in 2003. Demand for Money Order services continued to decline, partly due to advancement of electronic technology in money transfer. The shifting of customers to Internet as an alternative means of sending and receiving correspondences adversely affected sale of stamps, which hitherto used to account for 22 per cent of the Corporation's revenue.

14.21. The Corporation, in response to the competition, began providing internet services in 2003 at various parts of the country, including remote areas, using its post offices. The service is currently available in some 400 post offices and will be expanded to cover all the 890 outlets. It is also planning to rollout the Very Small Aperture Technology (VSAT) to enable it develop and market electronic products. These include hybrid mail, electronic money orders, e-mail services, and logistics and distribution services. Further it intends to implement a counter-automation programme to replace existing manual processes.

Table 14.11: Postal and Telecommunication Services, 1999 - 2003

Description	Unit	1999	2000	2001	2002	2003*
Post Offices..						
Total Courier Outlets (Licensed)	No.	941	890	893	884	890
Total	No.	-	185	296	320	330
Private Letter Boxes:-		**941**	**1,075**	**1,189**	**1,204**	**1,220**
Installed		*650*	*687*	*717*	*721*	*718*
Rented..	000 No.	345	387	394	396	398
Registered and Insured Items Posted.	000 No.	305	300	323	325	320
Domestic	000 No.	*1,959*	*1,940*	*2,144*	*2,228*	*2,205*
International	000 No.	1,775	1,769	1,908	1,814	1,997
Total correspondence handled	000 No.	184	171	236	414	208
Domestic	Millions	*146*	*115*	*33*	*27*	*124*
International	Millions	144	92	27	22	102
Parcels handled	Millions	2	23	6	6	22
Domestic	000 No.	*228*	*204*	*197*	*50*	*64*
International	000 No.	126	112	114	39	53
Money Orders..	000 No.	102	92	83	11	11
Domestic	000 No.	*1,233*	*652*	*782*	*1,371*	*1,138*
International	000 No.	1,233	652	777	1,369	1,135
Postal Orders	000 No.	-	-	5	2	3
Telephone Exchange:-	000 No.	1,118	1,192	1,218	1,347	1,413
Capacity	000 No.	*707*	*748*	*772*	*839*	*869*
Connections	000 No.	411	444	446	508	544
Public Call boxes (Telephone Booths):	000 No.	296	304	326	332	326
Coin Phones	No.	*9,273*	*9,449*	*9,092*	*10,718*	*10,708*
Card Phones	No.	8,397	8,388	8,293	8,225	*7,919*
Mobile Telephone	No.	876	1,061	799	2,493	2,789
Manual Telephone Calls made	000 No.	15	85	630	1,068	1,097
Tele - Density	000 No.	3,500	3,861	5,412	3,098	1,395

***Provisional**

Telecommunications

14.22. The environment in telecommunication services has been that of increaseed competition. A number of players have been licensed to offer services in telephone connections and Internet services. In the process land-line phones' capacity (see Table 14.11) was increased by 7.0 per cent from 507,652 lines in 2002 to 543,636 in 2003. However connections on the same declined by 1.8 per cent. The number of pay phones decreased from 10,718 in 2002 to 10,708 in 2003. Mobile phone connections increased by 2.7 per cent from 1,068 thousand connections in 2002 to 1,097 thousand in 2003. Simu ya Jamii (Community Phone) mobile pay-phones were introduced in the market late 2003.

14.23. The development of a large-scale telecommunications infrastructure in Kenya, capable of delivering efficient and affordable info-communications services, is recognised as a critical pre-requisite for the country's economic growth. Consequently the Communications Commission of Kenya is undertaking a study with a view to establishing a policy and a strategy for universal access to information and communications for the country. It will specifically involve research to define the overall policy goals of universal access, while addressing regulatory and financial mechanisms, including inter-connection issues. The study shall also establish the demand and user preferences by undertaking a baseline survey that will indicate a standard measure by which other communications areas can be approached. Further, to enhance on-line services, the Commission has licensed a Regional Operator, Bell-Western, to cover the North Eastern Districts including Mandera, Wajir, Garisa and the neighbourhood. The operations are expected from May 2004. It is anticipated that the operator will have 20,939 lines in place in the first five years of operation, with at least two payphones per sub-location.

Radio and TV Licenses

Information and Mass Media

14.24. Liberalisation of the mass media has resulted in many radio and TV stations being opened, ending the earlier monopoly enjoyed by Kenya Broadcasting Corporation (KBC). In order to streamline the industry farther the government, in its last budget, abolished the prerequisite of having to buy permits for the radio and TV sets as well as the dealers' licenses, earlier sold and issued by KBC.

Broadcasting Stations

14.25. The continued liberalisation of airwaves has promoted opening of new broadcasting stations all over the country, both in the rural and urban. So as to reach the bigger population in the rural, the broadcasts being launched are in English, Kishwahili and various local languages.

Daily and weekly newspaper

14.26. Sales of local daily nespapers declined between 1999 and 2001 and rose for the last two years as shown in table 15.12 due to the political scenario that prevailed in the country. English Language Newspaper sales increased by 5.4 per cent from 82,067 thousand copies in 2002 to 86,508 thousand copies in 2003. Conversely, sales of the Swahili newspapers declined further by 6.1 per cent in 2003. The weekly English newspapers recorded 14.8 per cent increase from 1,311 thousand copies in 2002 to 1,505 thousand copies in 2003.

Table 14.12: Local Daily/Weekly Average Newspapers in Circulation, 1999 - 2003 (1000' copies)

	1999	2000	2001	2002	2003*
Daily Newspapers-					
English	82,372	78,844	78,335	82,067	86,508
Swahili	10,387	10,007	9,622	9,255	8,686
Weekly Newspapers-					
English Weeklies	1,312	1,297	1,283	1,311	1,505

*Provisional

Chapter 15
Poverty and Inequality in Kenya: Constituency Level Estimates

Introduction

This chapter presents a summary of the preliminary results of a broader report entitled "Geographic Dimensions of Well-Being in Kenya; Volume II: Poverty and Inequality at the Constituency Level" whose publication is forthcoming. The Volume is a follow-up to the recently launched Poverty Maps (Volume I), which presented poverty estimates up to locations (in rural areas) and sub-location (in urban areas) for the entire country except North Eastern Province. The poverty maps, for the first time in the history of poverty analysis in Kenya, exposed pockets of very high poverty that exceed the national average. In volume II, an attempt has been made to present poverty and inequality estimates at the constituency level for about 187 of the 210 constituencies whose data are currently available.

The results are a culmination of a rigorous and orchestrated poverty diagnostics being undertaken to deepen understanding of the incidence and dynamics of poverty and inequality against the backdrop of the Economic Recovery Strategy framework, to guide national discourses on the same and facilitate the design and implementation of poverty reducing policies and programmes.

Background

The Government of Kenya subscribed to the Poverty Reduction and Growth Facility (PRGF) in 2000 and embarked on the preparation of the Poverty Reduction Strategy Paper (PRSP) at the same time. This preparation was undertaken through wide-ranging consultations and dialogue in order to build consensus on priority actions and activities necessary for economic growth and poverty reduction. In December 2002, the Government embarked on the process of preparing an Economic Recovery Strategy for Wealth and Employment Creation (ERS). The ERS presents a road map for economic recovery during the next five years and takes into account existing Government policy documents, particularly the PRSP, and the National Development Plans to provide strategic directions for economic recovery and wealth creation. The implementation of the ERS is integrated with the MTEF budgeting process to improve the planning and resource allocation process, achieve a more effective use of resources, and to redirect available resources towards implementation of policy priorities.

The chapter attempts a rigorous analysis of poverty and inequality at the constituency level. Although the discussion of the results focuses on the differentials of poverty and inequality by constituency, some digression is directed on how and in what circumstances poor people are able to gain access to the decision making processes in order to influence resource allocation and address poverty.

Why Measure Poverty?

A credible measure of poverty can be a powerful instrument for focusing the attention of policy makers on the living conditions of the poor, and inform the design of policies intended to reduce poverty. For policy purposes, comparative analysis of the incidence of poverty are especially important in order to develop anti-poverty programmes and monitor development progress and growth strategies.

While measuring poverty is the central theme of policy papers such as the PRSP/ ERS, this is only a means to an end; the ultimate goal is to reduce the number of poor. Thus, once poverty is measured and the poor are identified, the next steps in the PRSP/ERS are to choose public actions and programmes that have the greatest impact on poverty, identify indicators of progress, and monitor the changes in a systematic manner.

Poverty measurement and diagnostics therefore, help examine the levels and patterns of poverty, and shows how these vary geographically and, therefore fundamental to influencing the implementation of poverty reducing policies and programmes in Kenya.

What is a Constituency?

A constituency is a political zone or area that is represented in Parliament by an elected representative known as a Member of Parliament (MP). There are a total of 210 such areas in Kenya. Other than the voter's registration data, very little of socioeconomic development indicators have been presented at the constituency level, this is the first time estimates of poverty and inequality are being disaggregated to the constituency level in Kenya.

Methodology

The principle underlying the method involves statistically combining the 1997 WMS data with the 1999 population and housing census data to produce poverty estimates at the constituency level. Firstly, a regression analysis technique is applied to data from the 1997 Welfare Monitoring Survey to obtain parameter estimates related to household expenditures and associated explanatory variables such as a number of socio-economic variables like household size, education levels, housing characteristics, and access to basic services. Secondly, statistically infer census household expenditures by applying the WMS III based estimated relationship (coefficients) together with comparable socio-economic variables from the 1999 population census. This enables the estimation of poverty measures at the sub-district level(s) such as constituencies. Further details on the methodology are accessible in the main report.

Who are the poor?

Poverty is a deprivation of essential assets and opportunities to which every human being is entitled. While poverty can be defined with either a monetary or non-monetary perspective, poverty mapping research in Kenya has adopted the monetary absolute poverty line derived from the 1997 Welfare Monitoring Survey. This measure is based on the comparison of individuals' consumption expenditures, with some defined threshold below which they are considered as poor. In other words, the poverty line is conceptualized as a minimum standard required by an individual to fulfil his or her basic food and non-food needs. The absolute poverty line has been set at Kshs 2,648 per adult equivalent in urban areas and at Kshs 1,238 per adult equivalent per month in rural areas.

Headcount index

The most widely-used measure of poverty is the *headcount index*, which simply measures the proportion of the population that is counted as poor. The head-count index does not indicate how poor the poor are, and hence remains unchanged even if people below the poverty line become poorer.

The poverty headcount index among the constituencies covered in this analysis ranges from 16.9 per cent to 81.8 per cent representing the least poor and the most poor constituencies respectively. Kabete turns out to be the least poor constituency in Kenya while Ganze in Kilifi District,Coast province, is the poorest. The following section presents a summary of the findings for each province.

Coast province: The headcount index among constituencies in Coast province ranges from 31.2 per cent in Bura to 81.8 per cent in Ganze. The residents of Ganze are therefore about two and a-half times poorer than poor residents of Coast province (Bura) and about five times poorer than the residents of the richest constituency in Kenya (Kabete constituency in Kiambu district).

Eastern Province: In Eastern province, the poorest constituency is Kitui South, which is about twice poorer than the richest constituency in Eastern Province (-Ntonyiri in Meru North) and about four and a-half times poorer than the richest constituency in Kenya.

Central Province: Central province emerges to have the least poor constituencies in Kenya.Poverty headcount index for the poorest constituency here is about two-and-a-half-times that of the richest (16.9 per cent in Kabete versus 44.2 per cent in Mwea). It should be noted that in terms of overall ranking of headcount index in all of constituencies in Kenya, the constituencies in Central Province take up the first eleven consecutive positions.

Rift-Valley Province: Poverty headcount index in the constituencies in Rift-Valley Province ranges from 34.1 per cent in Subukia (Nakuru District) to 65.8 per cent in Turkana Central in Turkana District. In terms of overall ranking by headcount index, most of the constituencies in this Province take up the positions between 30 and 100.

Western Province: The headcount poverty index for Constituencies in Western Province ranges from 49.8 per cent in Amagoro (Teso District) to 69.6 per cent Ikolomani in Kakamega District. The residents of the least poor constituency (Amagoro) in this province are three-times poorer than the residents of the richest constituency in Kenya (Kabete in Kiambu District). In terms of overall ranking, majority of the constituencies in this province take up positions between 100 and 173.

Nyanza Province: In Nyanza province, the least poor constituency is Uriri (46.8 per cent) in Migori District while the poorest constituency is Kuria (79.5 per cent) in Kuria District. The residents of the poorest constituency (Kuria) are about five-times poorer than the residents of the richest constituency, Kabete in Central province. In terms of ranking, the constituencies in Nyanza province take up positions between 110 and 187 nationally.

Poverty Gap Index

A moderately popular measure of poverty is the *poverty gap index*, which adds up the extent to which individuals fall below the poverty line (if they do), and expresses it as a percentage of the poverty line. This measure is the mean proportionate poverty gap in the population (where the non-poor have zero poverty gap). In sum, the *Poverty Gap Index* is the average over all people, of the gaps between poor people's standard of living and the poverty line, expressed as an index of the poverty line.

The results indicate that the poverty gap index ranges from 5.1 per cent in Kabete constituency in Kiambu District, Central Province to 38.1 per cent in Ganze Constituency in Kilifi District -Coast Province among the 195 constituencies covered in the analysis. The following section presents a snapshot of the poverty gap index by province.

Coast Province: The poverty gap index in Coast Province ranges from 9.5 per cent in Bura in Tana River District to 38.1 percent in Ganze constituency in Kilifi district. In essence it implies that the residents of Ganze constituency are on average 38 per cent below the absolute poverty line.

Eastern Province: In Eastern province the poorest constituency has three times larger the poverty gap of the least poor constituency. The poverty gap index in this province ranges from 10.6 per cent in Ntonyiri Constituency to 31 per cent in Kitui Central.

Central Province: Central Province, Kenya's least poor province, has the lowest poverty gap not only amongst its constituencies but overall. The poverty gap index in Central Province ranges from 5.1 per cent in Kabete to 14.8 per cent in Mwea constituency.

Rift-Valley Province: In Rift-Valley Province, poverty gap index ranges from 11.1 per cent to 28.8 per cent respectively in Subukia and Turkana Central among the constituencies covered by the analysis.

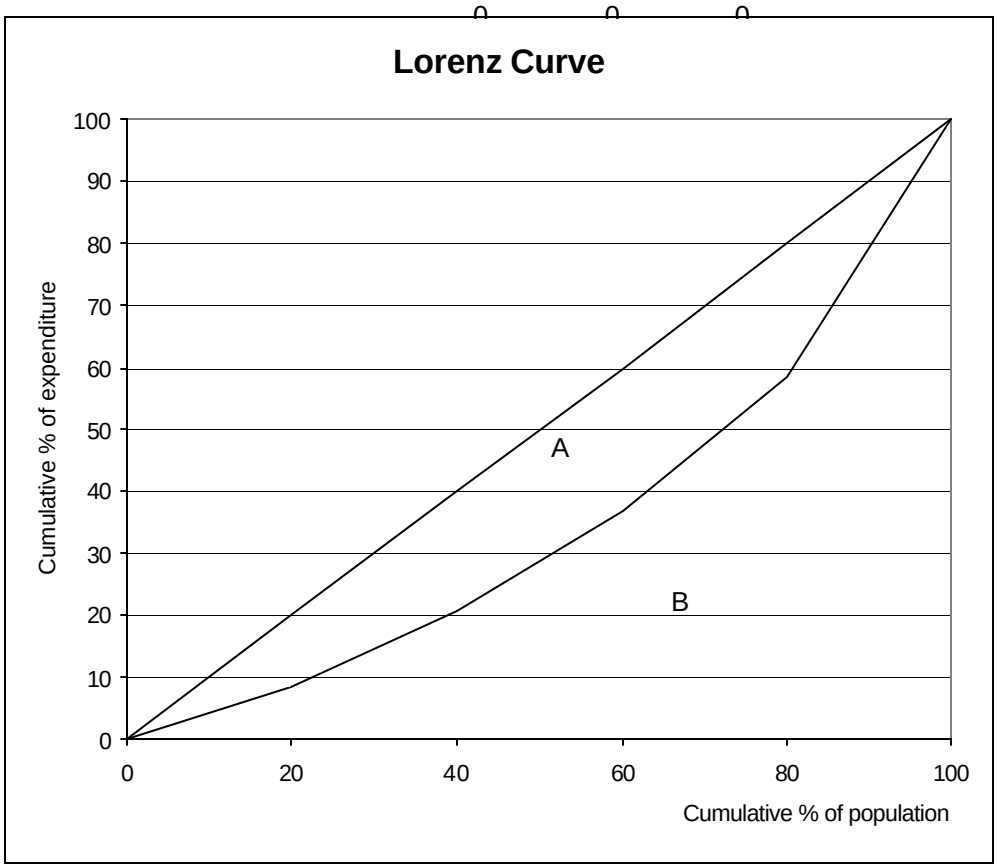
Western Province: Among the Western Province constituencies, poverty gap of the poorest constituency -Ikolomani is about twice that of the richest constituency (Amagoro) and ranges from 16.3 per cent to 29.8 per cent implying that the poorest residents of Ikolomani are about one third below the absolute poverty of Kshs 1,239 per person per month.

Nyanza Province: In Nyanza Province, poverty gap index ranges from 15.5 percent in Rongo to 34.8 per cent in Kuria Constituency.

Gini-coefficient of inequality

The most widely used single measure of inequality is the Gini coefficient. The Gini-coefficient is based on the Lorenz curve, a cumulative frequency curve that compares the distribution of a specific variable (eg. income) with a uniform distribution that represents equality. To construct the Gini-coefficient, graph the cumulative percentage of households (from poor to rich) on the horizontal axis and the cumulative percentage of expenditure (or income) on the vertical axis. This gives the Lorenz curve as shown in figure 1. The diagonal line represents perfect equality. The Gini-coefficient is defined as A/(A+B), where A and B are as shown on the graph. If A=0 the Gini-coefficient becomes 0 which means perfect equality, whereas if B=0 the Gini-coefficient becomes 1 which means complete inequality.

Figure 15.1 Lorenz Curve Depicting inequality in Kenya



The analysis of gini-coefficient for constituencies in Kenya indicates that the index ranges from 0.30 to 0.43. Although Ganze constituency is the poorest not only in Coast province but overall in Kenya it has one of the lowest inequality index of about 0.33 in Coast province while Lamu West has the highest (0.39) in Coast province. In Eastern Province, Moyale constituency portrays the lowest inequality while Gachoka constituency has the highest level of inequality with a gini- coefficient of about 0.41. Surprisingly, the least poor constituency in Kenya namely Kabete in Central province turns out to have the highest level of inequality not only in Central Province but also in overall Kenya with a gini-coefficient of about 0.43. Gatundu South constituency has the lowest inequality in the province with an index of 0.33. In Rift-Valley Province, inequality index ranges from 0.33 to 0.43 respectively in Samburu West and Kajiado North. The lowest level of inequality not only in Western province but also in overall Kenya appears to emerge from Butula in Western Province, and Kuria and Bonchari constituencies in Nyanza Province. In Western Province the highest inequality comes from Budalangi constituency with a gini-coefficient of 0.42. In Nyanza Province, inequality index ranges from 0.30 in Kuria to 0.39 in Rongo.

Poverty concentrations

In Coast province, out of the 17 constituencies covered by the analysis, seven of them contribute 70 per cent of the total poverty. The seven are Msambweni, Bahari, Malindi, Magarini, Kinango, Kaloleni and Ganze. In Eastern province the poor are concentrated in 10 of the total 36 constituencies. These ten contribute a total of 42 percent of the total province poverty, and include Kibwezi, Igembe, Nithi, Kangundo, Mwingi North, Mbooni, Mwala, Makueni and Kitui Central. In Western Province, 70 per cent of the poor are concentrated in 18 of the total 31 constituencies.

In Rift-valley, one third of the 48 constituencies contribute close to a half of the total poverty in the province. These include Turkana Central, Turkana North, Kilgoris, Narok South, Tinderet, Bomet, Kwanza, Eldoret North, Belgut, Saboti. In Central Province, 61per cent of the poor are concentrated in 14 of the 29 constituencies covered by the analysis,with majority of the poor found in Mathira, Kiharu, Gatundu south, Mathioya, Ol-Kalou, Kigumo, Gichugu, Mukurwe-ini, Kinangop, Kandara, Maragwa, Gatanga and Mwea. Finally, in Nyanza, 18 of the 32 constituencies contributed 70 per cent of the total poverty in the province. These include Kuria, Karachuonyo, Rarienda, West Mugirango, Kasipul-Kabondo, Kitutu-Chache, Alego, and Ugenya to mention but a few.

Discussion, Summary and Conclusions

Kenyans are increasingly beginning to demand better services and better representation in parliament. There are now 4 constituency development funds being suggested in Kenya. These are the roads fund, the AIDS Fund, the Bursary Fund and the Rural Development Fund.

In the recent past, economic liberalization, structural adjustment and globalization may have improved economic growth prospects in some parts of the country, but even where growth has occurred, the gap between the rich and the poor has generally widened. Conditions for the poor have worsened in many places, especially in Arid and Semi Arid areas. Structural adjustment, deregulation and commercialization, and increased reliance on the private sector have reduced the scope or changed the nature of Government intervention on behalf of the poor.

This has given rise to a myriad of other conditions that did not augur well for growth and poverty reduction. The low per capita spending on health and the resultant poor access to quality health services resulted in the resurgence of certain diseases that had been formerly controlled (STIs, TB and Malaria etc), and this has further been worsened by the HIV/AIDS menace. The effect of this heavy disease burden has been the diversion of more resources from directly productive sectors to unproductive sectors.

Thus, the policy actions of the government (central and local) have an important impact on poverty, inequality and growth. At the same time, the range of actors has expanded, with the explicit recognition of the previously unacknowledged roles played by Non Governmental Organizations (NGOs), Community Based Organizations (CBOs) and the private sector among other players.

The results presented in this chapter and the broader report, lay the basis for exploring constituency governance structures that affects poverty, inequality and economic growth at this level. Constituency residents could already begin to answer questions such as how the organizations, mechanisms and institutions of governance have addressed (and will) poverty, deprivation and inequality using the funds at the disposal of the constituency. What planning mechanism do electorates at the constituency level have?

When do electorates plan and how do they review their developments in the constituency? These are some of the questions the electorates should begin to ponder with their Members of Parliament.

In a nutshell it is hoped that this chapter will bolster local political systems to provide a channel for poor constituency residents to participate in the decision making process geared to reducing poverty, inequality and growth. The results are expected to elevate the national discourses on poverty, inequality thereby enhancing the creation of critical mass of informed people capable of holding the leaders accountable to them, particularly in matters related to wealth creation and poverty reduction.

Table 15.1: Prevalence of Poverty and Inequality by Constituency (preliminary estimates)

	Number of Poor	Headcount Index: Per Cent of Individuals Below Poverty Line (std. error)		Poverty Gap as Per cent of Poverty Line (std. error)		Average GINI Coefficient of Inequality (std. error)		Poverty Ranking (National)	Per Centage Contribution to Provinces' Poor
Coast Province									
GANZE	89,308	81.8	(09.10)	38.1	(9.5)	0.3	0.01	187	9.2
KINANGO	115,452	72.8	(14.07)	30.8	(10.0)	0.3	0.01	183	12.0
MAGARINI	69,609	66.5	(13.96)	26.0	(8.9)	0.3	0.01	158	7.2
TAVETA	20,579	51.2	(13.64)	17.4	(6.6)	0.3	0.01	83	2.1
KALOLENI	131,522	74.4	(11.00)	32.3	(8.9)	0.3	0.01	185	13.6
WUNDANYI	30,802	63.9	(12.94)	25.2	(8.2)	0.3	0.01	150	3.2
BURA	19,894	31.2	(13.71)	9.5	(5.2)	0.3	0.02	12	2.1
MWATATE	29,770	58.1	(15.16)	21.9	(8.2)	0.4	0.01	114	3.1
MSAMBWENI	90,053	61.0	(13.67)	23.5	(8.3)	0.4	0.01	132	9.3
BAHARI	108,970	61.7	(15.48)	24.3	(9.5)	0.4	0.01	139	11.3
MATUGA	58,402	51.0	(15.00)	18.5	(7.5)	0.4	0.01	82	6.0
MALINDI	68,744	62.5	(14.12)	24.5	(8.7)	0.4	0.01	142	7.1
GARSEN	24,552	39.9	(14.51)	13.3	(6.6)	0.4	0.02	43	2.5
LAMU EAST	13,116	40.8	(13.16)	13.4	(5.8)	0.4	0.02	47	1.4
VOI	38,475	60.6	(13.42)	23.5	(8.0)	0.4	0.02	130	4.0
GALOLE	13,556	36.9	(12.33)	12.3	(5.6)	0.4	0.02	33	1.4
LAMU WEST	42,685	57.0	(14.07)	22.1	(8.1)	0.4	0.02	107	4.4
Eastern Province									
MOYALE	26,325	70.2	(08.87)	27.3	(6.2)	0.3	0.01	175	1.1
KITUI SOUTH	84,893	74.4	(08.24)	30.7	(6.3)	0.3	0.01	184	3.4
NTONYIRI	60,853	36.0	(11.79)	10.6	(4.5)	0.3	0.01	26	2.5
TIGANIA WEST	69,444	62.0	(09.12)	22.6	(5.3)	0.3	0.01	140	2.8
NORTH HORR	24,196	61.6	(09.00)	22.9	(5.2)	0.3	0.01	137	1.0
MWINGI NORTH	95,816	62.6	(08.69)	23.0	(4.9)	0.3	0.01	143	3.9
MWINGI SOUTH	82,927	61.1	(09.23)	22.5	(5.3)	0.3	0.01	133	3.4
IGEMBE	98,878	56.9	(09.40)	19.8	(4.9)	0.3	0.01	105	4.0
THARAKA	62,452	63.3	(08.28)	23.3	(5.0)	0.3	0.01	146	2.5
TIGANIA EAST	72,843	58.9	(09.07)	21.3	(5.3)	0.3	0.01	119	2.9
MUTITO	59,664	67.0	(08.88)	26.4	(6.1)	0.3	0.01	162	2.4
KAITI	72,171	65.6	(07.55)	25.3	(5.0)	0.3	0.01	155	2.9
MBOONI	105,212	63.8	(08.74)	24.4	(5.5)	0.3	0.01	149	4.3
MASINGA	65,595	63.1	(09.31)	24.0	(6.1)	0.3	0.01	144	2.7
KITUI WEST	92,582	66.9	(08.52)	26.8	(5.9)	0.3	0.01	160	3.7
MWALA	93,885	63.9	(08.72)	24.6	(5.6)	0.3	0.01	151	3.8
ISIOLO SOUTH	8,117	54.5	(08.82)	19.3	(4.6)	0.3	0.01	96	0.3
YATTA	72,518	61.6	(09.42)	23.1	(5.9)	0.3	0.01	136	2.9
MAKUENI	128,223	66.5	(08.50)	26.2	(5.7)	0.3	0.01	157	5.2
KANGUNDO	106,249	59.8	(08.32)	22.3	(4.8)	0.3	0.01	125	4.3
KITUI CENTRAL	107,770	72.7	(07.89)	31.0	(6.4)	0.3	0.01	182	4.4
LAISAMIS	14,826	41.1	(09.41)	13.4	(4.1)	0.4	0.01	48	0.6
KILOME	47,131	59.8	(08.33)	22.1	(5.0)	0.4	0.01	123	1.9
RUNYENJES	74,605	57.5	(08.95)	21.2	(5.1)	0.4	0.01	110	3.0
KIBWEZI	98,314	54.1	(08.64)	18.9	(4.5)	0.4	0.01	93	4.0
MACHAKOS TOWN	81,979	54.7	(09.08)	19.5	(4.9)	0.4	0.02	99	3.3
SAKU	13,477	55.5	(08.84)	20.5	(4.9)	0.4	0.02	101	0.5
NITHI	112,639	58.1	(08.09)	21.5	(5.0)	0.4	0.01	115	4.6
SOUTH IMENTI	60,395	42.0	(09.00)	13.8	(4.1)	0.4	0.01	51	2.4
MANYATTA	57,475	53.4	(08.68)	19.1	(4.6)	0.4	0.01	90	2.3
CENTRAL IMENTI	53,665	43.3	(08.78)	14.3	(4.1)	0.4	0.01	54	2.2
ISIOLO NORTH	26,948	51.9	(07.60)	18.7	(4.1)	0.4	0.02	85	1.1
SIAKAGO	46,987	69.4	(07.54)	29.5	(5.6)	0.4	0.02	170	1.9
NORTH IMENTI	68,245	40.5	(08.99)	13.4	(4.1)	0.4	0.01	46	2.8
KATHIANI	64,660	56.7	(08.10)	21.2	(4.7)	0.4	0.03	104	2.6
GACHOKA	57,506	58.7	(07.93)	22.5	(4.8)	0.4	0.03	118	2.3

Table 15.1: Prevalence of Poverty and Inequality by Constituency (preliminary estimates), Cont.

	Number of Poor	Headcount Index: Per Cent of Individuals Below Poverty Line (std. error)		Poverty Gap as Per cent of Poverty Line (std. error)		Average GINI Coefficient of Inequality (std. error)		Poverty Ranking (National)	Per Centage Contribution to Provinces' Poor
Central Province									
GATUNDU SOUTH	33,724	30.2	(14.44)	8.4	(5.1)	0.330	0.01	10	3.4
GATUNDU NORTH	37,485	38.5	(16.89)	11.8	(6.9)	0.333	0.01	37	3.7
KANDARA	57,887	38.3	(15.95)	11.7	(6.3)	0.335	0.01	36	5.8
KIGUMO	39,462	34.2	(14.57)	10.0	(5.4)	0.336	0.01	19	3.9
KANGEMA	18,520	32.7	(15.96)	9.8	(6.0)	0.340	0.01	15	1.8
NDARAGWA	21,438	27.4	(14.74)	7.9	(5.5)	0.345	0.01	8	2.1
KIPIPIRI	26,337	36.4	(13.02)	11.1	(5.1)	0.348	0.01	31	2.6
MATHIOYA	34,146	31.5	(13.19)	9.3	(4.8)	0.348	0.01	14	3.4
KIHARU	44,452	27.2	(12.96)	7.9	(4.7)	0.350	0.01	7	4.4
KINANGOP	47,340	36.0	(16.79)	11.4	(7.7)	0.351	0.01	27	4.7
MARAGWA	39,179	39.1	(14.20)	12.8	(6.4)	0.354	0.01	38	3.9
JUJA	27,412	34.4	(14.99)	10.5	(6.0)	0.360	0.01	21	2.7
OL_KALOU	45,163	33.4	(15.27)	10.3	(6.5)	0.362	0.01	16	4.5
GATANGA	63,697	39.2	(15.03)	12.5	(6.3)	0.364	0.01	39	6.3
MUKURWE-INI	29,010	35.7	(16.27)	11.5	(6.7)	0.366	0.01	25	2.9
OTHAYA	21,349	26.2	(12.92)	7.8	(5.0)	0.372	0.02	6	2.1
GICHUGU	39,705	34.6	(13.88)	10.2	(5.3)	0.373	0.02	22	3.9
NDIA	27,824	31.5	(15.07)	9.3	(5.5)	0.373	0.01	13	2.8
MWEA	53,150	44.2	(15.95)	14.8	(7.3)	0.375	0.02	56	5.3
TETU	26,763	33.7	(16.35)	10.7	(6.5)	0.375	0.01	17	2.7
GITHUNGURI	26,455	22.3	(12.11)	6.0	(3.8)	0.379	0.02	3	2.6
MATHIRA	35,822	25.3	(12.86)	7.5	(4.8)	0.379	0.02	5	3.6
NYERI TOWN	17,557	34.2	(13.76)	10.9	(5.7)	0.383	0.02	20	1.7
KERUGOYA/KUTUS	32,311	34.6	(13.54)	10.6	(5.1)	0.390	0.02	23	3.2
LARI	31,413	29.7	(13.10)	9.0	(4.8)	0.401	0.02	9	3.1
KIENI	42,199	30.7	(12.81)	10.1	(5.5)	0.411	0.02	11	4.2
KIAMBAA	31,839	20.6	(10.70)	5.9	(3.6)	0.416	0.02	2	3.2
LIMURU	22,933	22.9	(11.63)	7.0	(4.4)	0.420	0.02	4	2.3
KABETE	30,681	16.9	(09.31)	5.1	(3.1)	0.425	0.03	1	3.1
Rift Valley Province									
SAMBURU EAST	9,052	35.2	(17.04)	11.2	(7.3)	0.335	0.01	24	0.3
BARINGO NORTH	35,152	44.8	(17.26)	15.0	(7.8)	0.335	0.01	57	1.3
CHEPALUNGU	63,608	54.5	(18.12)	20.2	(10.2)	0.338	0.01	95	2.4
ALDAI	58,504	46.9	(16.32)	16.1	(7.8)	0.338	0.01	64	2.2
BOMET	86,545	50.8	(17.74)	18.3	(9.4)	0.340	0.01	81	3.2
KIPKELION	66,976	45.1	(17.23)	15.4	(8.0)	0.341	0.01	58	2.5
MOSOP	49,914	43.1	(15.46)	14.3	(7.2)	0.343	0.01	53	1.9
MOGOTIO	19,526	48.3	(16.29)	17.1	(8.3)	0.343	0.01	70	0.7
KURESOI	70,550	42.0	(18.07)	14.1	(8.0)	0.343	0.01	52	2.6
KWANZA	74,617	50.5	(16.28)	18.0	(8.2)	0.345	0.01	78	2.8
NAROK SOUTH	104,895	53.9	(16.13)	19.4	(8.0)	0.346	0.01	91	3.9
EMGWEN	68,974	47.3	(16.86)	16.5	(8.5)	0.346	0.01	67	2.6
NAROK NORTH	66,071	50.7	(14.69)	18.0	(8.3)	0.347	0.01	79	2.5
CHERANGANY	64,057	45.7	(15.93)	15.5	(7.4)	0.347	0.01	59	2.4
KEIYO SOUTH	31,882	37.9	(16.89)	12.5	(7.1)	0.347	0.01	35	1.2
TURKANA NORTH	79,101	60.4	(15.98)	24.2	(9.7)	0.348	0.02	129	2.9
SIGOR	62,517	54.6	(16.75)	20.4	(9.2)	0.348	0.01	97	2.3
BARINGO EAST	35,144	56.9	(16.97)	22.1	(10.3)	0.349	0.01	106	1.3
KACHELIBA	29,638	50.2	(17.99)	18.4	(9.7)	0.349	0.01	76	1.1
KILGORIS	91,338	57.6	(16.62)	22.1	(9.3)	0.349	0.01	111	3.4
SAMBURU WEST	36,248	47.7	(16.28)	17.2	(7.6)	0.350	0.01	69	1.3
MARAKWET WEST	30,659	41.3	(15.95)	13.6	(7.3)	0.350	0.01	49	1.1
ELDAMA RAVINE	31,443	43.5	(17.04)	14.7	(7.9)	0.350	0.01	55	1.2
ELDORET NORTH	82,523	48.6	(15.61)	17.0	(7.7)	0.350	0.01	72	3.1
LAIKIPIA WEST	56,912	37.0	(16.83)	12.2	(7.1)	0.352	0.01	34	2.1
SOTIK	64,855	49.5	(14.65)	17.4	(7.2)	0.352	0.01	73	2.4
ELDORET SOUTH	47,604	40.1	(15.40)	13.2	(6.7)	0.353	0.01	45	1.8
BURET	56,729	47.6	(14.99)	16.4	(7.2)	0.353	0.01	68	2.1
KAJIADO SOUTH	52,420	52.2	(15.04)	18.9	(7.9)	0.355	0.01	86	1.9
KEIYO NORTH	20,308	39.7	(17.38)	13.3	(8.2)	0.355	0.01	42	0.8
NAKURU TOWN	3,367	36.2	(15.78)	11.6	(6.5)	0.356	0.01	28	0.1
BELGUT	76,808	48.6	(15.33)	17.2	(7.6)	0.358	0.01	71	2.9

Table 15.1: Prevalence of Poverty and Inequality by Constituency (preliminary estimates), Cont.

	Number of Poor	Headcount Index: Per Cent of Individuals Below Poverty		Poverty Gap as Per cent of Poverty Line (std.		Average GINI Coefficient of Inequality (std. error)		Poverty Ranking (National)	Per Centage Contribution to Provinces' Poor
Rift Valley Province Cont.									
SABOTI	98,583	46.1	(18.19)	16.3	(8.9)	0.358	0.01	60	3.7
MARAKWET EAST	26,335	41.4	(16.76)	14.1	(7.9)	0.359	0.01	50	1.0
ELDORET EAST	49,718	36.4	(15.07)	11.5	(6.2)	0.360	0.01	29	1.8
LAIKIPIA EAST	33,460	36.4	(15.05)	11.8	(6.7)	0.360	0.01	30	1.2
BARINGO CENTRAL	39,899	39.4	(15.41)	13.6	(7.1)	0.362	0.01	41	1.5
TURKANA CENTRAL	87,010	65.8	(16.30)	28.8	(11.7)	0.363	0.02	156	3.2
KAPENGURIA	61,096	53.4	(16.27)	19.6	(8.7)	0.363	0.01	89	2.3
RONGAI	61,731	46.2	(15.77)	16.3	(7.6)	0.367	0.01	61	2.3
SUBUKIA	49,657	34.1	(15.67)	11.1	(6.8)	0.370	0.01	18	1.8
KONOIN	64,712	50.7	(14.06)	18.7	(7.8)	0.372	0.01	80	2.4
TINDERET	79,727	52.8	(16.61)	20.5	(9.8)	0.373	0.01	87	3.0
TURKANA SOUTH	37,371	54.6	(16.66)	20.9	(9.7)	0.375	0.02	98	1.4
MOLO	67,956	39.9	(16.04)	13.5	(7.0)	0.376	0.02	44	2.5
AINAMOI	56,482	50.3	(16.50)	18.9	(9.1)	0.376	0.01	77	2.1
KAJIADO CENTRAL	34,514	46.6	(15.78)	16.9	(8.1)	0.378	0.01	62	1.3
NAIVASHA	66,308	36.5	(14.52)	12.1	(6.4)	0.380	0.01	32	2.5
KAJIADO NORTH	51,797	39.3	(13.92)	14.8	(7.3)	0.434	0.02	40	1.9
Western Province									
BUTULA	61,271	68.4	(08.03)	24.4	(5.0)	0.302	0.02	168	3.4
MT ELGON	69,841	54.4	(09.16)	18.1	(4.2)	0.318	0.01	94	3.9
FUNYULA	48,227	67.0	(08.97)	24.4	(5.7)	0.325	0.01	161	2.7
NAMBALE	85,566	67.1	(07.21)	24.2	(4.4)	0.326	0.02	164	4.7
AMAGORO	78,220	49.8	(10.11)	16.3	(4.6)	0.331	0.01	74	4.3
SIRISIA	98,074	57.4	(08.55)	20.3	(4.4)	0.334	0.01	109	5.4
BUMULA	65,260	51.3	(08.88)	17.5	(4.6)	0.335	0.01	84	3.6
MUMIAS	83,515	63.4	(08.20)	24.3	(5.0)	0.342	0.01	147	4.6
KIMILILI	124,764	59.7	(09.60)	22.3	(5.7)	0.345	0.01	122	6.9
KHWISERO	55,401	63.4	(07.06)	24.6	(4.6)	0.350	0.01	148	3.1
MALAVA	102,761	54.1	(09.45)	19.3	(4.9)	0.352	0.01	92	5.7
BUTERE	62,144	61.5	(07.91)	23.7	(4.6)	0.356	0.01	135	3.4
MATUNGU	63,612	59.4	(07.46)	22.8	(4.4)	0.360	0.01	121	3.5
VIHIGA	40,805	55.1	(08.06)	20.7	(4.4)	0.362	0.01	100	2.3
IKOLOMANI	62,902	69.6	(07.45)	29.8	(5.4)	0.364	0.01	173	3.5
WEBUYE	86,867	59.0	(08.81)	22.2	(5.2)	0.370	0.01	120	4.8
LURAMBI	101,801	62.0	(09.29)	24.1	(5.6)	0.373	0.01	141	5.6
KANDUYI	66,005	56.6	(07.20)	21.1	(4.1)	0.373	0.01	103	3.7
LUGARI	100,321	63.1	(07.94)	25.2	(5.0)	0.374	0.01	145	5.6
SHINYALU	88,197	66.7	(07.05)	27.9	(5.1)	0.375	0.01	159	4.9
EMUHAYA	87,329	57.9	(07.69)	23.0	(4.6)	0.380	0.01	112	4.8
SABATIA	61,085	58.6	(08.16)	23.7	(5.0)	0.405	0.01	117	3.4
HAMISI	77,843	58.4	(09.54)	23.3	(5.6)	0.407	0.09	116	4.3
BUDALANGI	30,976	67.8	(06.99)	27.5	(4.8)	0.416	0.02	166	1.7
Nyanza Province									
KURIA	108,754	79.5	(12.42)	34.8	(11.4)	0.300	0.01	186	4.5
BONCHARI	55,741	69.3	(15.29)	26.7	(10.2)	0.305	0.01	169	2.3
SOUTH MUGIRANGO	72,559	60.9	(14.17)	21.2	(8.3)	0.312	0.01	131	3.0
KASIPUL-KABONDO	116,621	70.1	(13.45)	27.4	(9.6)	0.314	0.01	174	4.8
WEST MUGIRANGO	85,824	71.1	(12.98)	28.1	(9.9)	0.315	0.01	179	3.5
GEM	89,726	67.8	(13.81)	26.1	(9.5)	0.320	0.01	165	3.7
KARACHUONYO	87,831	71.5	(13.27)	29.0	(9.5)	0.320	0.01	181	3.6
BOMACHOGE	97,476	59.9	(17.12)	21.5	(10.2)	0.320	0.01	126	4.0
BONDO	76,284	69.5	(12.91)	27.3	(9.4)	0.322	0.01	172	3.1
RARIEDA	78,010	70.8	(11.92)	28.1	(8.7)	0.324	0.01	178	3.2
GWASSI	46,559	65.0	(13.67)	24.7	(9.1)	0.327	0.01	153	1.9
MBITA	49,841	71.4	(14.66)	29.8	(10.8)	0.328	0.01	180	2.1
KITUTU MASABA	105,662	64.7	(16.00)	24.7	(10.2)	0.328	0.01	152	4.3
NYAKACH	62,404	58.0	(14.73)	20.4	(8.0)	0.328	0.01	113	2.6

Table 15.1: Prevalence of Poverty and Inequality by Constituency (preliminary estimates), Cont.

	Number of Poor	Headcount Index: Per Cent of Individuals Below Poverty		Poverty Gap as Per cent of Poverty Line (std.		Average GINI Coefficient of Inequality (std. error)		Poverty Ranking (National)	Per Centage Contribution to Provinces' Poor
Nyanza Province Cont.									
BOBASI	95,929	61.4	(16.47)	22.9	(10.5)	0.331	0.01	134	3.9
NYANDO	60,869	61.6	(16.17)	23.3	(9.9)	0.331	0.01	138	2.5
KITUTU CHACHE	112,954	67.0	(14.31)	26.1	(9.9)	0.332	0.01	163	4.7
UGENYA	100,406	59.8	(17.61)	22.5	(10.5)	0.335	0.01	124	4.1
N.MUGIRANGO BOR	124,305	68.0	(16.37)	27.6	(11.0)	0.340	0.01	167	5.1
ALEGO	97,548	65.5	(14.86)	25.8	(9.7)	0.340	0.01	154	4.0
KISUMU RURAL	82,708	69.4	(12.68)	28.5	(9.4)	0.340	0.01	171	3.4
NYARIBARI MASABA	57,787	56.4	(14.97)	20.0	(8.2)	0.343	0.01	102	2.4
KISUMU TOWN EAST	35,258	59.9	(15.64)	22.3	(9.1)	0.345	0.01	127	1.5
MUHORONI	54,427	52.9	(15.59)	18.3	(7.9)	0.351	0.02	88	2.2
NYARIBARI CHACHE	56,026	57.1	(15.90)	20.9	(9.0)	0.352	0.01	108	2.3
NDHIWA	89,532	70.5	(13.27)	30.3	(9.9)	0.356	0.01	177	3.7
URIRI	38,326	46.8	(19.31)	15.5	(8.8)	0.371	0.03	63	1.6
NYATIKE	51,729	50.1	(15.83)	17.2	(8.3)	0.372	0.02	75	2.1
MIGORI	51,504	47.1	(17.65)	15.5	(8.5)	0.372	0.03	66	2.1
KISUMU TOWN WEST	36,947	60.0	(13.75)	23.6	(9.0)	0.372	0.02	128	1.5
RANGWE	81,407	70.2	(12.25)	29.9	(9.2)	0.372	0.02	176	3.4
RONGO	68,111	47.1	(16.24)	15.5	(7.7)	0.393	0.03	65	2.8

Chapter 16
2003 Kenya Demographic and Health Survey Highlights

Overview

The 2003 Kenya Demographic and Health Survey (2003 KDHS), is the latest in a series of national level population and health surveys to be carried out in Kenya. The survey information is intended to assist policy makers and programme implementers to monitor and evaluate existing programs and to design new strategies for demographic, social and health polices in Kenya. The survey also provides data to monitor the country's achievement of the Millennium Development Goals as well as the Economic Recovery Strategy for Employment and Wealth Creation.

16.2. The survey obtained detailed information on fertility levels, marriage, sexual activity, fertility preferences, awareness and use of family planning methods, breastfeeding practices, nutritional status of women and young children, childhood and maternal mortality, maternal and child health, awareness and behaviour regarding HIV/AIDS and other sexually transmitted infections. In addition it collected information on malaria and use of mosquito nets, domestic violence, and HIV prevalence of adults. Besides, the 2003 KDHS is the first major demographic and health survey to include the Northern Districts of the country.

Characteristics of the Respondents

16.3. The distribution of the 2003 KDHS sampled population by five-year age groups, according to sex and urban-rural residence, reveal that the sample constitutes 49 percent males and 51 per cent females. There are more persons in the younger age groups than in the older groups for both sexes. The population age-sex structure is wide-based despite evidence that the percentage share of the younger population has been falling, while those aged 15-64 have been increasing.

16.4. The share of the population under 15 years of age accounts for 45 per cent while those aged 15-64 constitutes 52 per cent. The remaining 3 percent are those aged 65 years and above. This means that the dependency ratio in Kenya currently stands at 92 per every 100 economically active persons, down from 127 in 1989 KDHS and 98 in 1998 KDHS.[1]

16.5. Majority of people in Kenya have not gone beyond the primary level of education. Generally younger persons have attained higher levels of schooling than older people, and the same applies to urban population compared to those in rural areas. Forty eight percent of women in urban areas have attended at least secondary school, compared to 23 per cent in rural areas. Among the provinces, Nairobi and Central have the largest proportion of women and men who have attended secondary school and above. The educational level of women in North Eastern Province is low as 93 per cent of them reported not to have gone to school at all and less than 1 per cent have secondary education. Unlike previous KDHS surveys in which respondents were only asked if they could read, the 2003 KDHS subjected the respondents with primary incomplete schooling or no schooling to a reading test.

1 The dependency ratio is defined as the sum of all persons age under 15 years and over 64 years divided by the number of persons aged 15-64, multiplied by 100.

16.6. The results in Table 16.1 shows that illiteracy among women at 21 per cent is almost twice that of men at 12 per cent. The differences are wider at older ages than there are at younger ages between the sexes. The urban-rural differentials also displays the expected pattern, such that more rural respondents are illiterate (14 percent men and 25 percent women) than their urban counterparts (6 percent men and 11 percent women). North Eastern Province has by far the highest illiteracy rates at 94 percent among women and 71 percent among men. Both Nairobi and Central Provinces have the same illiteracy levels since at least 91 and 94 percent of women and men in both provinces are literate.

Table 16.1 Literacy: men and women

Background Characteristic	Secondary School or Higher		No schooling or primary school: Can read a whole Sentence		Can read part of a sentence		Cannot read at all	
	Men	Women	Men	Women	Men	Women	Men	Women
Age								
15-19	22.7	22.8	60.4	56.7	6.2	6.1	10.6	14.0
20-24	43.3	34.2	42.4	46.0	5.4	5.6	8.9	13.9
25-29	37.5	31.1	46.9	45.8	4.3	7.3	10.9	15.6
30-34	44.7	33.3	42.1	38.5	5.5	7.5	7.5	20.4
35-39	49.0	31.0	35.3	32.2	5.1	9.3	10.5	27.1
40-44	39.4	30.0	39.0	22.3	7.6	8.9	14.0	38.7
45-49	36.9	19.8	32.0	21.6	7.0	7.8	24.0	50.8
50-54	30.7	-	36.9	-	8.1	-	23.8	-
Residence								
Urban	57.7	48.2	33.3	36.5	2.7	3.8	6.3	11.3
Rural	29.9	23.0	49.4	44.0	6.9	8.2	13.6	24.5
Province								
Nairobi	67.4	56.4	25.0	32.0	1.9	3.5	5.8	7.8
Central	41.1	41.6	49.0	42.0	4.3	7.5	5.5	8.8
Coast	31.1	19.9	52.5	40.4	4.5	5.2	11.8	34.3
Eastern	30.2	22.2	53.6	49.0	7.9	10.4	8.3	17.9
Nyanza	34.0	26.2	51.2	47.6	4.3	6.0	10.4	19.7
Rift Valley	32.2	25.0	42.9	40.0	8.9	8.2	15.8	26.5
Western	32.2	24.2	46.9	46.5	5.7	6.7	15.0	22.5
North Eastern	10.3	0.8	16.7	4.4	2.6	1.1	70.5	93.6
Total	36.9	29.3	45.4	42.1	5.8	7.1	11.8	21.2

Fertility

16.7. The Total Fertility Rate (TFR) in Kenya declined between the 1960s to the 1990s from a high of 8.1 children per woman in the late 1970s through 6.7 children per woman in the late 1980s to 4.7 children during the last half of the 1990s. Fertility seems to have started rising again since 1998 reaching a rate of 4.9 children per woman from mid 2000 to mid 2003. The upturn in fertility rate is one of the greatest demographic findings of the 2003 KDHS.

16.8. Table 16.2 shows the trends in current fertility rates for the four successive KDHS. Fertility differentials by selected background characteristics remain largely the same as in the 1998 KDHS. In the education sub-category, the largest rise in fertility was among non-educated women (16 percent) and women with incomplete primary education (15 percent), while a decline of 9 percent was observed among women with secondary education and above. In the Province category, fertility rose in all except Central and Coast. Fertility also rose in both urban and rural areas. Table 16.2 shows the trends in current fertility rates for the four successive KDHS surveys.

Table 16.2 Trends in Current Fertility Rates by background characteristics **

Total fertility rate for three years preceding the survey by background characteristics, Kenya 1989 - 2003

Background characteristic	1989 KDHS	1993 KDHS	1998 KDHS	2003 KDHS
Residence				
Urban	4.8	3.4	3.1	3.3
Rural	7.1	5.8	5.2	5.4
Province				
Nairobi	4.6	3.4	2.6	2.7
Central	6.0	3.9	3.7	3.4
Coast	5.5	5.3	5.1	4.9
Eastern	7.0	5.9	4.7	4.8
Nyanza	7.1	5.8	5.0	5.6
Rift Valley	7.0	5.7	5.3	5.8
Western	8.1	6.4	5.6	5.8
North Eastern	'-'	'-'	'-'	7.0
Education				
No education	7.2	6.0	5.8	6.7
Incomplete primary	7.5	6.2	5.2	6.0
Complete primary	6.5	5.0	4.8	4.8
Secondary +	4.9	4.0	5.5	3.2
Total	6.7	5.4	4.7	4.9

'-' North Eastern was not included in the sample in the previous surveys

Knowledge about Family Planning Methods

16.9. Adequate information about the available family planning methods is critical for individuals to develop a rational approach to planning their families. The 2003 KDHS collected data on ways or methods by which couples could delay or avoid pregnancy and the results show that modern methods of family planning are more widely known than traditional ones. Information on family planning methods is provided in Table 16.3. Ninety four percent of women have heard of at least one modern method, while only 70 percent know of a traditional method. Among all women, the male condom, pills, and injectables are the most widely known methods of family planning, with about 90 percent of them reporting they had heard of these methods while the emergency contraception, the female condom and male sterilisation methods are least known. About two-thirds of all women have heard of periodic abstinence (calendar and rhythm methods) while about four in ten women know about the withdrawal method.

16.10. Contraceptive knowledge is higher among currently married women and those who are sexually active. Unmarried women who have never had sexual intercourse are the least likely to know about contraceptive methods; nevertheless, they have heard of an average of 4.8 methods. Although knowledge of the male condom is high among all groups of women, it is highest among those who are sexually active and unmarried women (98 percent). The gap in knowledge between women who are married and those who are unmarried and sexually active is most apparent for long-term and permanent methods (sterilisation and IUD).

Current Use of Contra-ceptive Methods

16.11. The percentage of currently married women aged 15-49 who are using any form of method of family planning is known as the contraceptive prevalence rate (CPR). Results in Table 16.3 indicates that the CPR for Kenya in 2003 is 39 per cent with 32 per cent of the currently married women using modern methods and 8 per cent using a traditional method. Injectables (14 per cent), pills (8 per cent), and periodic abstinence (6 per cent) are the most commonly used contraceptive methods among married women. For the sexually active, unmarried women, male condoms are the second most commonly used method after injectables.

16.12. Contraceptive use rises with level of education from 12 per cent among married women with no education to a peak of 62 per cent for those with secondary and above level of education. Pill and injectables are most common among women with secondary and above level of education.

16.13. Use of modern methods among currently married women is highest in Central Province at 58 per cent and lowest in North Eastern Province at less than 1 per cent. Use of injectables is particularly high in Central Province, where almost one-quarter of married women are using the method.

Table 16.3 Current use of contraception by background characteristics

Background Characteristic	Any method	Modern method							Traditional method						
		Any modern method	Female sterilization	Pill	IUD	Injectables	Implants	Male condom	Any traditional method	Periodic abstinence	Withdrawal	Folk method	Not currently using	Total	Number of women
Residence															
Urban	47.6	39.9	4.1	10.4	4.2	16.2	2.6	2.2	7.7	6.5	0.2	0.9	52.4	100	1,091
Rural	37.0	29.2	4.4	6.7	1.9	13.8	1.4	0.9	7.8	6.2	0.8	0.8	63.0	100	3,828
Province															
Nairobi	50.7	44.3	5.9	12.5	4.5	16.1	2.6	2.7	6.4	6.0	0.2	0.2	49.3	100	418
Central	66.4	57.9	7.2	15.6	8.3	22.5	3.5	0.7	8.5	7.5	0.2	0.8	33.6	100	656
Coast	24.1	19.1	3.0	3.6	0.7	9.9	1.5	0.4	5.0	3.8	0.5	0.7	75.9	100	418
Eastern	50.6	38.4	4.5	9.6	1.8	19.9	1.7	1.1	12.2	11.1	0.4	0.7	49.4	100	783
Nyanza	24.7	21.0	4.7	4.1	0.5	10.9	0.6	0.3	3.7	3.2	0.3	0.2	75.3	100	775
Rift Valley	34.4	24.5	3.1	4.9	1.9	11.3	1.4	1.8	9.9	7.1	1.6	1.2	65.6	100	1,186
Western	34.1	27.3	3.8	6.5	0.4	13.5	1.3	1.9	6.8	4.3	0.6	1.8	65.9	100	559
Eastern	0.2	0.2	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	99.8	100	125
Education															
No education	12.0	8.0	3.1	1.4	0.3	3.0	0.2	0.0	4.0	2.7	0.9	0.4	88.0	100	762
primary	30.2	23.1	3.3	4.3	0.7	13.2	0.9	0.7	7.1	5.8	0.5	0.8	69.8	100	1,569
primary	44.2	35.7	4.5	9.5	1.9	17.6	1.1	1.2	8.5	7.2	0.4	0.9	55.8	100	1,312
Secondary +	61.8	51.7	6.1	13.2	6.3	19.2	4.0	2.6	10.1	8.2	0.9	1.0	38.2	100	1,276
living															
0.0	7.2	3.8	0.0	2.1	0.2	0.6	0.2	0.8	3.3	3.1	0.0	0.2	92.8	100	355
1.0	32.1	26.8	0.4	8.4	1.8	12.8	1.1	2.2	5.4	4.5	0.6	0.3	67.9	100	795
2.0	44.2	36.7	0.8	10.8	3.5	17.8	2.4	1.4	7.4	5.8	0.6	1.0	55.8	100	915
3.0	49.1	40.8	4.7	8.7	4.5	19.5	1.8	1.4	8.3	6.6	1.0	0.7	50.9	100	827
4.0	48.3	41.2	6.0	10.1	2.4	19.0	2.2	1.5	7.1	6.0	0.3	0.8	51.7	100	644
5+	38.5	27.9	9.1	4.3	1.3	11.2	1.5	0.4	10.6	8.5	0.8	1.2	61.5	100	1,383
index															
Poorest	17.9	11.8	1.3	2.2	0.2	7.2	0.3	0.7	6.0	4.9	0.7	0.4	82.1	100	947
Poorer	31.9	24.2	3.4	5.3	0.8	12.5	0.7	1.4	7.8	6.1	0.9	0.7	68.1	100	954
Middle	42.0	33.4	4.8	7.7	1.4	17.7	1.2	0.6	8.5	6.7	0.5	1.3	58.0	100	915
Richer	50.7	41.0	7.1	10.2	3.4	16.4	2.8	1.1	9.7	7.4	1.1	1.2	49.3	100	965
Richest	51.5	44.5	4.9	11.4	5.5	17.4	3.1	2.1	7.0	6.3	0.1	0.6	48.5	100	1,139
Total	39.3	31.5	4.3	7.5	2.4	14.3	1.7	1.2	7.8	6.3	0.6	0.8	60.7	100	4919

Note: If more than one method is used, only the most effective method is considered in this tabulation.

Source of Contraception

16.14. In the 2003 KDHS, women who reported using a modern contraceptive method at the time of the survey were asked where they obtained the method the last time they acquired it. The results on source of contraception are presented in Table 16.4. The results shows that public source provide contraceptives to 53 per cent of users, while 41 per cent are supplied through private medical sources, 5 per cent through other private sources such as shops and only 1 percent through community-based distributors. Private hospitals and clinics are the most common single source of contraceptives as they supply about one-quarter of all users of modern methods. Government hospitals supply about one-fifth of users, followed closely by government health centres (18 per cent) and dispensaries (16 percent). A large proportion of long-term methods such as implants (61 per cent), injectables (62 per cent), and female sterilisation (54 per cent) are from public sources. However, almost half of women who are sterilised obtained the procedure at a private source and more than half of condom users get their supplies from other private sources like shops and friends/relatives.

Table 16.4 Source of contraception

Percent distribution of current users of modern contraceptive methods by most recent source of method, according to specific method, Kenya 2003

Source	sterilisation	Pill	IUD	Injectables	Implants	Male condom	Total
PUBLIC SOURCE	53.9	48.5	48.9	61.5	61.2	16.1	53.4
Government hospital	48.6	10.8	33.7	14.2	39.8	8.5	20.1
Government health center	4.3	17.0	7.9	24.8	18.0	6.7	17.6
Government dispensary	1.0	20.7	7.3	22.5	3.5	1.0	15.7
PRIVATE MEDICAL	45.3	45.5	50.5	37.7	38.8	25.9	40.5
Mission, church hospital/clinic	14.6	4.2	4.9	6.3	5.0	0.8	6.3
FPAK health centre/clinic	4.8	1.2	12.1	1.4	13.0	2.0	3.3
Private hospital/clinic	25.3	17.6	31.9	29.3	20	5.2	24.2
Pharmacy/chemist	0.0	21.9	0.0	0.5	0.0	17.9	6.3
Nursing/maternity home	0.7	0.6	1.6	0.2	0.8	0.0	0.4
OTHER PRIVATE	0.0	2.2	0.0	0.0	0.0	56.2	4.6
Shop	0.0	0.7	0.0	0.0	0.0	39.9	3.1
Friend/relative	0.0	1.5	0.0	0.0	0.0	16.3	1.5
Mobile clinic	0.3	0.3	0.0	0.4	0.0	0.3	0.3
Community based distributors	0.0	3.5	0.5	0.5	0.0	0.5	1.1
Other/missing	0.5	0.0	0.0	0.0	0.0	1.0	0.1
Total	100	100	100	100	100	100	100
Number of women	238	402	129	858	95	137	1,862

Note: Total includes 2 users of female condom.

Desire for More Children

16.15. Overall, 49 per cent of married women either do not want another child or are sterilised, 47 percent want to have another child; 29 percent later and 16 per cent soon (within 2 years). Combining those who want to delay their next child with those who want no more children or are sterilised implies that over 78 per cent of currently married women are potentially in need of family planning. Fertility preferences among married men show a similar pattern, although the percentage of men who do not want any more children is lower (39 per cent), while the proportion who would like to have another child is higher (54 per cent).

16.16. Results show that the desire to have children by both men and women has increased. The proportion of married women who want another child has increased from 40 to 45 percent (excluding the northern districts). The desire to stop childbearing increases with the number of living children reaching 80 and 61 per cent for women and men with 6 living children or more, respectively. Only about one per cent of childless women and men do not want to have any children.

16.17. Women who are currently married and who say either that they do not want any more children or that they want to wait two or more years before having another child, but are not using contraception, are considered to have unmet need for family planning. Women who are using family planning methods are said to have a met need for family planning. Women with unmet need and met need constitute the total demand for family planning.

Need for Family Planning Services

16.18. Table 16.5 presents information for currently married women on unmet need, met need, and total demand for family planning, according to whether the need is for spacing or limiting births. A quarter of currently married women in Kenya have an unmet need for family planning, 14 per cent for spacing and 10 pe rcent for limiting. Since 39 per cent of currently married women are using a contraceptive method, it implies that the total demand for family planning comprises two-thirds of married women in Kenya. The 2003 KDHS results reveal that if all women who want to space or limit childbearing were to use family planning, the contraceptive prevalence rate could increase from the current level of 39 per cent to about 66 per cent although only 63 per cent of this total demand is satisfied.

16.19. Unmet need is higher among women aged less than 35 years and declines thereafter. The unmet need for spacing and limiting reveals the expected patterns, where unmet need for spacing declines with age while that for limiting increases. Unmet need is higher in rural (27 per cent) than urban (17 per cent) areas. It is highest among women with incomplete primary education. Unmet need is highest in Nyanza (35 per cent) and lowest in North Eastern Province at 10 per cent.

16.20. Demand for family planning is also associated with demographic and socioeconomic indicators. Demand increases with age up to age 40 and is highest in Central Province at 80 per cent and much lower in North Eastern Province at 10 per cent. Variations in the other provinces are modest. Demand among women with no education is about half of those with at least some secondary school. Demand for family planning according to wealth index is lower among the poorest. Similar patterns are observed for the percent of demand satisfied. Thus the percentage of demand that is satisfied is higher in Central, Nairobi and Eastern Provinces, among married women with secondary and higher education, and the wealthy. Satisfied demand is also substantially higher in urban than in rural areas.

16.21. Table 16.5 also presents the unmet need for family planning for all women and those who are not currently married. Unmet need for all women and unmarried women is much lower (16 and 3 per cent), compared with that for currently married women (25 per cent). The overall demand is also lower–46 per cent of all women, compared to 66 per cent among married women. An important observation is that overall, the percent of demand that is satisfied is higher among unmarried women (83 per cent), compared to married women (63 per cent).

Table 16.5 Need for family planning

Percentage of currently married women with unmet need for family planning, and with met need for family planning, and the total demand for family planning, by background characteristics, Kenya 2003

Background Characteristic	Unmet need for family planning			Met need for family planning (currently			Total demand for family planning			Percentage of demand
	For spacing	For limiting	Total	For spacing	For limiting	Total	For spacing	For limiting	Total	
Age										
15-19	26.6	1.2	27.8	12.7	3.7	16.4	40.6	5.6	46.1	39.7
20-24	27.6	4.8	32.4	19.8	8	27.8	50.2	13.2	63.4	48.9
25-29	16.8	6.7	23.5	24	16.6	40.7	42.8	24.5	67.3	65
30-34	13.3	14.2	27.4	16.9	28.1	45	31.9	42.6	74.6	63.2
35-39	6.4	16.5	22.9	8.2	41.9	50.1	15.5	58.8	74.3	69.2
40-44	2.3	15	17.3	1.9	46	47.9	4.2	61.3	65.5	73.7
45-49	0.6	11.8	12.4	0.2	38.2	38.4	0.8	50	50.8	75.6
Residence										
Urban	10.8	6.3	17.2	20.5	27.1	47.6	32.2	33.8	66.1	74
Rural	15.4	11.2	26.6	12.5	24.4	37	29.6	36.2	65.8	59.6
Province										
Nairobi	12.5	3.5	16	23.3	27.5	50.7	36.7	31.4	68.1	76.5
Central	6.1	5.2	11.4	20.6	45.8	66.4	28.6	51.8	80.4	85.9
Coast	16.2	8.7	24.9	12.1	12	24.1	29.5	21	50.6	50.7
Eastern	10.9	10.8	21.7	17.7	32.9	50.6	31.5	44.4	76	71.4
Nyanza	20.5	14.2	34.7	7.7	17	24.7	29.1	31.4	60.5	42.6
Rift Valley	15.6	12.1	27.7	12.5	21.9	34.4	29.2	34.4	63.6	56.4
Western	19.3	12.7	32.1	13.3	20.8	34.1	34.2	34.7	68.9	53.5
North Eastern	8.9	1.3	10.1	0	0.2	0.2	8.9	1.5	10.3	1.6
Education										
No education	11.3	10.1	21.4	2.7	9.3	12	15.2	19.8	35	38.9
primary	21.7	13.4	35.1	11.4	18.8	30.2	34.6	32.6	67.2	47.8
primary	13.9	10.7	24.7	16.1	28.1	44.2	31.9	39.5	71.4	65.5
Secondary +	7.8	5.4	13.2	22.9	38.9	61.8	32	44.9	76.9	82.9
married women	14.4	10.1	24.5	14.3	25	39.3	30.2	35.7	65.8	62.8
women	1.9	0.8	2.7	6.2	5.7	11.9	8.6	6.7	15.3	82.5
All women	9.4	6.4	15.8	11.1	17.3	28.4	21.6	24.1	45.6	65.4

Infant and Child Mortality

16.22. Information on infant and child mortality is important for the assessment of population and health policies and programmes and as an input into population projections. The 2003 KDHS indicates that infant mortality rate is 77 deaths per 1,000 live births while under-five mortality is 115 deaths per 1,000 live births; this means that currently, roughly 1 in every 9 children do not live to their fifth birthday.

16.23. Table 16.6 presents the childhood mortality rates by background characteristics. Differences in the risk of childhood death by place of residence show that the under-five mortality rate is 26 percentage points higher in rural areas than in urban areas (117 versus 93 deaths per 1,000 live births). The rates by province display considerable differentials. Except for the neonatal period, excess childhood mortality is exhibited in Nyanza province and lowest in Central province. Under-five mortality is highest in Nyanza province at 206 deaths per 1,000 live births, and lowest in Central province at 54 deaths per 1000 live births. This implies that a child born in Nyanza province is four times more likely to die before celebrating its fifth birthday than a child born in Central province. The same pattern is also observed in infant mortality rates, with the highest rate in Nyanza province (133 deaths per 1,000 live births) and the lowest in Central province (44 deaths per 1,000 live births).

16.24. The mother's level of educational attainment is strongly linked to child survival. Considerable differences are observed between the survival chances of children born to women with higher levels of education and those with no education.

Table 16.6 Early childhood mortality rates by socioeconomic characteristics*

Background Characteristic	Neonatal mortality (NN)	Post neonatal mortality (PNN)	Infant mortality (1q0)	Child mortality (4q1)	Under-five mortality (5q0)
Residence					
Urban	26	36	61	35	93
Rural	34	44	79	41	117
Province					
Nairobi	32	35	67	30	95
Central	27	17	44	10	54
Coast	45	33	78	41	116
Eastern	32	24	56	29	84
Nyanza	27	106	133	84	206
Rift Valley	37	25	61	17	77
Western	25	54	80	70	144
North Eastern	50	41	91	79	163
Mother's education					
No education	43	37	80	51	127
Incomplete primary	35	62	97	54	145
Complete primary	29	40	69	31	98
Secondary +	25	19	44	20	63
Total	33	44	77	41	115

[1] Computed as the difference between the infant and neonatal mortality rates

the survey, by background characteristic, Kenya 2003

Maternal Mortality

16.25. Pregnancy-related deaths are relatively rare and as a result maternal mortality estimates are subject to larger sampling errors than the overall adult mortality. According to the 2003 KDHS results, maternal deaths represent 14 per cent of all deaths to women age 15-49. The 2003 KDHS results also indicate that the rate of mortality associated with pregnancy and childbearing is 0.688 maternal deaths per 1,000 woman-years of exposure. The maternal mortality rate can be converted to a maternal mortality ratio and expressed per 100,000 live births by dividing the rate by the general fertility rate calculated for the same time period. Maternal mortality ratio during the 10-year period before the survey is 414 maternal deaths per 100,000 live births. Pregnancy-related deaths are therefore still high in Kenya possibly due to the high proportion of deliveries without the assistance of professional medical personnel.

Use of Mosquito Nets

16.26. Age is an important factor in determination of levels of acquired immunity against malaria. For the first six months of life, antibodies acquired from the mother during pregnancy protect children born in areas endemic to malaria. This is gradually lost, as children start developing their own immunity over a period of time. The Government recognises that children under-five years of age are at risk and recommends that this group should be protected by sleeping under insecticide-treated nets.

16.27. Overall, 22 per cent of households have mosquito nets, which is about one-third of the target of 60 percent coverage earmarked by the year 2006. Six per cent of households have at least one Insecticide-Treated Nets (ITN). Although the burden of malaria is greater in rural areas, net coverage and ITN coverage are both higher in urban areas than in rural areas.

16.28. Survey results show that overall, only 15 per cent of children under-five years slept under a net the night before the survey, 5 per cent having slept under an ITN. There is a slight decline in use of nets as children age. However, there are no differences in use of ITNs by age of the child, or by sex of the child. Wealth is highly related to net use, with the proportion of children sleeping under a net ranging from 6 percent in the poorest group to 35 percent of those in the richest group.

16.29. Use of nets and ITNs is higher among urban than rural women. Provincial differences show that the proportion of children who slept under nets range from 8 per cent in Rift Valley Province to 38 per cent in Nairobi. Use of ITNs ranges from 1 percent of children in North Eastern Province to 8 per cent in Nairobi and Coast Provinces. Provinces with the highest burden of malaria that is Nyanza, Coast and Western, have intermediate levels of overall net usage, but have relatively higher levels of use of ITNs. An interesting finding is that Nairobi, which is malaria-free, has the highest level of use of nets and ITNs.

16.30 The survey also covered women within reproductive ages and those pregnant women who slept under nets and ITNs the night prior to the survey. Sixteen per cent of all women use nets, but only five percent use ITNs. Among pregnant women, 13 percent slept under a net and 4 per cent slept under an ITN.

Domestic Violence

16.31. The KDHS collected information from female respondents on whether they had been physically, emotionally and sexually violated in their lifetime and within 12 months preceding the survey. Overall 26 per cent of women have experienced domestic violence. Fifty three per cent of women in age bracket 30-39 have experienced violence since age 15 while 25 per cent in the same age report to have experienced violence in the 12 months preceding the survey period. Those in the age 15-19 had the lowest proportion experiencing violence ever (42 per cent) and in the 12 months preceding the survey period (6 per cent).

16.32. The survey results show that domestic violence may be one of the main contributing factors to separation and even divorce. Sixty four per cent of separated/divorced women confessed to have experienced violence since age 15, compared with 30 per cent of those who are widowed and 40 per cent among those who have never been married. Violence in the 12 months preceding the survey is highest among those in union (29.8 per cent) while it was not reported at all among the widowed and those never married.

16.33. The proportions of those who had experienced violence in the rural and urban areas were about the same. The regional distribution of women who had ever experienced violence at the age of 15 showed that Western Province was leading with 73 per cent followed by Nyanza with 60 per cent while Coast had the lowest (30 per cent). Violence against women in the 12 months proceeding the survey period was highest in Nyanza Province (29 per cent) and lowest in the Coast Province (11 per cent). Little or no difference is observed by employment status of women.

HIV Testing

16.34. The 2003 KDHS included HIV testing module as part of the overall survey. Consent was sought for blood samples from all women and men who were eligible for individual interview in the one-half of the households selected for the man's survey for HIV testing. The findings from this module are presented below and the summary is limited to eligible men and women in the age group 15-49 to facilitate comparisons.

HIV Coverage Rates

16.35. About three quarters of the eligible respondents in the 2003 KDHS provided blood samples for HIV testing. Women had a higher acceptance rate than men (76 versus 70 percent).

HIV Prevalence Rates

16.36. Table 16.8 presents the HIV prevalence rates by background characteristics. The results show that 6.7 per cent of the respondents tested were HIV positive. The prevalence rate among female respondents is higher than the male (8.7 per cent versus 4.6 per cent). This female to male ratio is higher than observed in most other populations in Africa. For all respondents tested, the HIV prevalence rate rises with age from a level of 1.6 per cent among the 15-19 year-olds to 10.1 per cent in the 35-39 age group and then drops to a level of 4.4 per cent among those aged 45-59.

16.37. There are distinct differences between women and men in the age pattern of HIV infection. The 2003 KDHS results show that the HIV prevalence rate among women rises rapidly with age, from 3 per cent among the 15-19 age group to 12.9 per cent in the 29 age group, and then stabilizes at 11.7 per cent among those aged 30 years before dropping to 3.9 per cent in the 45-49 age group. The prevalence rate among men is below 1 percent for those aged 15-19 years, rises gradually to a peak of 8.8 percent among those aged 30-44 years and then drops to 5.2 per cent in age group 45-49. The infection rates peak at a later age for men than for women and they are lower for men than women at all age groups except the oldest.

16.38. HIV prevalence is almost three times as high among the widowed and divorced/separated as in those currently in union. Provinces with prevalence levels above the national average are Nyanza (15.4 per cent) and Nairobi (9.9 per cent). The lowest levels are found in Eastern, Western, and Rift Valley provinces. HIV prevalence rates in North Eastern province (less than 1 percent) are the lowest in the country.

16.39. The results also reveal that wealth Index is directly associated with HIV prevalence rate with richer people being at a higher risk of contracting HIV virus than those who are poor. The number of times a person sleeps away from home is also directly related to HIV prevalence. Those who slept away from home for five times or more are at elevated risk of contracting HIV virus than those who did not sleep out at all (9 per cent vs. 3.3 per cent).

Table 16.8 HIV prevalence by socio-economic characteristics

Percentage HIV positive among ALL women 15-49 and men 15-54 by socio-economic characteristics, Kenya 2003 (WEIGHTED)

	Women		Men		Total	
	Percent HIV positive	Number	Percent HIV positive	Number	Percent HIV positive	Number
Age						
15-19	3.0	711	0.4	745	1.6	1,456
20-24	9.0	658	2.4	566	6.0	1,224
25-29	12.9	522	7.3	428	10.4	950
30-34	11.7	438	6.6	369	9.4	807
35-39	11.7	345	8.4	321	10.1	666
40-44	9.5	276	8.8	260	9.1	535
45-49	3.9	202	5.2	163	4.4	364
50-54	-	-	5.7	193	-	-
Marital status						
Currently in union	8.0	1,897	6.9	1,534	7.5	3,431
Widowed	30.2	133	40.8	19	31.5	152
Divorced/separated	20.8	127	5.8	107	13.9	234
Never in union	5.6	995	1.6	1,384	3.2	2,379
..ever had sex	9.9	480	1.9	933	4.6	1,413
..never had sex	1.6	514	0.9	451	1.3	966
Type of union						
In polygynous union	11.4	326	9.9	150	11.0	476
Not in polygynous union	7.3	1,571	6.6	1,384	6.9	2,955
Not currently in union	9.8	1,254	2.4	1,510	5.7	2,765
Currently pregnant						
Pregnant	7.3	260	-	-	-	-
Not pregnant/not sure	8.8	2,892	-	-	-	-
Residence						
Urban	12.3	779	7.5	763	9.9	1,543
Rural	7.5	2,372	3.7	2,281	5.6	4,653
Province						
Nairobi	11.9	332	8.0	336	9.9	667
Central	7.6	463	2.1	476	4.8	938
Coast	6.6	236	4.5	211	5.6	446
Eastern	6.1	514	1.6	502	3.9	1,016
Nyanza	18.3	432	12.3	408	15.4	840
Rift Valley	6.9	747	3.4	718	5.2	1,465
Western	5.8	368	3.6	339	4.8	707
North Eastern	0.0	60	0.0	55	0.0	115
Education						
None	4.4	396	2.3	187	3.7	584
Primary incomplete	9.3	1,052	3.7	1,038	6.5	2,090
Primary complete	10.6	784	5.9	706	8.4	1,490
Secondary +	8.2	919	5.1	1,113	6.5	2,032
Employment						
Currently working	9.6	1,844	5.8	2,186	7.5	4,030
Not currently working	7.4	1,307	1.7	858	5.2	2,165
Wealth index						
Poorest	3.9	505	3.9	463	3.9	969
Poorer	8.5	580	4.0	531	6.3	1,111
Middle	7.1	597	2.5	558	4.9	1,155
Richer	9.7	664	4.1	673	6.9	1,336
Richest	12.2	806	7.3	819	9.7	1,625
Numbers of times slept away						
None	-	-	3.3	1,523	-	-
02-Jan	-	-	4.3	690	-	-
05-Mar	-	-	5.3	402	-	-
5+	-	-	9.0	413	-	-
Away for more than one month						
Away for more than 1 month	-	-	3.5	498	-	-
Away always less than 1 month	-	-	7.3	1,007	-	-
Never away	-	-	3.3	1,523	-	-
Missing	-	-	0.0	17	-	-
Total aged 15-49	8.7	3,151	4.6	2,851	6.7	6,002
Total aged 15-54	-	-	4.6	3,044	-	-

Note: Totals include 9 women and 6 men with religion 'other'/missing and 16 men missing number of times slept away.

Chapter 17
Implementation of the 1993 SNA

Overview

This chapter presents revised national accounts for the period 1996 to 2003. A major review of the sources and methods has been undertaken with technical assistance from the International Monetary Fund. The main reasons for the revisions are:

implementation of new international guidelines as prescribed by the United Nations' System of National Accounts agreed in 1993 (the 1993 SNA);

change of the base year for the estimates at constant prices (the previous base year was outdated);

improvements in methodology; and

the availability of new data sources including results of intermittent surveys as well as the 1999 Population Census.

Background

17.2 After a long review process, a revised international national accounting standard was published by the UN in 1993, entitled System of National Accounts 1993. This was the third major revision of international guidelines for national accounts. The previous guidelines are known as the 1968 SNA and have been applied for Kenya's national accounts since the 1970s.

17.3. The 1993 SNA retains the theoretical framework of its predecessor. The changes consist mainly of clarifications and adjustments of concepts and definitions and an enlargement of the scope of the system. Some of the definitional changes increase the level of GDP. Furthermore, there are also some changes in terminology. Finally, the 1993 SNA has been harmonised with related statistical system, namely the Balance of Payments and the Government Finance Statistics.

Changes in the 1993 SNA with Particular Reference for Kenya

17.4. The 1993 SNA has revised *the national accounting structure* by partitioning some of the accounts of the 1968 SNA and creating new balancing items. Thus, the production account of the 1968 SNA has been split into two – the production account and the generation of income accounts. They can and should be compiled both for economic activities (industries) and institutional sectors (corporations, non-profit institutions, households and general government. The contribution to the GDP by a producer – its value added – is derived in the production account, while the components of value added are recorded in the generation of income account. They are taxes on production and imports, compensation of employees and operating surplus/mixed income. In Kenya's revised national accounts, production and generation of income accounts are compiled separately for general government.

17.5. The term "mixed income" is a novelty in the 1993 SNA, which is to be used for the surplus generated by unincorporated household enterprises. The reason is that the surplus generated by such enterprises includes both remuneration for the labour of the owner and a return to the entrepreneurship and capital employed.

17.6. The 1993 SNA has further clarified and slightly extended *the production boundary* through defining all own-account production of goods by households, cultivated natural growth, and production from illegal activities as output. However, in practice it is very difficult, if not impossible, to measure illegal activities.

17.7. The 1993 SNA makes it clear that *the economic territory* of a country must include also economic free zones that are exempt from taxes and customs duties. Thus, Kenya's Export Processing Zones have been included in the calculation of GDP and no exports and imports are recorded to and from the Zones.

17.8. The 1993 SNA clarifies the terminology and definitions used for the *valuation* of output of goods and services, intermediate consumption and value added. It has also revised the classification and terminology of taxes. The 1968 SNA term "indirect taxes" has been replaced by the term "taxes on production and imports" and "direct taxes" has been changed to "current taxes on income and wealth".

17.9. Taxes on production and imports include taxes on products and other taxes on production. Taxes on products consist of taxes payable on goods and services when they are produced, delivered, sold or otherwise disposed of by producers. Moreover, they are payable per unit of a good or service produced. In Kenya, taxes on products include the excise and import duties, the road maintenance levy, the insurance premium tax and the value added tax. Other taxes on production consist of taxes on the ownership of land, buildings or other assets used in production or on labour employed. In Kenya this includes various business or professional licenses to the central government and rates, licenses and cesses to the local authorities.

17.10. The 1993 SNA clarifies the terminology and definitions used for the valuation of products and value added, where basic prices and purchasers' prices are crucial concepts. The 1993 SNA recommends that values added be valued at basic prices:

Output at basic prices
– Intermediate consumption at purchasers' prices
= Gross value added at basic prices

17.11. Basic prices exclude any taxes payable on products and include any subsidies receivable on products while purchasers' prices include such taxes as well as trade and transport margins.

17.12. Factor cost is not favoured by the 1993 SNA. The argument is that value added at factor cost is essentially a measure of income and not of output. Nevertheless, value added at factor cost can still be computed as:

Gross value added at basic prices
– Other taxes on production
+ Subsidies
= Gross value added at factor cost

Sum of gross values added of all economic activities at basic prices

+ Taxes on products
– Subsidies on products
= GDP at market prices

17.13. Value added at basic prices is also the measure preferred and adopted in Kenya's revised national accounts. This means that the value added by industry will be measured at basic prices and no longer at factor cost as has been the case up to now. In practice, however, the difference between factor cost and basic prices is negligible.

17.14. Likewise, the 1993 SNA defines only GDP at market prices and does not make any reference to GDP at factor cost. In order to derive the GDP at market prices, taxes less subsidies on products must be added to total gross value added at basic prices. Thus, GDP at market prices is derived as:

Sum of gross values added of all economic activities at basic prices
+ Taxes on products
– Subsidies on products
= GDP at market prices

17.15. Gross National Income (GNI) replaces Gross National Product (GNP). The rationale behind the change is that this aggregate is a concept of income rather than a concept of production.

17.16. The *output of banks* include financial intermediation services indirectly measured (FISIM), which is defined as the difference between interest receivable and payable by financial intermediaries. FISIM replaces the "imputed bank service charges". The 1993 SNA recommends that FISIM should be allocated to users instead of recording them as intermediate consumption of a nominal industry. This will increase the level of GDP because FISIM payable by households and government will be recorded as final consumption. In Kenya's revised national accounts, FISIM has been allocated to these two sectors and the unallocated item – recorded as a negative item in summing up GDP – only includes FISIM payable by producers.

17.17. The 1993 SNA classifies most of *government expenditure on military durable goods* as gross fixed capital formation. The previous SNA included it in intermediate consumption expenditure.

17.18. The 1993 SNA has extended the concept of *fixed assets* to include certain immaterial assets, namely mineral exploration, computer software and large databases, and artistic and literary originals. Accordingly, gross fixed capital formation includes expenditure on such assets. It has been possible to estimate mineral exploration in the revised national accounts.

17.19. The revised national accounts are based on the 1993 SNA as far as possible. However, it has not been possible to attain all revised concepts and definitions of the 1993 SNA that would be required. This is basically due to lack of data. Also the previous estimates did not apply all definitions of the 1968 SNA for the same reason.

Change of Base Year

17.20. In order to analyse the behaviour of the GDP over time independently of the influence of price changes, calculations are made at constant prices. In loose terms, constant price measures inform about the volume of goods and services produced, independently of changes in prices. The GDP series at constant prices are calculated by selecting a reference period, called the base year, and valuing current supply of goods and services in the prices of that year. The base year for the national accounts estimates at constant prices has now been changed from 1982 to 2001. In accordance with international practice and the recommendations of the 1993 SNA, the base year will henceforth be updated regularly, about every fifth year.

17.21. The selection of the base year can have significant consequences, as different base years may result in different growth rates in total GDP and other aggregates. Consider, for example, an economic activity whose output price has declined, relative to that of other industries, between two years. The contribution of that industry to total output will be larger when valued in prices of the earlier period since the relative price was larger in that period, and movements in the industry will have more impact on movements in total output. If the industry is growing faster than average, valuing output in prices of the earlier period will result in a total GDP measure that grows faster than it would were output valued in prices of the later period. Ideally, the base year is a typical year, followed by a number of years in which the relative prices of commodities remain stable. In a dynamic economy, however, relative prices constantly shift due to such factors as uneven technological developments in different industries, variations in productivity, shifts in consumer demand, cycles in economic growth and so on. The more remote a base year becomes in time, the more today's relative prices will have changed compared to those of the base year, and the less prices of the base year will be relevant for the current period. The usefulness of constant price estimates therefore diminishes as we move away from the base year. The rate of obsolescence depends on the degree of relative price changes.

17.22. In conclusion, the change of the base year can in itself change the aggregate growth rate of GDP at constant prices because the weights of the contributing economic activities have changed from the old to the new base year.

Sources and Methods

17.23. In addition to the implementation of the 1993 SNA and the change of base year, the CBS has revised the national accounts by examining existing and new data sources, among them a number of recent surveys and censuses, and by applying enhanced methods. In short the previous estimates have been thoroughly reviewed and improved as far as available sources and methods allow.

17.24. The new sources, hitherto not used for the national accounts estimates, include the 1997 Welfare Monitoring Survey, the 1998 Labour Force Survey, the 1999 National Micro and Small Enterprise Survey, and the 1999 Population Census. A recent survey of manufacturing, carried out by the Kenya Institute of Public Policy Research and Analysis (KIPPRA) has also been used. Moreover, existing data sources have been critically re-assessed for the revised estimates. More detailed comments on the revisions of the various economic activities are provided in the following.

17.25. A systematic commodity flow technique has been introduced. This technique entails a systematic confrontation of supply and use data for products at as detailed a level as possible. The format is as follows:

+ Output at basic prices	+ Intermediate consumption
+ Imports	+ Final consumption expenditure
+ Trade and transport margins	+ Gross fixed capital formation
+ Taxes on products	+ Changes in inventories
	+ Exports
= Total supply at purchasers' prices	= Total use at purchasers' prices

17.26. Separate commodity flows are compiled for output from domestic producers and for imports. A commodity flow is attached to each production account at the most detailed level and output has been allocated to the use categories listed above except that changes in inventories are not estimated. Exports are available from the foreign trade statistics (goods) and the balance of payments (services). The allocation of supply for domestic use to final and intermediate consumption is often based on assumptions based on the nature of the products produced.

17.27. Separate commodity flows have been compiled for imports of goods and services. The allocation of goods to uses is based on the classification of imports by Broad Economic Categories, which approximately identifies goods for intermediate consumption, goods for final consumption and capital goods.

17.28. Margins and taxes on production are added to calculate uses at purchasers' prices. Information on taxes – tax rates and total tax income by category – is available while the estimates of margins are based on reasonable assumptions.

17.29. The revised estimates are presented in eleven tables at the end of the chapter. GDP by activity is contained in Annex 1-4 and expenditure on GDP in Annexes 5-8 with details on final consumption and gross fixed capital formation in Annexes 9-10. Annex 11, finally, presents major aggregates.

GDP by Activity

17.30. As in the previous estimates, GDP is calculated from the production side as the sum of values added. In the following GDP refers to GDP at market prices if not otherwise stated. Annex 1 shows GDP by activity at current prices with percentage contributions in Annex 2. Note that the percentages refer to GDP at market prices, which are lower than the percentages of factor cost. Annex 3 includes GDP by activity at constant prices with annual percentage change in Annex 4.

17.31. The level of the revised GDP at current prices is significantly higher in the revised estimates except for the latest two years as illustrated in Table 17.1. The change in the level of the GDP is a result of definitional changes in the 1993 SNA and the thorough review of sources and methods. Approximately KShs 10-15 billion (1-2 per cent of the previous GDP) has been added because of changes in definitions. The narrowing gap between the revised and previous GDP is due to overestimated deflators in the previous estimates, in particular for manufacturing and wholesale and retail trade. The substantial drop in the gap from 1996 to 1997 is because of an erroneously huge increase in the deflator for wholesale and retail as well as for other community, social and personal services. Thus, the GDP-deflator has been overestimated in the previous series with an annual average increase of 10.1 per cent from 1996 to 2002. In comparison, the annual average increase in the revised GDP-deflator and the consumer price index was 5.6 and 7.2 per cent respectively.

Table 17.1: GDP at current prices

	1996	1997	1998	1999	2000	2001	2002	2003
Revised, Ksh billion	661	734	803	856	910	964	991	1,094
Previous, Ksh billion	529	623	694	744	796	879	963	1,092
Difference, KShs billion	132	111	109	112	113	85	28	2
Difference, per cent	25	18	16	15	14	10	3	0

17.32. The growth rates at constant prices for GDP at market prices can differ from the ones for GDP at factor cost (GDP at basic prices)[1], because the growth in taxes on products can be different. If imports decrease at constant prices, for instance, import duties at constant prices are also likely to decrease, which will have a negative impact on taxes on products. According to the revised GDP estimates, the average change in GDP at basic prices was 1.8 per cent during the 1996 to 2003 period compared to the previous estimate of 1.4 per cent (shown in the rightmost column of Table 17.2) during the same period. The growth rates for 2002 and 2003 are slightly higher in the revised previous series. For comparison, Table 17.2 also shows the growth rates of GDP at market prices.

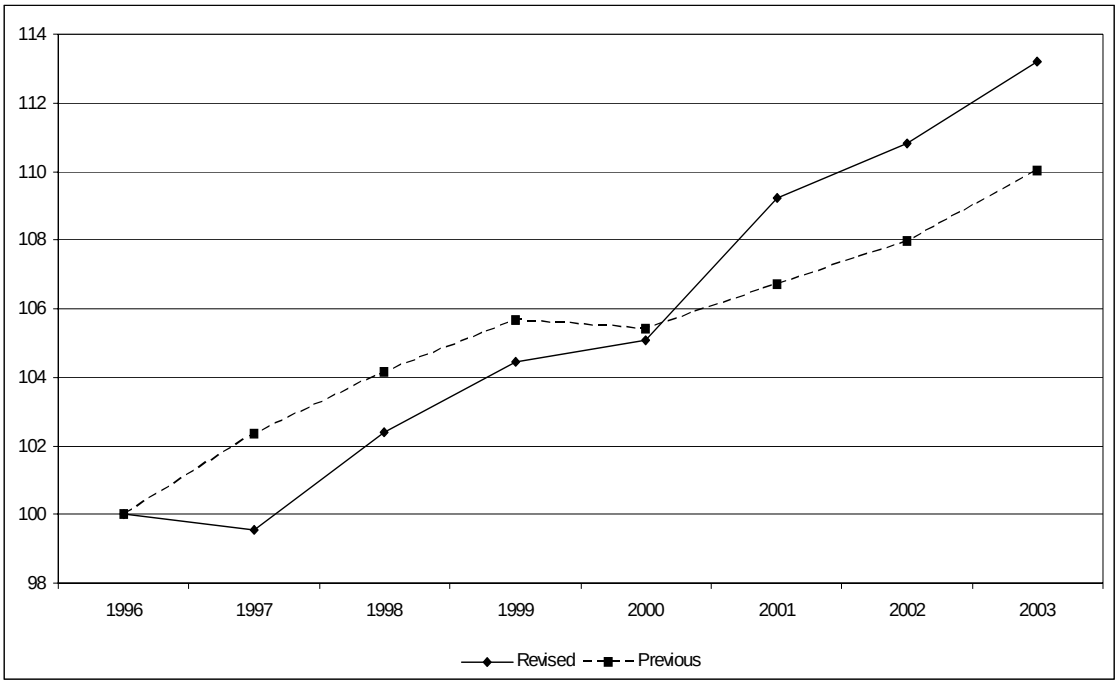
Table 17.2: Growth rates for GDP at constant prices, per cent

	1997	1998	1999	2000	2001	2002	2003	1996-2003
Revised, GDP at market prices	-0.2	2.7	1.7	0.9	3.4	1.4	2.2	1.7
Revised, GDP at basic prices	-0.4	2.8	2.0	0.6	4.0	1.4	2.2	1.8
Previous, GDP at factor cost	2.4	1.8	1.4	-0.2	1.2	1.2	1.9	1.4

17.33. In order to compare the previous and revised real growth rates of the GDP over time, the revised and previous estimates at constant prices have been expressed as an index number with 1996=100 as shown in Figure 17.1. The figure clearly shows the slightly higher growth rate from 1997 in the revised estimates.

[1]. The aggregate “All industries at basic prices” can be called GDP at basic prices. For all practical purposes this can be taken as GDP at factor cost when comparing with the previous estimates

Figure 17.1: GDP at constant prices, 1996 = 100



17.34. The presentation of GDP by activity in Annexes 17.1- 17.4 is slightly different in the revised estimates. Firstly, the split between monetary and non-monetary economy has been discontinued because the borderline between them is blurred. The only entirely non-monetary activities for which there are separate estimates in the revised national accounts are collection of firewood and collection of water, recorded under forestry and water supply respectively. The revised estimates of these activities are based on data from the 1989 and 1999 population censuses and the 1994 and 1997 Welfare Monitoring Surveys and are on average about twice the amount of the previous estimates.

17.35. Annexes 1-4 provide a disaggregation by activity – with slightly more details compared to the previous estimates – for all producers: private and public corporations, non-profit institutions, household enterprises and general government. Thus, for example, education includes both government and private education. The Tables then provide separate sections with a breakdown by activity for corporations, non-profit institutions and households on the one hand and general government on the other.

17.36. General government is an institutional sector in terms of the 1993 SNA and includes slightly more activities compared the category “producers of government services” that was previously published. The difference is made up of government construction activities, water supply by local authorities, and the Airports Authority. The latter two are a market producers meaning that their output is calculated as their revenue for the services provided. The output of all other government producers is calculated as the sum of the costs of production: intermediate consumption, compensation of employees, and consumption of fixed capital.

Agriculture, Forestry, Fishing and Mining

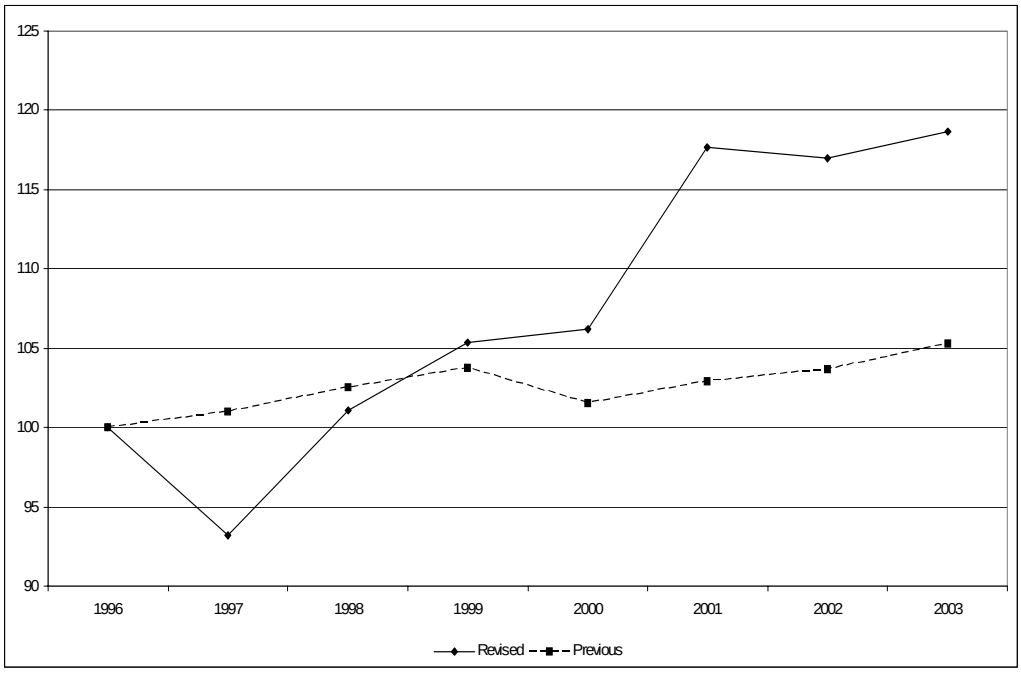
17.37. ***Agriculture.*** The size of the contribution of agriculture to GDP has been revised significantly upwards as shown in Table 17.3. The revised estimates also include agricultural services, private and government, which, however, only accounts for a small part of the difference, 2.2 billion in 1996 rising to 4.3 billion in 2003. Also the average growth rate for the years from 1996 to 2003 is higher in the revised estimates, 2.5 per cent, compared to 0.7 per cent previously. The growth path is illustrated in Figure 17.2. The high growth rates in 1998 and 2001 reflect the recovery from unfavourables weather conditions in the previous year. In addition, horticulture has expanded in all years except 1997.

Table 17.3: Value added by agriculture at current prices

	1996	1997	1998	1999	2000	2001	2002	2003
Revised, Ksh. Billion	148	164	176	194	208	207	198	220
Previous, Ksh. Billion	127	113	148	140	124	131	130	137
Difference, KShs billion	21	51	28	54	84	76	69	83
Difference, per cent	16	45	19	39	67	58	53	60
Revised per cent of GDP	22.3	22.4	21.9	22.7	22.8	21.5	20.0	20.1
Previous per cent of GDP	24.0	18.1	21.3	18.8	15.6	14.9	13.5	12.5

Note that this table refers to agriculture only, which is the sum of crops, livestock and agrcultural services. Tables 1-4 in the Annex includes the sum of agriculture and forestry as well as the subsectors.

Figure 17.2: Agriculture at constant prices, 1996 = 100



17.38. The revised estimates of agriculture have relied on new benchmarks for 1997 based on the agriculture module of the Welfare Monitoring Survey that year. Thus, new levels were established for cereal crops, fruits and vegetables as well as cost structures. For horticulture, notably, cut flowers, export data have also been used. Besides a survey of horticulture was conducted in 2003. Although the response rate is not yet satisfactory, survey results have been used for calculating ratios of costs over output.

17.39. ***Forestry***. The revised estimates suggest a higher value added except for 2002 and 2003. The estimates of collection of firewood is higher for all years as indicated in paragraph 17.34. On the other hand the revised estimates of monetary forestry has been made closer to the sale of forest products as recorded by the Department of Forestry, which has resulted in a more volatile series compared to the previous one.

17.40. ***Fishing*** **and** ***mining and quarrying*** are minor activities in Kenya's economy, each contributing less than 1.0 per cent to GDP. Available source data have been reviewed and analysed. This has resulted in the revised values added being in between two and three times higher compared to the previous ones.

Manufacturing, construction, electricity and water

17.41. ***Manufacturing***. The revised estimates are presented with a breakdown in two groups: manufacture of food, beverages and tobacco; and all other manufacturing. The latter also contains an estimate for small and micro enterprises based on the 1999 survey as well as for the Export Processing Zones.

17.42. For the revised estimates of manufacturing at constant prices, the source is basically the same as previously, namely the quantum index compiled by the CBS, although with a few exceptions. These include the petroleum refinery for which the throughput of petroleum has been used and assembly of vehicles where imports of chassis with engines has been used. The revised estimates record an average annual decrease of 0.1 per cent from 1996 to 2003 compared to an annual increase of 0.8 per cent in the previous estimates. This change is mainly because of different weights in the new base year.

17.43. For the revised estimates at current prices a benchmark has been established for 2001. A variety of sources and other national accounts variables such as exports have been used for this purpose. The survey conducted by KIPPRA last year has provided data for establishing ratios of intermediate consumption over output. Various price data have been used for reflating constant price series into current prices. These include consumer prices and export prices as appropriate. Table 17.4 compares the revised with previous estimates for manufacturing.

Table 17.4: Value added by manufacturing at current prices

	1996	1997	1998	1999	2000	2001	2002	2003
Revised, KShs billion	82	87	90	90	96	97	102	108
Previous, KShs billion	48	55	66	79	89	97	111	132
Difference, KShs billion	35	32	24	11	7	0	-9	-24
Difference, per cent	72	59	36	14	8	0	-8	-18
Revised per cent of GDP	12.5	11.9	11.2	10.5	10.6	10.1	10.3	9.9
Previous per cent of GDP	9.0	8.8	9.5	10.6	11.1	11.0	11.5	12.1

17.44. The fairly rapid increase in the nominal value added in the previous estimates – which is lower in 1996 but higher for 2003 compared to the revised ones – is explained by a deflator that seems too high. The annual average increase of the deflator from 1996 to 2001 was 14.5 per cent compared to 4.1 per cent in the revised series.

17.45. ***Construction.*** The revised estimates of construction are based on a commodity flow approach. Goods mainly used for construction have been identified in the detailed import statistics. Domestic sources for construction materials are quarrying and some sub-sectors of manufacturing, e.g. cement. The revised estimates are slightly lower compared to the previous ones, varying between the years from 1 to 10 per cent. However, the output of construction – mainly used for fixed capital formation – is considerably higher in the revised estimates. The ratio of intermediate consumption over output was unrealistically low in the previous series. The annual average growth during the same period is slightly lower in the revised series – 0.7 per cent compared to 0.9 previously.

17.46. ***Electricity and water.*** The revised estimates show electricity and water separately. The revised value added for the combined sector is on average more than double the previous one. This is a result of a review of detailed source data from the two major operators in electricity. In addition, the estimates of water collection have been revised upwards. See paragraph 34.

Services

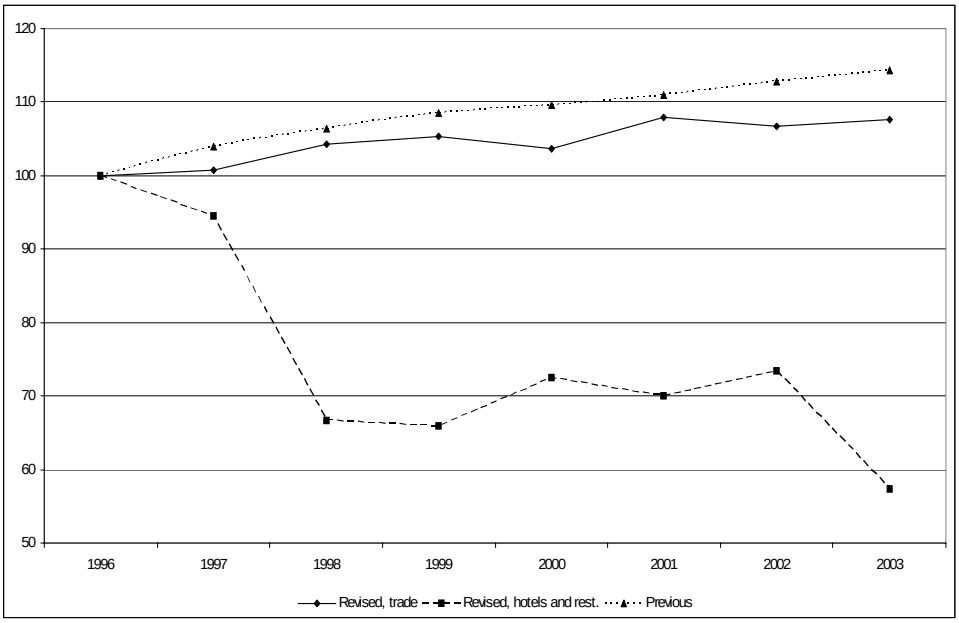
17.47. ***Wholesale and retail trade; hotels and restaurants***. These two activities are presented separately in the revised estimates. Wholesale and retail trade is now based on the trade margins derived in the commodity flows, while hotels and restaurants are based on data on room nights and bed nights sold and price data on room prices. An addition has been made for the informal sector based on results from the 1998 Labour Force Survey. Table 17.5 compares the revised and previous estimates. The higher values in the previous estimates are due to an overestimated deflator, which increased with an annual average of 14.9 per cent from 1996 to 2003 compared to 6.4 per cent in the revised series. The annual average increase in the consumer price index during the same period was 7.2 per cent.

Table 17.5 Value added by wholesale and retail trade; hotels and restaurants at current prices

	1996	1997	1998	1999	2000	2001	2002	2003
Revised, trade, Ksh. Billion	58	87	90	90	96	97	102	108
Revised, hotels and rest., Ksh. Billion	12	12	9	10	12	12	13	10
Revised, total, Ksh. Billion	69	99	99	100	108	109	114	118
Previous, KSh Billion	83	110	123	138	162	194	224	250
Difference, KSh Billion	-13	-23	-33	-48	-66	-97	-123	-142
Difference, per cent	-19	-21	-27	-35	-41	-50	-55	-57
Revised per cent of GDP	10.5	10.3	9.8	9.7	9.9	9.9	9.8	9.5
Previous per cent of GDP	15.7	17.6	17.8	18.6	20.4	22.1	23.3	22.9

17.48. Figure 17.3 shows the growth path for the revised and previous series with 1996 = 100. The previous estimates for the combined sector and the revised ones for wholesale and retail trade follow a similar path with a slightly lower average annual growth rate for the revised series. The hotel industry does not seem to have recovered since the substantial decrease after the events in 1998.

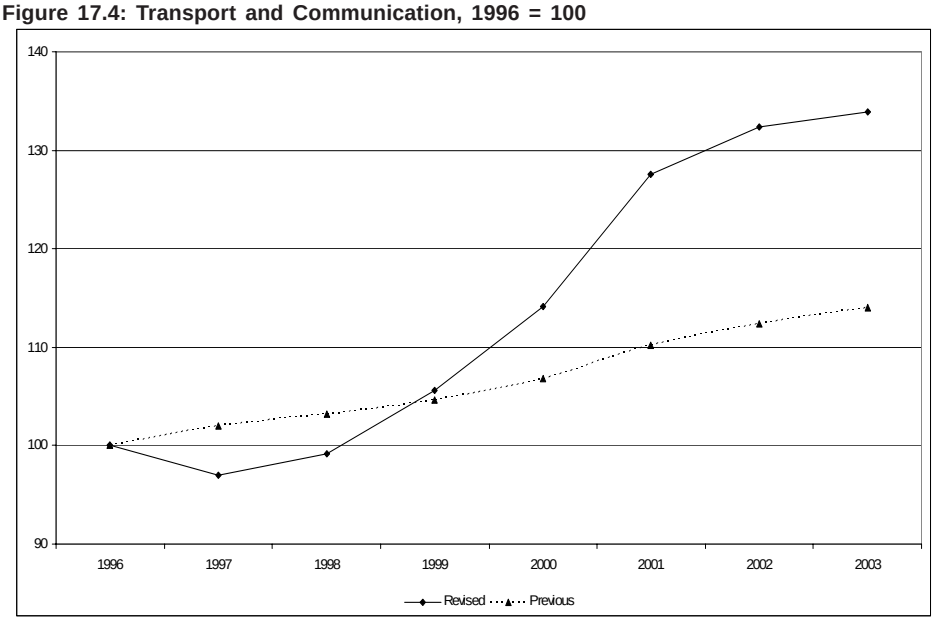
Figure 17.3: Wholesale and retail trade; hotels and restaurants, 1996 = 100



17.49. ***Transport and communications***. These two activities are presented separately in the revised estimates. The review of sources and methods have resulted in values added for the period 1996 to 2003 that are between 40 and 60 per cent higher compared to the previous series. The average contribution to GDP for these years was 9.4 per cent compared to 6.7 per cent previously. The revisions of road passenger transport are based on a reassessment of the number of matatus. The previous level for freight by road also seems too low considering the amount of diesel sold. Furthermore, a review of data from the Ports Authority and the Airports Authority have contributed to the higher level.

17.50. The growth path is illustrated in Figure 17.4. The substantial growth from 2000 to 2002 reflects the rapid increase in the activities of cellular net works and the number of their subscribers.

Figure 17.4: Transport and Communication, 1996 = 100



17.51. ***Financial intermediation; real estate, renting and business services***. In line with the latest version of the International Standard for Industrial Classification (ISIC) financial intermediation, which includes insurance, is recorded separately from real estate, renting and business services. Real estate includes ownership and rental of dwellings. As in the previous national accounts this activity is presented separately.

17.52. The sum of the values added of financial intermediation and business services is about the same as in the previous estimates, slightly lower for some years and slightly higher for others. However, financial intermediation is lower and business services higher than previously. In line with international recommendations that have emerged after the release of the 1993 SNA, FISIM (see paragraph 17.16) is no longer calculated for the central bank. In the case of Kenya the output is now set equal to the specified revenue recorded by the central bank. This change has lowered the value added. On the other hand, the value added of business services has been adjusted upwards. This is based on results from the 1998 Labour Force Survey.

17.53. The negative item "financial services indirectly measured", previously labelled "imputed bank service charges", is lower in the revised estimates. The reason is explained in paragraph 17.17.

17.54. The estimates of ***ownership and rental of dwellings*** have been revised on the basis of data on housing from 1989 and 1999 population censuses. Rental values have been assigned to different categories of houses for 1999. Annual increases are assumed to be the same as the average increase between 1989 and 1999 for the relevant category of housing. CPI for housing has been used as the deflator. This has resulted in higher values added from 1999 as well as a higher growth rate.

17.55. ***Education*** and ***Health***. There are separate estimates for education and health in the revised national accounts. The numbers as presented in Annexes 17.1 - 17.4 includes both government and private producers in the first part of the tables. Then, in a second part of the tables, private and government producers are recorded separately. Indicators have been used for calculation of output at constant prices. For education these include number of students and number of teachers and for health medical personnel, health clinics and hospital beds.

17.56. ***Other services***. Like in the previous estimates, "other community, social and personal services" are based on employment and earnings data. The level has been revised upwards, however, based on results from the 1998 Labour Force Survey (LFS). On the other hand "private households with employed persons" (domestic services) has been brought down between 50 and 60 per cent, which is based on the same LFS.

17.57. ***General government***. As explained in paragraph 17.36, "general government" is wider than "producers of government services". Table 17.6 compares the revised with the previous estimates. After deducting water supply, government construction, and the Airports Authority we get the number for comparison with the previous estimates (Revised, comparable). The difference ranging between 16 and 23 billion is mainly explained by consumption of fixed capital, which was not previously estimated[2]. The output of non-market producers in government is calculated by adding production

2 This is also duly declared in the Statistical Abstract.

17.34. The presentation of GDP by activity in Annexes 17.1 - 17.4 is slightly different in the revised estimates. Firstly, the split between monetary and non-monetary economy has been discontinued because the borderline between them is blurred. The only entirely non-monetary activities for which there are separate estimates in the revised national accounts are collection of firewood and collection of water, recorded under forestry and water supply respectively. The revised estimates of these activities are based on data from the 1989 and 1999 population censuses and the 1994 and 1997 Welfare Monitoring Surveys and are on average about twice the amount of the previous estimates.

17.35. Annexes 17.1 - 17.4 provide a disaggregation by activity – with slightly more details compared to the previous estimates – for all producers: private and public corporations, non-profit institutions, household enterprises and general government. Thus, for example, education includes both government and private education. The tables then provide separate sections with a breakdown by activity for corporations, non-profit institutions and households on the one hand and general government on the other.

Table 17.6: Value added by general government at current prices

	1996	1997	1998	1999	2000	2001	2002	2003
Revised, KSh Billion	80	95	110	118	126	135	147	162
Deduct for comparison	8	8	8	11	14	14	14	13
Revised, comparable	72	86	101	107	112	121	133	149
Previous, KSh Billion	57	70	83	89	94	101	111	129
Difference, KSh Billion	15	16	18	18	17	20	22	20
Difference, per cent	27	23	22	21	19	20	20	15
Rev., comparable % of GDP	10.9	11.8	12.6	12.5	12.3	12.6	13.4	13.6
Previous per cent of GDP	10.8	11.3	12.0	12.0	11.9	11.5	11.5	11.8

17.58. The growth of general government / producers of government services by and large follows a similar path in the revised and previous series with an average annual growth of 1.1 and 0.8 per cent respectively

Expenditure on GDP

17.59. Annex 17.5 presents expenditure on GDP at current prices with percentage shares in Annex 17.6. Annex 17.7 contains expenditure on GDP at constant prices with annual percentage changes in table 8. Note that the tables include a discrepancy. The reason is that private consumption is no longer derived as a residual. Like gross fixed capital formation, private consumption has been calculated through the commodity flow approach. See paragraph 17.25. It has not been possible to balance GDP from the production and expenditure sides completely. The discrepancy may be too big at constant prices for the years before 2001, and both at current and constant prices for the two latest years. These two year are still provisional.

17.60. ***Private consumption***. Although a comparison with the previous estimates is not entirely meaningful because private consumption was derived as a residual, Table 17.7 nevertheless provides for that. The narrowing gap between the two series is of course a result of the convergence of the revised and previous GDP-estimates. See Table 17.1 and paragraph 31. Private consumption at constant prices increased with an average of 2.3 per cent per year from 1996 to 2002. This is slightly above the average growth of GDP at market prices, which was 1.8 per cent. See Table 17.2.

Table 17.7: Private consumption at current prices

	1996	1997	1998	1999	2000	2001	2002	2003
Revised, KSh Billion	502	570	623	667	712	764	780	847
Previous, KSh Billion	359	455	513	540	610	686	693	805
Difference, KSh Billion	142	115	109	126	102	78	87	42
Difference, per cent	40	25	21	23	17	11	12	5
Revised, per cent of GDP	75.9	77.6	77.6	77.9	78.3	79.2	78.7	77.4
Previous per cent of GDP	68.0	73.0	73.9	72.7	76.6	78.0	72.0	73.8

17.61. Annex 17.9 presents a disaggregation of private consumption by categories according to the Classification of Individual Consumption by Purpose. Only three of the major categories are distinguished: food and beverages; clothing and footwear; and housing (including water, electricity and fuels). All other categories are presented as two groups, goods and services. Note that the percentage shares presented in table 10 are not entirely comparable with final consumption expenditure derived from household surveys. Besides household consumption, private consumption also includes final consumption by non-profit institution serving households such as religious organisations and welfare institutions (Red Cross, Save the Children, etc.).

17.62. ***Government consumption***. Table 17.8 compares the revised with the previous estimates of government consumption. There is a definitional change in the 1993 SNA regarding expenditure on military durable goods that reduces government consumption. See paragraph 17.17. Adjusting for that one would have expected the difference to be similar to the one for the value added of government in table 17.6 It is not, probably because of inconsistencies in the previous estimates. The average annual growth for government consumption was 1.0 per cent, which is slightly lower compared to the value added of general government, which grew by an average of 1.1 per cent.

Table 17.8: Government consumption at current prices

	1996	1997	1998	1999	2000	2001	2002	2003
Revised, KShs billion	103	118	137	142	144	157	168	191
Previous, KShs billion	85	101	114	126	139	169	184	195
Difference, KShs billion	19	18	24	16	5	-11	-16	-5
Difference, per cent	22	17	21	13	4	-7	-9	-2
Revised, per cent of GDP	15.6	16.1	17.1	16.6	15.9	16.3	17.0	17.4
Previous per cent of GDP	16.0	16.2	16.4	16.9	17.5	19.2	19.1	17.9

17.63. ***Gross fixed capital formation***. From 1999, the revised estimates are considerably higher in the revised series as shown in Table 17.9. This is mainly due to higher output estimates for the construction industry. Besides, the foreign trade statistics record high import values for aircraft for the years 2000-2002, something that was not reflected in the previous series. Annex 17.10 presents gross fixed capital formation by type of asset. It has not been possible to further disaggregate buildings and structures as it was done in the previous estimates. Likewise, basic data are lacking for disaggregation by industry.

Table 17.9: Gross fixed capital formation at current prices

	1996	1997	1998	1999	2000	2001	2002	2003
Revised, KShs billion	108	114	128	137	161	183	178	175
Previous, KShs billion	104	110	114	113	116	123	124	137
Difference, KShs billion	3	4	14	24	45	59	54	39
Difference, per cent	3	4	12	22	39	48	44	28
Revised, per cent of GDP	15.6	16.1	17.1	16.6	15.9	16.3	17.0	17.4
Previous per cent of GDP	16.0	16.2	16.4	16.9	17.5	19.2	19.1	17.9

17.64. ***Changes in inventories*** are not comprehensively estimated in the revised national accounts. With a few exceptions, there are no basic data so changes in inventories are calculated only for a few commodities like coffee, mineral products and fuels by balancing supply and sales data.

17.65. ***Exports and imports of goods and services***. The estimates of exports and imports have been made to tally with the foreign trade statistics and the balance of payments as published by the CBS with two differences. Firstly, adjustments have been made to include the Export Processing Zones. Thus, imports and exports to and from the EPZ are recorded instead of the transactions between the EPZ and the rest of the country. Secondly, re-exports of fuels seem to be overestimated form 2001. Provisional lower values have been used in the national accounts until the issue has been investigated.

Major Aggregates

17.69. Annex 17.11 presents the derivation of three major national accounting aggregates: gross domestic product, gross national income and gross national disposable income with GDP disaggregated by income components. Consumption of fixed capital has now been estimated according to the perpetual inventory method; time series on gross fixed capital formation are available back to the 1960s.

Annex 17.1: Gross Domestic Product by Activity Current Prices - KShs million

Industry	1996	1997	1998	1999	2000	2001	2002	2003
Agriculture and forestry	155,346	175,009	186,975	207,076	218,367	217,880	209,296	232,269
Growing of crops and horticulture	105,535	120,265	127,558	137,295	146,990	143,975	137,539	157,768
Farming of animals	39,862	41,521	45,552	53,426	57,196	58,873	56,275	57,501
Agricultural and animal husbandry services	2,154	2,377	2,751	3,313	3,599	4,075	4,390	4,334
Forestry and logging	7,795	10,846	11,115	13,042	10,583	10,958	11,092	12,667
Fishing	4,761	5,609	5,592	6,395	6,570	6,532	6,323	6,578
Mning and quarrying	2,679	2,278	2,206	2,912	4,243	5,120	5,466	6,193
Manufacturing	82,342	87,002	89,965	90,202	96,167	96,971	101,582	107,878
Manufacture of food, beverages and tobacco	28,304	30,859	31,650	30,891	30,081	28,782	29,816	34,172
All other manufacturing	54,038	56,143	58,315	59,312	66,086	68,189	71,766	73,707
Electricity and water supply	16,902	17,155	18,422	17,018	18,803	19,669	20,825	30,551
Electricity supply	12,885	13,093	13,995	11,946	13,157	13,375	13,833	22,537
Water supply	4,017	4,062	4,428	5,072	5,646	6,293	6,993	8,014
Construction	17,632	19,482	22,748	27,352	28,852	31,025	31,427	33,079
Wholesale and retail trade, repairs	57,778	63,645	69,806	73,707	77,952	83,809	84,317	93,831
Hotels and restaurants	11,719	12,277	9,150	9,603	11,722	11,884	12,524	10,451
Transport and communication	60,512	63,161	70,022	73,504	85,411	98,116	104,423	112,034
Transport and storage	47,826	49,006	56,658	61,671	71,887	75,263	74,776	79,787
Post and telecommunications	12,686	14,155	13,365	11,833	13,525	22,853	29,647	32,246
Financial intermediation	37,315	44,600	48,423	48,714	33,885	41,536	34,953	44,498
Real estate, renting and business services	44,681	50,633	54,926	60,551	66,471	73,372	78,039	84,781
Dwellings, owner occupied and rented	24,737	28,612	30,844	34,835	38,773	43,236	46,377	51,253
Renting and business services	19,945	22,021	24,082	25,715	27,698	30,137	31,662	33,527
Public administration and defence	27,815	33,306	39,271	41,662	44,708	47,041	45,857	46,522
Education	33,035	41,048	49,046	51,918	54,024	59,853	70,827	86,332
Health and social work	12,515	14,377	16,136	18,004	20,407	24,019	27,258	30,344
Other community, social and personal services	28,616	30,157	33,162	35,306	37,982	41,871	43,986	45,591
Private households with employed persons	2,142	2,469	2,833	3,090	3,403	3,706	3,984	4,562
Less: Financial services indirectly measured	-7,264	-8,135	-11,142	-13,772	-8,574	-11,772	-9,070	-10,111
All industries at basic prices	**588,524**	**654,074**	**707,541**	**753,242**	**800,395**	**850,632**	**872,018**	**965,383**
Taxes less subsidies on products	72,426	79,777	95,212	102,414	109,261	113,426	118,517	128,674
GDP at market prices	**660,951**	**733,851**	**802,753**	**855,656**	**909,656**	**964,058**	**990,535**	**1,094,057**

It would be useful to note that the 'All industries at basic prices' line is convertible to GDP at fator cost by reference to Paragrapgh 17.12

Annex 17.1: Gross Domestic Product by Activity Current prices – KSh. million (continued)

Institutional sector and industry	1996	1997	1998	1999	2000	2001	2002	2003
Corporations, non-profit institutions and households								
Agriculture and forestry	152,641	172,121	183,740	203,457	214,587	213,643	204,678	227,677
Fishing	4,761	5,609	5,592	6,395	6,570	6,532	6,323	6,578
Mining and quarrying	2,679	2,278	2,206	2,912	4,243	5,120	5,466	6,193
Manufacturing	82,342	87,002	89,965	90,202	96,167	96,971	101,582	107,878
Electricity and w ater supply	15,374	15,996	17,470	15,818	17,432	18,158	19,161	28,694
Construction	14,865	16,681	19,878	24,195	25,385	27,355	28,188	30,189
Wholesale and retail trade, repairs	57,778	63,645	69,806	73,707	77,952	83,809	84,317	93,831
Hotels and restaurants	11,719	12,277	9,150	9,603	11,722	11,884	12,524	10,451
Transport, and communication	55,651	58,197	65,041	66,407	75,696	88,212	95,100	102,881
Financial intermediation	37,315	44,600	48,423	48,714	33,885	41,536	34,953	44,498
Dw ellings, ow ner occupied and rented	24,737	28,612	30,844	34,835	38,773	43,236	46,377	51,253
Other real estate and business services	19,415	21,395	23,397	25,088	27,099	29,450	30,876	32,693
Education	872	1,032	1,481	2,057	3,273	3,803	3,492	5,930
Health and social w ork	6,104	6,819	7,698	9,242	11,359	13,994	15,280	17,039
Other community, social and personal services	27,208	28,687	31,472	33,305	35,915	39,600	41,441	43,102
Private households w ith employed persons	2,142	2,469	2,833	3,090	3,403	3,706	3,984	4,562
Less: Financial services indirectly measured	-7,264	-8,135	-11,142	-13,772	-8,574	-11,772	-9,070	-10,111
Total value added at basic prices	**508,338**	**559,286**	**597,853**	**635,256**	**674,886**	**715,236**	**724,672**	**803,338**
General government								
Agriculture and forestry	2,705	2,888	3,236	3,620	3,781	4,237	4,618	4,593
Water supply	1,528	1,159	952	1,200	1,371	1,510	1,665	1,857
Construction	2,767	2,801	2,870	3,157	3,468	3,670	3,239	2,891
Transport, and communication	4,861	4,964	4,982	7,097	9,716	9,904	9,323	9,153
Resaearch and technical services	529	626	685	627	600	687	786	834
Public administartion and defence	27,815	33,306	39,271	41,662	44,708	47,041	45,857	46,522
Education	32,163	40,016	47,565	49,861	50,751	56,051	67,335	80,402
Health and social w ork	6,411	7,558	8,438	8,762	9,048	10,025	11,978	13,305
Other services	1,408	1,470	1,690	2,001	2,067	2,271	2,545	2,489
Total value added at basic prices	**80,186**	**94,788**	**109,688**	**117,986**	**125,509**	**135,396**	**147,345**	**162,045**

Annex 17.2: Gross Domestic Product by Activity Per cent contributions to GDP

Industry	1996	1997	1998	1999	2000	2001	2002	2003
Agriculture and forestry	23.5	23.8	23.3	24.2	24.0	22.6	21.1	21.2
Growing of crops and horticulture	16.0	16.4	15.9	16.0	16.2	14.9	13.9	14.4
Farming of animals	6.0	5.7	5.7	6.2	6.3	6.1	5.7	5.3
Agricultural and animal husbandry services	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.4
Forestry and logging	1.2	1.5	1.4	1.5	1.2	1.1	1.1	1.2
Fishing	0.7	0.8	0.7	0.7	0.7	0.7	0.6	0.6
Mining and quarrying	0.4	0.3	0.3	0.3	0.5	0.5	0.6	0.6
Manufacturing	12.5	11.9	11.2	10.5	10.6	10.1	10.3	9.9
Manufacture of food, beverages and tobacco	4.3	4.2	3.9	3.6	3.3	3.0	3.0	3.1
All other manufacturing	8.2	7.7	7.3	6.9	7.3	7.1	7.2	6.7
Electricity and water supply	2.6	2.3	2.3	2.0	2.1	2.0	2.1	2.8
Electricity supply	1.9	1.8	1.7	1.4	1.4	1.4	1.4	2.1
Water supply	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.7
Construction	2.7	2.7	2.8	3.2	3.2	3.2	3.2	3.0
Wholesale and retail trade, repairs	8.7	8.7	8.7	8.6	8.6	8.7	8.5	8.6
Hotels and restaurants	1.8	1.7	1.1	1.1	1.3	1.2	1.3	1.0
Transport and communication	9.2	8.6	8.7	8.6	9.4	10.2	10.5	10.2
Transport and storage	7.2	6.7	7.1	7.2	7.9	7.8	7.5	7.3
Post and telecommunications	1.9	1.9	1.7	1.4	1.5	2.4	3.0	2.9
Financial intermediation	5.6	6.1	6.0	5.7	3.7	4.3	3.5	4.1
Real estate, renting and business services	6.8	6.9	6.8	7.1	7.3	7.6	7.9	7.7
Dwellings, owner occupied and rented	3.7	3.9	3.8	4.1	4.3	4.5	4.7	4.7
Renting and business services	3.0	3.0	3.0	3.0	3.0	3.1	3.2	3.1
Public administration and defence	4.2	4.5	4.9	4.9	4.9	4.9	4.6	4.3
Education	5.0	5.6	6.1	6.1	5.9	6.2	7.2	7.9
Health and social work	1.9	2.0	2.0	2.1	2.2	2.5	2.8	2.8
Other community, social and personal services	4.3	4.1	4.1	4.1	4.2	4.3	4.4	4.2
Private households with employed persons	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.4
Less: Financial services indirectly measured	-1.1	-1.1	-1.4	-1.6	-0.9	-1.2	-0.9	-0.9
All industries at basic prices	**89.0**	**89.1**	**88.1**	**88.0**	**88.0**	**88.2**	**88.0**	**88.2**
Taxes less subsidies on products	11.0	10.9	11.9	12.0	12.0	11.8	12.0	11.8
GDP at market prices	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Corporations, non-profit institutions and households	76.9	76.2	74.5	74.2	74.2	74.2	73.2	73.4
General government	12.1	12.9	13.7	13.8	13.8	14.0	14.9	14.8

Annex 17. 3: Gross Domestic Product by Activity Constant 2001 prices - KSh million

Industry	1996	1997	1998	1999	2000	2001	2002	2003
Agriculture and forestry	186,576	177,726	190,705	200,002	198,056	217,880	215,836	219,422
Growing of crops and horticulture	122,161	111,554	122,906	127,822	128,561	143,975	143,723	146,760
Farming of animals	48,970	47,896	50,421	53,128	53,864	58,873	57,923	57,890
Agricultural and animal husbandry services	4,737	4,541	4,424	4,362	4,289	4,075	4,050	4,050
Forestry and logging	10,707	13,735	12,954	14,691	11,343	10,958	10,141	10,723
Fishing	7,128	7,035	6,838	8,428	7,995	6,532	5,119	5,905
Mining and quarrying	3,997	4,016	4,012	4,328	4,617	5,120	5,239	5,398
Manufacturing	102,837	100,908	98,934	95,648	96,561	96,971	99,500	101,808
Manufacture of food, beverages and tobacco	33,078	32,685	32,075	30,811	29,233	28,782	29,628	30,591
All other manufacturing	69,759	68,222	66,859	64,836	67,327	68,189	69,872	71,217
Electricity and water supply	24,242	24,737	24,483	20,718	18,949	19,669	24,114	26,645
Electricity supply	18,578	18,918	18,467	14,557	12,685	13,375	17,643	20,120
Water supply	5,664	5,819	6,016	6,161	6,264	6,293	6,471	6,525
Construction	29,014	28,988	30,113	32,183	32,202	31,025	30,759	30,387
Wholesale and retail trade, repairs	77,625	78,150	80,981	81,788	80,508	83,809	82,821	83,554
Hotels and restaurants	16,956	16,016	11,291	11,186	12,299	11,884	12,446	9,720
Transport and communication	76,951	74,628	76,342	81,265	87,783	98,116	101,856	103,009
Transport and storage	66,825	63,980	65,112	69,344	74,037	75,263	72,898	74,188
Post and telecommunications	10,126	10,647	11,230	11,921	13,746	22,853	28,957	28,822
Financial intermediation	41,678	45,062	48,888	49,157	46,219	41,536	40,701	40,712
Real estate, renting and business services	62,907	64,968	67,201	69,279	71,244	73,372	75,732	77,832
Dwellings, owner occupied and rented	35,875	37,223	38,630	40,099	41,633	43,236	44,909	46,658
Renting and business services	27,032	27,745	28,571	29,180	29,611	30,137	30,823	31,174
Public administration and defence	48,854	48,502	49,334	48,703	48,520	47,041	47,029	47,729
Education	53,556	54,813	57,067	57,745	58,092	59,853	60,848	66,594
Health and social work	18,251	19,904	21,479	22,596	23,598	24,019	24,841	25,521
Other community, social and personal services	36,139	37,204	38,447	39,538	40,265	41,871	42,985	43,343
Private households with employed persons	3,357	3,424	3,492	3,562	3,634	3,706	3,780	3,856
Less: Financial services indirectly measured	-11,375	-10,748	-12,181	-12,897	-12,397	-11,772	-10,707	-9,932
All industries at basic prices	**778,694**	**775,332**	**797,425**	**813,228**	**818,145**	**850,632**	**862,897**	**881,505**
Taxes less subsidies on products	108,167	109,954	111,782	111,082	114,071	113,426	114,952	117,788
GDP at market prices	**886,861**	**885,286**	**909,207**	**924,310**	**932,216**	**964,058**	**977,849**	**999,292**

Annex 17.3: Gross Domestic Product by Activity Constant 2001 prices - KSh million

Institutional sector and industry	1996	1997	1998	1999	2000	2001	2002	2003
Corporations, non-profit institutions and households								
Agriculture and forestry	181,579	172,980	186,036	195,418	193,555	213,643	211,649	215,234
Fishing	7,128	7,035	6,838	8,428	7,995	6,532	5,119	5,905
Mining and quarrying	3,997	4,016	4,012	4,328	4,617	5,120	5,239	5,398
Manufacturing	102,837	100,908	98,934	95,648	96,561	96,971	99,500	101,808
Electricity and w ater supply	22,488	22,989	22,705	18,970	17,279	18,158	22,623	25,304
Construction	24,223	24,992	26,359	28,495	28,414	27,355	26,921	26,352
Wholesale and retail trade, repairs	77,625	78,150	80,981	81,788	80,508	83,809	82,821	83,554
Hotels and restaurants	16,956	16,016	11,291	11,186	12,299	11,884	12,446	9,720
Transport, and communication	69,112	66,766	68,462	71,805	77,250	88,212	93,405	95,355
Financial intermediation	41,678	45,062	48,888	49,157	46,219	41,536	40,701	40,712
Dw ellings, ow ner occupied and rented	35,875	37,223	38,630	40,099	41,633	43,236	44,909	46,658
Other real estate and business services	26,312	27,029	27,840	28,459	28,888	29,450	30,142	30,490
Education	2,055	2,054	2,160	2,534	3,724	3,803	3,602	4,651
Health and social w ork	9,689	10,630	11,626	12,516	13,334	13,994	14,428	14,902
Other community, social and personal services	34,242	35,329	36,437	37,402	38,076	39,600	40,632	41,027
Private households w ith employed persons	3,357	3,424	3,492	3,562	3,634	3,706	3,780	3,856
Less: Financial services indirectly measured	-11,375	-10,748	-12,181	-12,897	-12,397	-11,772	-10,707	-9,932
Total value added at basic prices	**647,778**	**643,854**	**662,510**	**676,897**	**681,589**	**715,236**	**727,209**	**740,997**
General government								
Agriculture and forestry	4,996	4,745	4,669	4,585	4,501	4,237	4,188	4,188
Water supply	1,754	1,749	1,778	1,748	1,670	1,510	1,491	1,340
Construction	4,791	3,996	3,754	3,688	3,787	3,670	3,838	4,034
Transport, and communication	7,839	7,862	7,880	9,460	10,533	9,904	8,451	7,654
Resaearch and technical services	720	716	731	721	723	687	681	684
Public administartion and defence	48,854	48,502	49,334	48,703	48,520	47,041	47,029	47,729
Education	51,501	52,759	54,907	55,211	54,368	56,051	57,246	61,943
Health and social w ork	8,563	9,274	9,853	10,080	10,265	10,025	10,413	10,619
Other services	1,897	1,875	2,010	2,136	2,189	2,271	2,352	2,316
Total value added at basic prices	**130,916**	**131,478**	**134,915**	**136,332**	**136,557**	**135,396**	**135,688**	**140,507**

Annex 17.4: Gross Domestic Product by Activity Percentage changes

Table 4: Gross Domestic Product by Activity Percentage changes

Industry	1996	1997	1998	1999	2000	2001	2002	2003
Agriculture and forestry		-4.7	7.3	4.9	-1.0	10.0	-0.9	1.7
Growing of crops and horticulture		-8.7	10.2	4.0	0.6	12.0	-0.2	2.1
Farming of animals		-2.2	5.3	5.4	1.4	9.3	-1.6	-0.1
Agricultural and animal husbandry services		-4.1	-2.6	-1.4	-1.7	-5.0	-0.6	0.0
Forestry and logging		28.3	-5.7	13.4	-22.8	-3.4	-7.5	5.7
Fishing		-1.3	-2.8	23.3	-5.1	-18.3	-21.6	15.3
Mining and quarrying		0.5	-0.1	7.9	6.7	10.9	2.3	3.0
Manufacturing		-1.9	-2.0	-3.3	1.0	0.4	2.6	2.3
Manufacture of food, beverages and tobacco		-1.2	-1.9	-3.9	-5.1	-1.5	2.9	3.3
All other manufacturing		-2.2	-2.0	-3.0	3.8	1.3	2.5	1.9
Electricity and water supply		2.0	-1.0	-15.4	-8.5	3.8	22.6	10.5
Electricity supply		1.8	-2.4	-21.2	-12.9	5.4	31.9	14.0
Water supply		2.7	3.4	2.4	1.7	0.5	2.8	0.8
Construction		-0.1	3.9	6.9	0.1	-3.7	-0.9	-1.2
Wholesale and retail trade, repairs		0.7	3.6	1.0	-1.6	4.1	-1.2	0.9
Hotels and restaurants		-5.5	-29.5	-0.9	10.0	-3.4	4.7	-21.9
Transport and communication		-3.0	2.3	6.4	8.0	11.8	3.8	1.1
Transport and storage		-4.3	1.8	6.5	6.8	1.7	-3.1	1.8
Post and telecommunications		5.1	5.5	6.2	15.3	66.3	26.7	-0.5
Financial intermediation		8.1	8.5	0.5	-6.0	-10.1	-2.0	0.0
Real estate, renting and business services		3.3	3.4	3.1	2.8	3.0	3.2	2.8
Dwellings, owner occupied and rented		3.8	3.8	3.8	3.8	3.8	3.9	3.9
Renting and business services		2.6	3.0	2.1	1.5	1.8	2.3	1.1
Public administration and defence		-0.7	1.7	-1.3	-0.4	-3.0	0.0	1.5
Education		2.3	4.1	1.2	0.6	3.0	1.7	9.4
Health and social work		9.1	7.9	5.2	4.4	1.8	3.4	2.7
Other community, social and personal services		2.9	3.3	2.8	1.8	4.0	2.7	0.8
Private households with employed persons		2.0	2.0	2.0	2.0	2.0	2.0	2.0
Less: Financial services indirectly measured		-5.5	13.3	5.9	-3.9	-5.0	-9.0	-7.2
All industries at basic prices		**-0.4**	**2.8**	**2.0**	**0.6**	**4.0**	**1.4**	**2.2**
Taxes less subsidies on products		1.7	1.7	-0.6	2.7	-0.6	1.3	2.5
GDP at market prices		**-0.2**	**2.7**	**1.7**	**0.9**	**3.4**	**1.4**	**2.2**
Corporations, non-profit institutions and households		-0.6	2.9	2.2	0.7	4.9	1.7	1.9
General government		0.4	2.6	1.0	0.2	-0.8	0.2	3.6

Annex 17.5: Expenditure on the Gross Domestic Product Current prices – KSh. million

Expenditure category	1996	1997	1998	1999	2000	2001	2002	2003
Government final consumption expenditure	103,030	118,270	137,260	141,801	144,444	157,422	168,061	190,833
Private final consumption expenditure	501,663	569,818	622,691	666,678	712,198	763,640	779,769	846,899
Gross fixed capital formation	107,740	113,794	127,585	137,441	161,476	182,539	178,446	175,319
Changes in inventories	-6,797	-4,569	4,940	510	2,600	7,912	-10,426	21,056
Gross domestic expenditure	**705,636**	**797,314**	**892,476**	**946,429**	**1,020,717**	**1,111,513**	**1,115,849**	**1,234,106**
Exports of goods and services	171,022	173,277	174,979	187,988	209,918	216,374	232,419	239,240
Imports of goods and services	198,465	222,215	230,668	238,756	293,912	343,914	309,780	332,169
Discrepancy [1]	-17,242	-14,525	-34,033	-40,006	-27,068	-19,915	-47,953	-47,120
Gross domestic product at market prices	**660,951**	**733,851**	**802,753**	**855,656**	**909,656**	**964,058**	**990,535**	**1,094,057**

[1]) Change in changes of inventories as a percentage of GDP of the previous year

Annex 17.6: Expenditure on the Gross Domestic Product Current prices - percentage shares

Expenditure category	1996	1997	1998		2000	2001	2002	2003
Government final consumption expenditure	15.6	16.1	17.1	16.6	15.9	16.3	17.0	17.4
Private final consumption expenditure	75.9	77.6	77.6	77.9	78.3	79.2	78.7	77.4
Gross fixed capital formation	16.3	15.5	15.9	16.1	17.8	18.9	18.0	16.0
Changes in inventories	-1.0	-0.6	0.6	0.1	0.3	0.8	-1.1	1.9
Gross domestic expenditure	**106.8**	**108.6**	**111.2**	**110.6**	**112.2**	**115.3**	**112.7**	**112.8**
Exports of goods and services	25.9	23.6	21.8	22.0	23.1	22.4	23.5	21.9
Imports of goods and services	30.0	30.3	28.7	27.9	32.3	35.7	31.3	30.4
Discrepancy [1])	-2.6	-2.0	-4.2	-4.7	-3.0	-2.1	-4.8	-4.3
Gross domestic product at market prices	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

[1]) Change in changes of inventories as a percentage of GDP of the previous year

Annex 17.7: Expenditure on the Gross Domestic Product Constant 2001 prices prices - KSh million

Expenditure category	1996	1997	1998	1999	2000	2001	2002	2003
Government final consumption expenditure	157,783	158,535	165,307	161,084	156,838	157,422	158,883	168,734
Private final consumption expenditure	670,112	693,517	716,325	734,988	737,366	763,640	776,902	786,779
Gross fixed capital formation	146,155	143,744	151,937	152,558	166,626	182,539	175,887	162,183
Changes in inventories including discrepancy 1)	-9,599	-6,980	9,383	2,213	2,400	7,912	-10,069	21,289
Gross domestic expenditure	**964,451**	**988,817**	**1,042,952**	**1,050,843**	**1,063,231**	**1,111,513**	**1,101,602**	**1,138,985**
Exports of goods and services	228,889	206,362	200,244	211,378	215,662	216,374	231,844	228,166
Imports of goods and services	261,249	281,468	288,802	287,914	296,841	343,914	307,218	316,161
Discrepancy	-45,229	-28,425	-45,188	-49,996	-49,836	-19,915	-48,378	-51,697
Gross domestic product at market prices	**886,861**	**885,286**	**909,207**	**924,310**	**932,216**	**964,058**	**977,849**	**999,292**

[1]) Change in changes of inventories as a percentage of GDP of the previous year

Annex 17.8: Expenditure on the Gross Domestic Product, Constant 2001 prices prices - per cent change

Expenditure category	1996	1997	1998	1999	2000	2001	2002	2003
Government final consumption expenditure		0.5	4.3	-2.6	-2.6	0.4	0.9	6.2
Private final consumption expenditure		3.5	3.3	2.6	0.3	3.6	1.7	1.3
Gross fixed capital formation		-1.6	5.7	0.4	9.2	9.5	-3.6	-7.8
Changes in inventories [1])		0.3	1.8	-0.8	0.0	0.6	-1.9	3.2
Gross domestic expenditure		**2.5**	**5.5**	**0.8**	**1.2**	**4.5**	**-0.9**	**3.4**
Exports of goods and services		-9.8	-3.0	5.6	2.0	0.3	7.1	-1.6
Imports of goods and services		7.7	2.6	-0.3	3.1	15.9	-10.7	2.9
Discrepancy								
Gross domestic product at market prices		**-0.2**	**2.7**	**1.7**	**0.9**	**3.4**	**1.4**	**2.2**

[1]) Change in changes of inventories as a percentage of GDP of the previous year

Annex 17.9a: Private Consumption by Purpose Current prices - KSh million

Purpose	1996	1997	1998	1999	2000	2001	2002	2003
Food and beverages	236,581	271,859	299,134	316,178	330,537	337,792	329,758	366,196
Clothing and footw ear	22,534	24,063	31,127	33,374	34,850	37,682	37,866	40,903
Housing	42,915	50,100	55,523	64,900	73,864	78,529	82,256	87,272
All other goods	67,076	72,223	79,669	90,431	92,104	103,252	105,606	119,149
All other services	163,562	178,958	185,027	193,615	213,875	245,561	263,595	279,639
Direct pruchases abroad	2,473	5,807	6,170	2,976	6,558	6,431	4,401	3,456
Less: Direect purchases by non-res in Kenya	-33,479	-33,191	-33,959	-34,796	-39,592	-45,606	-43,714	-49,716
Total	**501,663**	**569,818**	**622,691**	**666,678**	**712,198**	**763,640**	**779,769**	**846,899**

Annex 17.9b: Private Consumption by Purpose Current prices - percentage shares

Expenditure category	1996	1997	1998	1999	2000	2001	2002	2003
Food and beverages	47.2	47.7	48.0	47.4	46.4	44.2	42.3	43.2
Clothing and footw ear	4.5	4.2	5.0	5.0	4.9	4.9	4.9	4.8
Housing	8.6	8.8	8.9	9.7	10.4	10.3	10.5	10.3
All other goods	13.4	12.7	12.8	13.6	12.9	13.5	13.5	14.1
All other services	32.6	31.4	29.7	29.0	30.0	32.2	33.8	33.0
Direct pruchases abroad	0.5	1.0	1.0	0.4	0.9	0.8	0.6	0.4
Less: Direect purchases by non-res in Kenya	-6.7	-5.8	-5.5	-5.2	-5.6	-6.0	-5.6	-5.9
Total	**100.0**	**100.0**	**100.0**	**52.6**	**100.0**	**100.0**	**100.0**	**100.0**

Annex 17.10a: Gross Fixed Capital Formation by Type of Asset Current prices - KSh million

Type of asset	1996	1997	1998	1999	2000	2001	2002	2003
Buildings and sructures	45,094	50,540	60,190	73,616	77,307	83,223	85,611	91,425
Transport equipment	24,869	25,016	26,519	27,184	37,874	54,881	50,086	36,920
Other machinery and equipment	36,536	37,032	39,770	35,560	45,304	43,325	41,580	45,800
Cultivated assets	1,136	1,063	1,059	971	978	997	1,120	1,142
Intangible assets	105	143	47	110	12	112	48	32
Total	**107,740**	**113,794**	**127,585**	**137,441**	**161,476**	**182,539**	**178,446**	**175,319**

Table 10b

Annex17.10b: Gross Fixed Capital Formation by Type of Asset Current prices - percentage shares

Type of asset	1996	1997	1998	1999	2000	2001	2002	2003
Buildings and sructures	41.9	44.4	47.2	53.6	47.9	45.6	48.0	52.1
Transport equipment	23.1	22.0	20.8	19.8	23.5	30.1	28.1	21.1
Other machinery and equipment	33.9	32.5	31.2	25.9	28.1	23.7	23.3	26.1
Cultivated assets	1.1	0.9	0.8	0.7	0.6	0.5	0.6	0.7
Intangible assets	0.1	0.1	0.0	0.1	0.0	0.1	0.0	0.0
Total	**100.0**	**100.0**	**100.0**	**74.1**	**100.0**	**100.0**	**100.0**	**100.0**

Annex 17.11: Gross Domestic Product and Gross National Income

	1996	1997	1998	1999	2000	2001	2002	2003
CURRENT PRICES, KShs million								
Compensation of employees	219,196	254,808	291,663	316,370	333,531	366,627	393,682	423,169
Consumption of fixed capital	64,428	73,532	82,413	91,582	100,332	105,395	108,159	113,371
Net operating surplus	300,976	321,591	329,389	341,394	362,509	374,759	365,990	423,590
Gross domestic product at factor cost	**584,600**	**649,931**	**703,466**	**749,346**	**796,372**	**846,781**	**867,831**	**960,130**
Taxes on production and imports	76,351	83,950	99,338	106,429	113,483	117,478	122,904	134,127
Subsidies	0	-31	-50	-119	-200	-200	-200	-200
Gross domestic product at market prices	**660,951**	**733,851**	**802,753**	**855,656**	**909,656**	**964,058**	**990,535**	**1,094,057**
Primary incomes								
Receivable from the rest of the world	1,225	1,350	2,490	2,230	3,426	3,618	2,786	4,526
Payable to rest of the world	-13,834	-14,973	-12,958	-13,426	-13,566	-13,142	-14,036	-11,222
Gross national income at market prices	**648,341**	**720,228**	**792,285**	**844,460**	**899,516**	**954,535**	**979,285**	**1,087,361**
Current transfers								
Receivable from the rest of the world	28,131	33,626	34,928	48,194	70,582	63,101	49,780	62,162
Payable to rest of the world	-309	0	-272		-442	-126	-151	-177
Gross national disposable income	**676,163**	**753,854**	**826,942**	**892,207**	**969,656**	**1,017,510**	**1,028,914**	**1,149,346**
Per capita, Kshs								
Gross domestic product at market prices	25,140	27,113	28,809	29,828	30,801	31,708	31,645	33,951
Gross national income at market prices	24,661	26,610	28,433	29,437	30,458	31,395	31,286	33,743
CONSTANT PRICES								
GDP at market prices, KShs million	886,861	885,286	909,207	924,310	932,216	964,058	977,849	999,292
Per capita	33,733	32,708	32,630	32,221	31,565	31,708	31,240	31,010
- Annual percentage change		-3.0	-0.2	-1.3	-2.0	0.5	-1.5	-0.7
Population, '000	26,290	27,066	27,865	28,687	29,533	30,404	31,301	32,225