Economic Survey 2009

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Foreword

The Economic Survey is an annual publication of the Kenya National Bureau of Statistics (KNBS). It presents socio-economic highlights of the economy for the last five years. The report forms an important source of input into the budgeting process, planning, monitoring and policy formulation. processes.

Vision

The Vision of the Bureau is "to become a centre of excellence in statistical production and management for national development".

Mission

The mission of the Bureau is "to coordinate and supervise the National Statistical System; produce and disseminate comprehensive, integrated, accurate and timely statistics required mainly to inform national development initiatives and processes; and develop and maintain a socio-economic national database".

Mandate

The KNBS is a Semi Autonomous Government Agency (SAGA) mandated by law (Statistics Act 2006) to collect, analyze and disseminate socio-economic statistics needed for planning and policy formulation in the country.

The Organization

The Kenya National Bureau of Statistics comprises of six Directorates namely;
Production Statistics
Macroeconomic Statistics
Strategy and Development
Finance and Administration
Population and Other Social Statistics
Information and Communication Technology

Teamwork

Together with users and producers of data we are committed to face challenges and opportunities of the 21st Century.

Director General
Kenya National Bureau of Statistics

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List of Acronyms

ADB	African Development Bank
ADF	African Development Fund
ADNOC	Abu Dhabi, National Oil Corporation
AG	Attorney General
AGOA	African Growth and Opportunities Act
AKI	Association of Kenya Insurers
API	American Petroleum Institute
ASALs	Arid and Semi-Arid Lands
ASEAN	Association of South Eastern Asia Nations
ASK	Agricultural Society of Kenya
BEC	Broad Economic Category
BH	Bore Hole
BOP	Balance of Payment
BPO	Business Process Outsourcing
BSPS	Business Sector Programme Support
CBK	Central Bank of Kenya
CBR	Central Bank Rate
CCK	Communications Commission of Kenya
CDF	Constituency Development Fund
CDMA	Code Division Multiple Access
CMA	Capital Market Authority
COFOG	Classification of Functions of Government
COMESA	Common Market for Eastern and Southern Africa
COMSEC	Commonwealth Secretariat
CPI	Consumer Price Index
DAP	Daily Average Population
DBK	Development Bank of Kenya
DVB – H	Digital Video Broadcasting –HandHeld
EA	Environmental Audit
EAC	East African Community
EAs	Environmental Audit
ECD	Early Childhood Development
EEC	European Economic Community
EIA	Environment Impact Assessment
EIB	European Investment Bank
EMS	Expedite Mail Services
EPC	Export Promotion Council
EPP	Emergency Power Producers
EPS	Environment Programme Support
EPZ	Export Processing Zone
ESD	Education for Sustainable Development
EU	European Union
FIC	Full Immunization Coverage

FPE	Free Primary Education
FSTE	Free Secondary Tuition Education
FX	Foreign Exchange
GER	Gross Enrolment Rate/Ratio
GFCF	Gross Fixed Capital Formation
GFS	Government Financial Statistics
GFSM 1986	Government Finance Statistics Manual 1986
GFSM 2001	Government Finance Statistics Manual 2001
GNI	Gross National Income
GNP	Gross National Product
GoK	Government of Kenya
GSM	Global System of Mobile
GWH	Giga Watts per Hour
IBRD	International Bank for Reconstruction & Development
ICDC	Industrial and Commercial Development Corporation
ICT	Information, Communication and Technology
IDA	International Development Association
IDB	Industrial Development Bank
IDPs	Internally Displaced Persons
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
IOPS	International Organization of Pension Supervisors
IPEC	Internal Programme towards elimination of child labour
IPOs	Initial Public Offers
IT	Information Technology
JAB	Joint Admissions Board
JKIA	Jomo Kenyatta University of Agriculture and Technology
KACC	Kenya Anti-Corruption Commission
KAPU	Kenya Airports Police Unit
KCPE	Kenya Certificate of Primary Education
KCSE	Kenya Certificate of Secondary Education
KENHA	Kenya National Highways Authority
KERRA	Kenya Rural Roads Authority
KESSP	Kenya Education Sector Support Programme
KFS	Kenya Forest Service
KIA	Kenya Investment Authority
KICC	Kenyatta International Conference Centre
KIHBS	Kenya Integrated Household Budget Survey
KNBS	Kenya National Bureau of Statistics
KOSF	Kipevu Oil Storage facility
KPC	Kenya Pipeline Corporation
KPLC	Kenya Power and Lightening Company
KPRL	Kenya Petroleum Refineries Limited
KRB	Kenya Roads Board

KUC	Kenya Utalii College
KURA	Kenya Urban Roads Authority
KW	Kilowatts
KWS	Kenya Wildlife Service
LATF	Local Authority Transfer Fund
LFS	Labour Force Survey
LPG	Liquefied Petroleum Gas
M3	Broad Money Supply
MAM	March-April-May
MIA	Moi International Airport
MoA	Ministry of Agriculture
MoF	Ministry of Finance
MoH	Ministry of Health
MoLG	Ministry of Local Government
MoR & PW	Ministry of Roads and Public Works
MSMES	Micro, Small and Medium Enterprises
MTP	Medium Term Plan
MW	Mega Watt
NBFI	Non-Bank Financial Institutions
NCC	Nairobi City Council
NCPB	National Cereals and Produce Board
NEMA	National Environmental and Management Authority
NER	Net Enrolment Ratio
NHC	National Housing Corporation
NHIF	National Hospital Insurance Fund
NMK	National Museums of Kenya
NPA	National Plan of Action
NPR	Not previously Registered
NSE	Nairobi Stock Exchange
NSSF	National Social Security Funds
NWCPC	National Water Corporation and Pipeline Corporation
NYS	National Youth Service
OECD	Organisation of Economic Cooperation and Development
OMO	Open Market Operations
OND	October – November - December
OPEC	Organization of Petroleum Exporting Countries
PAYE	Pay as You Earn
PCK	Postal Corporation of Kenya
PER	Public Expenditure Review
PTR	Pupil Teacher Ratio
RBA	Retirement Benefits Authority
REA	Rural Electrification Programme
RMLF	Roads Maintenance Levy Fund
SACCOs	Savings and Credit Co-operative Organisation

SDR	Special Drawing Rights
SEZ	Special Economic Zones
SMS	Short Message Service
SSA	Sub-Sahara Africa
TAS	Teachers Service Commission
TEAMS	The East African Marine System
TEUs	Twenty Foot Equivalent Units
TIVET	Technical Industrial and Vocational Educational Training
TLB	Transport Licensing Board
UAE	United Arab Emirates
UNESCO	United Nations Education social and Cultural Organisation
VAT	Value Added Tax
WPP	Water Purification Points
WTO	World Tourism Organization

Summary and Outlook

International Scene

The global economy experienced slower growth against projected outcomes during 2008 due to a financial crisis arising from the housing sector in the United States. The global economy is estimated to have expanded by 2.7 per cent in 2008 compared to 3.7 per cent in 2007. High rates of inflation were reported in emerging and developing economies due to the rise in food and oil prices. The rate of inflation reached an average of 3.6 per cent in the advanced economies, 7.3 per cent in emerging Asia and 10.2 per cent in Africa.

In OECD countries real GDP growth is estimated to have dropped to 1.4 per cent in 2008 compared to 2.6 per cent in 2007. The countries growth in real total domestic demand declined from 2.3 per cent in 2007 to 0.8 per cent in 2008. Similarly, in the Euro Area, a deepening global recession, declined domestic demand and tightening of financial conditions resulted in an estimated reduction in real GDP growth in 2008 to 1.0 per cent compared to 2.6 per cent in 2007. The United States economy also experienced a slackened real GDP growth estimated at 1.4 per cent in 2008 compared to 2.0 per cent in 2007. The decline in performance is attributed to spiral effect arising from the collapse of various financial institutions engaged heavily in mortgage financing.

In sub-Saharan Africa (SSA) growth in real GDP declined from 6.9 per cent in 2007 to an estimated 6.1 per cent in 2008 while consumer prices increased significantly from 7.1 per cent to 11.9 per cent over the same period. The rise in consumer prices was due to increases in the cost of food that was experienced in 2008, largely fueled by high energy costs and crop failure. The current account balance of SSA improved in 2008 at negative 0.7 per cent of GDP compared to negative 3.0 in 2007.

Domestic Economy

The economic growth momentum that started in 2003 was restrained by a number of both internal and external factors in the year under review. These factors included the 2008 post election disruptions, the global financial crisis, the high fuel and food prices among others. Combined, these factors slowed the economic growth from 7.1 per cent in 2007 to 1.7 per cent in 2008.

Though the post-election violence was experienced only in the first quarter of 2008, its spill-over effects were manifest throughout 2008 resulting to substantial declines in growths of most of the sectors of the economy. Among the key sectors that were heavily impacted on include Agriculture and forestry, and Hotels and restaurants whose value added contracted substantially by 5.1 per cent and 36.1 per cent respectively in 2008 compared to growths of 2.0 per cent and 16.3 per cent correspondingly in 2007. Agricultural activities were also affected by high costs of fertilizers, unseasoned weather pattern and drought in some regions of the country during the year. Despite the unfavourable environment, Construction and Education sectors recorded improved growths of 8.3 per cent and 5.8 per cent in 2008 compared to 6.9 per cent and 3.7 per cent in 2007 respectively.

The global financial crisis precipitated the downturn of the Kenyan economy in 2008 through deteriorating current account balance, declining economic growth and depreciation of domestic currency. The effects were attributed to the dwindling exports, remittances and capital inflows.

Social Scene

The Government expenditure in social services sector is expected to increase by 7.8 per cent, from KSh 187,769.3 million in the 2007/08 to KSh 202, 428.3 million in the 2008/09. Recurrent expenditure constitutes the largest proportion of the total expenditure (87.5 per cent), largely for salaries. The expenditure for Ministry of State for Youth and Sports is expected to almost triple between 2007/08 and 2008/09. Expenditure for the Ministry of National Heritage and Culture and the Ministry of Home Affairs is expected to increase by 65.7 and 40.9 per cent respectively over the same period. The Ministry of Higher Education, Science and Technology is expected to record a recurrent budget of KSh 19,334.6 million in 2008/09 compared to KSh 15,859.8 million in 2007/08, an increase of 21.9 per cent. The Ministries of Education and Health are expected to record recurrent budgets of KSh 106,193.0 million and KSh 27,689.4 million respectively during the 2008/09.

The number of both primary and secondary schools increased marginally by 0.4 per cent and 1.3 per cent from 26,104 and 6,485 in 2007 to 26,206 and 6,566 in 2008 respectively . Total enrolment in primary schools increased by 2.8 per cent from 8,330.1 thousand in 2007 to 8,563.8 thousand in 2008. The total enrolment in secondary school students increased by 17.1 per cent from 1,180.3 thousand students in 2007 to 1,382.2 thousand students in 2008. The Gross Enrolment Rate (GER) for boys and girls in 2008 was 118.1 per cent and 113.1 per cent respectively, indicating a higher proportion of boys enrolled in primary schools.

The number of health institutions rose by 2.2 per cent from 5,589 in 2007 to 5,712 in 2008 partly attributed to continual construction of new health facilities funded through Constituency Development Fund (CDF). National Hospital Insurance Fund (NHIF) receipts increased by 14.1 per cent from KSh 3,954.9 million in 2006/07 to KSh 4,511.4 million in 2007/08 mainly as a result of an increase in new membership from both formal and informal sectors. The number of registered medical personnel increased from 73,236 to 77,736, an increase of 6.1 per cent. The number of undergraduate and post graduate medical students registered rose by 25.3 per cent from 4,640 in 2007/08 to 5,814 in 2008/09. The number of middle level medical trainees enrolled increased by 26.6 per cent from 5,932 in 2007 to 6,090 in 2008. Full Immunization Coverage (FIC) rate declined from 73.0 per cent to 71.0 per cent in 2007 and 2008 respectively. The number of malaria cases reported declined significantly from 31.2 million in 2007 to 28.4 million in 2008.

The number of employers registered with NSSF increased by 4.4 per cent from 58.8 thousand in 2007 to 61.8 thousand in 2008. However, the number of employees' registered declined marginally from 3,171.8 thousand to 3,169 thousand in the review period. The number of adult learners' enrolment rose from 118,264 in 2007 to 179,598 in 2008, an increase of 51.9 per cent. Government grants to women groups doubled from KSh 40.1 million in 2007 to KSh 80.0 million in 2008. In addition the Government has set aside KSh 315 million in the 2008/09 compared to KSh 1.0 billion

in the 2007/08 for Women Enterprise Fund. The proportion of female public officers in selected public offices increased from 13.1 per cent in 2006 to 15.4 per cent in 2008.

Employment, Earnings and Consumer Prices

In 2008, employment creation was adversely affected by the slow economic growth, resulting into the number of new jobs created by the domestic economy declining from 485.5 thousand jobs in 2007 to 467.3 thousand. In particular, the new jobs created in the modern private sector declined from 74.0 thousand to 23.8 thousand within this period. The public sector which has been registering negative growth since 2004 recovered to post a marginal growth of 1.6 per cent.

The nominal wage bill in 2008 rose by 10.3 per cent from KSh 656,777.4 million in 2007 to KSh 724,220.4 in 2008 with the public sector wage bill increasing by 11.0 per cent to KSh 225,426.3 million. Overall, annual average earnings recorded an 8.4 per cent increase rising from KSh 343,934.7 in 2007 to KSh 372,699.9 in 2008 translating to KSh 31,058.3 per month. Annual average earnings per employee in the private sector remained higher than those in the public sector over the five year period. In the same period, the annual average inflation rate almost tripled from 9.8 per cent in 2007 to 26.2 per cent in 2008, a record high since that of 28.8 per cent in 1994. Underlying inflation, which excludes food items from the Consumer Price Index (CPI) basket, increased from 5.7 per cent in 2007 to 11.1 per cent in 2008. This was mainly due to high prices of petroleum products and electricity. The high annual average inflation rate reduced real average earnings by 16.2 per cent in 2008.

Money, Banking and Finance

The monetary policy aimed at guarding against rising inflation and thereby providing a stable macroeconomic environment. Consequently reserve money was projected to grow by 15.4 per cent with broad money M3 being targeted to expand by 16.0 per cent. M3 expanded by 10.5 per cent.

The Central Bank rate was revised to 8.50 in December 2008 from 9.00 per cent maintained in the previous months while domestic credit expanded by 18 per cent to KSh 791 billion in December 2008. Average 91-day Treasury bills rate rose by 1.72 per cent points while the average deposit rate rose marginally to 4.89 per cent in December 2008. The loans and advance rose by 1.55 points to 14.87 per cent over the same period. Generally the banking sector remained resilient in 2008 despite the global financial crisis as there is less pronounced interface with the world financial markets.

However, the stock market experienced a downturn with 20 share index shedding 1924 points at the end of 2008, while market capitalization remained almost constant at KSh 854 billion in 2008. This stagnation maybe explained by the effects of the global financial turmoil that resulted in reduced investor confidence who offloaded their investments in the Nairobi Stock Exchange in anticipation of a global credit crunch and falling stock prices.

Growth in the insurance sub-sector was slowed down due to post election violence and subsequent loss of property that resulted in huge claims of which the insurers didn't anticipate and hence reserves were not enough for compensation and propelling

of business growth. As a result of these events the overall real growth for the financial sector declined to 3.1 per cent in 2008 compared to 6.7 per cent in 2007.

Public Finance

The Central Government expenditure for 2008/09 is expected to be KSh 773.0 billion comprising of KSh 565.5 billion and KSh 207.5 billion in recurrent and development expenditures respectively. Total Central Government receipts (including grants) are expected to increase from KSh 468.6 billion in 2007/08 to KSh 549.6 billion in 2008/09.

The stock of outstanding debt as at end June 2008 was KSh 748.5 billion comprising of KSh 413.5 billion and KSh 335.0 billion in domestic and foreign debts respectively. This represents an overall growth of 4.6 per cent with external and domestic debt recording increases of 4.1 and 5.2 per cent respectively.

The total budgeted expenditure for local authorities is expected to grow by 21.1 per cent from KSh 22.8 billion in 2007/08 to KSh 27.6 billion in 2008/09. Local authorities' revenue including Local Authorities Transfer Fund (LATF) is expected to increase marginally to KSh 22.0 billion from KSh 21.7 billion in the same period. Locally generated revenue for Local authorities is expected to decline by 5.2 per cent as receipts from Central Government through (LATF) are expected to increase by 12.1 per cent.

International Trade and Balance of Payments

Key international trade indicators show that trade balance continued to widen in 2008. The trade balance widened to a deficit of KSh 425,705 million from a deficit of KSh 330,454 million in 2007, a deterioration of 28.8 per cent. The value of domestic exports rose by 23.3 per cent while imports grew relatively faster at the rate of 27.4 per cent. The leading export earners were horticulture, tea, articles of apparel and clothing accessories, and soda ash, collectively accounting for 51.3 per cent of the total domestic export earnings. Re-exports recorded an increase of 71.8 per cent in 2008 compared to a 43.1 per cent decline recorded in 2007. The export-import ratio further deteriorated from 45.4 per cent in 2007 to 44.8 per cent in 2008.

The overall balance of payments position recorded a deficit of KSh 33,161 million in 2008 compared to a surplus of KSh 63,250 million in 2007. The unfavourable balance of payments out-turn was on account of decreased net capital inflows and the widening merchandise trade deficit. The current account balance deteriorated to a deficit of KSh 136,851 million in 2008 from a deficit of KSh 69,638 million the previous year. As a percentage of GDP, the current account deficit excluding current transfers was 14.2 per cent in 2008 against the 7.0 per cent projected in the first medium term plan of the Vision 2030. The capital and financial account recorded a surplus of KSh 81,055 million compared to a surplus of KSh 150,090 million recorded in 2007 as result of decreased inflows of foreign direct investment and short term capital inflows.

The Kenya Shilling weakened against the US dollar to record an average exchange rate of KSh 69.18 in 2008 compared to KSh 67.32 per US dollar in 2007. The weakening of the Kenyan Shilling against the major world currencies during the period under review

can be partly attributed to the global economic meltdown coupled with the financial crisis, albeit positive growths in remittances. In addition, the earnings from tourism sector which deteriorated in 2008, impacted negatively on the foreign exchange rate.

Agriculture

Inadequate rainfall in various parts of the country, post election violence and high agricultural input prices contributed to decelerated agricultural sector growth from 2.2 per cent registered in 2007 to negative 5.4 per cent in 2008. Maize production declined to 26.0 million bags recorded in 2008. Production of tea declined by 6.4 per cent from 369.6 thousand tonnes in 2007 to 345.8 thousand tonnes in 2008. Coffee production dropped by 21.3 per cent from 53.4 thousand tonnes in 2006/07 crop year to 42.0 thousand tonnes in 2007/08 crop year. Sugarcane production declined by per cent from 5,204,214 tonnes in 2007 to 5,112,040 tonnes in 2008. The volume of marketed milk decreased by 6.4 per cent from 423 million litres in 2007 to 399 million litres in 2008. Exports of fresh horticultural produce declined by 13.8 per cent from a revised 67,253.7 million in 2007 to KSh 57,965.8 million in 2008 mainly due to lower prices in the export market.

Environment and Natural resources

Environment and Natural Resources utilisation and development remained high in the Government's agenda for sustainable development. Total development expenditure on water increased substantially by 25.7 per cent from KSh 8,414.3 million in 2007/08 to KSh 10,574.1 million in 2009/09 with about half being allocated for Water Development activities in the country. The sale of forest products increased from 423.4 thousand cubic metres in 2007 to 503.7 cubic metres in 2008. Quantity of fish landed from fresh water sources went up from 128.2 thousand tonnes in 2007 to 134.6 thousand tonnes in 2008 with the overall value also rising from KSh 8.6 billion to KSh billion 9.0 billion over the same period. The value of mineral production rose from KSh 6991.2 million in 2007 to KSh 12,304.9 million in 2008 with Soda ash and fluorspar recording the highest export price levels in the last five years.

Energy

Energy prices were on an upward trend for most of the year under review except in the last quarter when the prices showed a declining trend. The high oil prices were mainly attributed to increased speculation in the commodity market inspired by depreciation of the US dollar against major currencies. Other aspects responsible for pushing oil prices up included the balance between supply and demand of crude oil which has remained tight over the years; the high demand of oil by non-OECD countries especially from Asia and Latin America; unstable geo-political situations which included the instability in Iraq, the conflict between Turkey and Iraq and the uncertain future of the Iran nuclear programme. These factors partly explained the high oil prices experienced up to July 2008. However, the global economic slowdown occasioned by the financial crisis and the warm weather jointly contributed in pulling down oil prices starting from the end of the third quarter of 2008.

International prices for Murban crude oil declined drastically by 53.3 per cent from US dollars 90.60 per barrel in December 2007 to US dollars 42.10 per barrel in December 2008. In the domestic market, pump prices remained erratic throughout

the year in tandem with international oil prices. Inadequate rainfall experienced in most parts of the country slowed down hydro generation leading the country to increasingly depend on thermal generation. The high energy costs impacted negatively on economic activities in agriculture, manufacturing and transport sectors of the economy.

The value of imports and exports of petroleum products rose by high margins in 2008 mainly due to high international petroleum prices. The total import bill of petroleum products increased tremendously by 62.3 per cent from KSh 121,776.0 million in 2007 to KSh 197,676.2 million in 2008. The total quantity of petroleum products exported declined by 55.8 per cent from 216.1 thousand tonnes in 2007 to 95.6 thousand tonnes in 2008.

Total electricity generation recorded a decelerated growth of 2.1 per cent in 2008 compared to a growth of 7.3 per cent in 2007. The decelerated growth was largely due to a decline in electricity production from hydro electric power sources which declined by 8.9 per cent during the same period. This decrease was attributed to inadequate rainfall experienced around hydro electricity generating parts of the country. The number of customers connected under the Rural Electrification Programme rose by 21.3 per cent to stand at 161,373 customers as at July 2008.

Manufacturing

Kenya's manufacturing sector growth rose by 3.8 per cent in 2008, the lowest in the last five years, compared to a revised growth of 6.5 per cent registered in 2007. The sector is important in terms of its contribution to total output, export earnings and in its employment creation capability. Some of the key challenges facing the sector included low levels of productivity and the high cost of production. These challenges were aggravated by the spillover effects from the post-election crisis, high inflationary pressures, the depreciation of the Kenya shilling, counterfeits and stiff competition from cheap imports.

Major industries that registered growth were: beverages, clothing, wood and cork products, paper and paper products, non-metallic mineral products among others. Number of direct formal wage employment in the manufacturing sector dropped by 0.3 from 264,812 persons in 2007 to 264,095 persons in 2008. Direct employment of Kenyans in the EPZ contracted by 12.4 per cent to stand at 30,183 persons in 2008. The sector's output rose by 14.5 per cent from KSh 626.2 billion recorded in 2007 to KSh 717.2 billion in 2008. Value added rose from KSh 190.2 billion to KSh 223.4 billion over the same period. The rate of growth in the compensation of employees decelerated to 1.6 per cent in 2008 compared to 3.6 per cent in 2007.

Building and Construction

Most of the building and construction sector's key economic indicators showed improvements in the year under review. Disbursements by the Kenya Roads Board to the various roads agencies increased by 23.4 per cent to KSh 19.0 billion in 2008/09 from KSh 15.4 billion in 2007/08. The index of Government expenditure on roads increased from 219.4 in 2007 to 256.4 in 2008. Loans and advances from commercial banks to the sector declined from KSh 31,576 million in 2007 to KSh 29,247 million in 2008 representing a 7.4 per cent decrease.

Cement consumption increased by 7.0 per cent from 2,061.4 thousand tonnes

recorded in 2007 to 2,205.8 thousand tonnes in 2008. The total value of reported private building works completed in selected main towns rose by 12.3 per cent to KSh 12,323.2 million in 2008 from KSh 10,969.2 million in 2007. The total estimated cost of reported new private buildings completed increased by 6.8 per cent to KSh 6,298.1 million in 2008 from KSh 5,898.1 million in 2007. Total wage employment in the sector increased by 4.3 per cent from 81,297 persons registered in 2007 to 84,795 persons in 2008. The total value of building plans approved went up by 3.3 per cent from KSh 67.087.8 million in 2007 to KSh 69,321.7 million in 2008.

Tourism

In 2008, the tourism sector witnessed one of its worst performances in recent history. This was mainly as a result of the political violence that erupted in the country during the first quarter of the year after the December 2007 General Elections and the subsequent negative travel advisory against the country by major tourism source countries. As a consequence, tourism earnings decreased from KSh. 65.2 billion in 2007 to KSh. 52.7 billion in 2008, representing a 19.2 per cent drop. The volume of international arrivals decreased sharply by 33.8 per cent from 1,817.0 thousand in 2007 to 1,203.2 thousand in 2008. This was attributed to cancellations of reservations and termination of ongoing holidays as a result of ensuing political uncertainty.

The number of bed-nights occupied decreased significantly by 46.7 per cent from 6,939.4 thousand in 2007 to 3,699.0 thousand in 2008. Over the review period, the number of beds available contracted by3.2 per cent from 14,711.6 thousand in 2007 to 14,233.6 thousand in 2008. On average, bed-nights occupancy rate went down from 47.2 per cent in 2007 to 26.0 per cent in 2008. The level of rooms occupied compared to rooms available contracted from 36.6 per cent in 2007 to 32.2 per cent in 2008. The number of visitors to the country's game parks and reserves dropped from 2,495.1 thousand in 2007 to 1,633.9 thousand in 2008. All the parks and reserves recorded reduced number of visitors except Nairobi Mini Orphanage, Meru National Park, Impala Sanctuary (Kisumu), and Mt. Longonot that went up.

Transport, Storage and Communications

The transport, storage and communication sector has been recording improved performance over time but the sector's growth slowed down to 11.6 per cent in 2008 from a 14.9 per cent growth recorded in 2007. This trend was attributable to the aftermath of the post election violence, weakening of the Kenya shilling against the hard currencies among other factors. The sector also witnessed increased fuel pump prices occasioned by high international oil prices.

Newly registered road motor vehicles increased substantially by of 42.8 per cent during the year under review. The increase was mainly driven by a high registration of motor and auto cycles. Reported traffic accidents decreased by 11.1 per cent from 10,225 in 2007 to 9,093 in 2008. Railway transport sub-sector performance continued with a downward trend, partly due to poor rail infrastructure and network disruptions in the first quarter of 2008 resulting from post election violence.

Traffic handled at the Port of Mombasa increased slightly during 2008 to reach 16.4 million metric tonnes from 16.0 million metric tonnes in 2007. Much of the traffic handled was for imports which accounted for slightly over 80 per cent. Passenger traffic at the main airports declined by 9.4 per cent from 7,039.1 million in 2007 to

6,376.0 million in 2008.

The telecommunications industry witnessed an increase in foreign direct investment as a result of the privatization of the fixed line operator – Telkom Kenya. New developments in the industry also included the launch of mobile communication services by Econet Kenya Limited and the increased rollout of services by Orange Mobile that notably increased Competition in the market.

Governance

Good governance is key in facilitating economic development of a country. The government facilitated this through ensuring that issues of public safety, law and order, democracy and human rights are observed. In 2008, the number of crimes reported to the Police increased marginally from 63,028 crimes reported in 2007 to 63,476 in 2008. Overall, the number of persons reported to have committed crimes reduced by 11.6 per cent from 69,484 in 2007 to 61,438 in 2008. There was a reduction in the number of cases reported to KACC by 45.9 per cent from 6,728 in 2007 to 3,637 in 2008, while the number of cases forwarded to the office of the Attorney General (AG) increased marginally from 122 in 2007 to 126 in 2008.

The total the number of cases filed, disposed of and pending, as reported by the judiciary reduced by 15.9, 29.5 and 1.5 per cent, respectively, in 2008. During the review period, the number of pending land cases increased by 62.5 per cent while those disposed of rose by 85.4 per cent. The period also saw the number of magistrates increase from 252 recorded in 2007 to 287 in 2008, with the number of resident magistrates increasing by 42.

The prison population declined by 1.5 per cent from 89,770 in 2007 to 88,414 in 2008. Major declines of 27.1 per cent and 15.9 per cent were witnessed among the youth ages 16-17 and 21-25 years, respectively. On the hand, an increase of 60.3 per cent of prison population of persons aged above 50 years and 14.1 per cent of those less than 16 years of age were observed in 2008. The number of prisoners committed to safe custody (remand) increased by 94.1 per cent from 36,794 in 2007 to 71,411 in 2008.

The number of new applicants for identity cards reduced by 61.9 per cent from 1,925,737 in 2007 to 733,103 in 2008. The number of entry permits issued increased by 6.6 per cent from 10,812 in 2007 to 11,530 in 2008. Similarly, the number of passports issued increased marginally from 126,213 in 2007 to 128,345 in 2008.

Highlight on Child Labour in Kenya

In an effort to establish the size and structure of child labour in Kenya and provide a database for designing appropriate intervention programmes and child labour policies, Child Labour statistics were collected in both the 1998/99 Integrated Labour Force Survey (LFS) and the 2005/06 Kenya Integrated Household Budget Survey (KIHBS).

Findings from the 2005/06 survey indicates that about 1.0 million children aged 5-17 years worked compared to 1.9 million children reported in the 1998/99 survey. Out of the 1.0 million children who reported to have worked in 2005/06, 951.3 thousand reported to have worked either for pay, profit or family gain. Majority, 64.4 per cent of

all working children worked as unpaid family workers while 10.7 per cent operated their own businesses. The proportion of working children in the 5-17 years age group declined from 17.4 per cent in to 7.8 per cent between the two surveys.

Outlook Although the global financial crisis is expected to ease within the course of 2009, its effects are likely to impact negatively on many of the OECD countries, with financial market stabilization now projected to take longer than previously envisaged. The outlook for the global economy in 2009 is therefore bleak.

In line with this expectation, most of the major economies of the world are projected to contract. While the rate of contraction is expected to moderate from the second quarter onward, world output is projected to decline by 1.3 percent in 2009 as a whole and to recover only gradually in 2010, growing by 1.9 percent (World Economic Outlook, April 2009).

Despite relatively weak financial linkages with advanced economies, the current global financial crisis is likely to continue impacting negatively to the domestic economy. These effects will include reduction in demand and price of commodities in the world market, reduction in capital flows such as investment, official development assistance, and remittances, and reduced earnings from tourism.

In the agricultural sector, output might remain subdued due to insufficiency of rains. The lowering of the cost of inputs like fertilizers and seeds is however expected to encourage farmers to cultivate more land.

Tourism is likely to perform below potential against a low level of visitor arrivals due to the prevailing global financial crisis. Nonetheless, aggressive marketing of the country as a preferred tourism destination is expected to reverse the decline recorded in 2008.

The manufacturing sector is also expected to experience a more positive year with the reduction in fuel costs which will in turn lower the cost of production. The sector will further gain from the expected, albeit marginal, upturn in agricultural production as it is agro based.

The construction sector is expected to continue booming in 2009 although government participation in the sector might be affected because of the budget deficit that will lead to a deduction in development expenditures.

With good weather, reduction in cost of energy and other sound macroeconomic variables, inflation is expected to ease in 2009. This will also be supported by the higher base that was witnessed in 2008.

With these determined steps to turn around the economy, the domestic economy is projected to grow by between 2.0 per cent and 3.0 per cent in 2009. However if drought persists in 2009, then economy is expected to record a lower growth as it will impact negatively on key sectors like Agriculture and Manufacturing.

Table 0: Key Economic and Social Indicators 2004 - 2008[1]

	DESCRIPTION	Unit	2004	2005	2006	2007	2008*	
1	Population	(Million)	34.2	35.1	36.1	37.2	38.3	
2	Growth of GDP at Constant Prices	(Per cent)	5.1	5.9	6.3	7.1	1.7	
3	GDP at Market Prices :	(KSh Mn)	1,274,328	1,415,724	1,622,434	1,825,960	2,099,798	
4	Total cost of petroleum products	(KSh Mn)	88,784.8	95,669.2	113,719.6	121,776.0	197,676.2	
5	Trade balance	(KSh Mn)	-149,764.0	-184,670.0	-270,489.0	-330,454.0	-425,705.0	
6	Money Supply (M3)	(KSh Mn)	511,425.0	557,750.0	653,035.0	777,596.0	901,055.0	
7	Total domestic credit	(KSh Mn)	501,160.0	529,710.0	600,017.0	670,771.0	827,413.0	
8	Balance of Payments (current account balance)	(KSh Mn)	-10,433	-19,064	-36,823	-69,638	-136,851	
9	Coffe-marketed production	('000 tonnes)	49.9	47.7	50.5	52.3	38.7	
10	Tea-marketed production	('000 tonnes)	324.6	328.5	310.6	369.6	345.8	
11	Fresh Horticultural Produce exports	('000 tonnes)	145.6	163.2	163.2	192.2	193.1	
12	Maize-marketed centrally	('000 tonnes)	448.5	416.2	470.7	508.8	340.5	
13	Wheat-marketed centrally	('000 tonnes)	84.1	122.6	106.1	107.5	82.1	
14	Sugar-cane production	('000 tonnes)	4,661.0	4,800.8	4,932.8	5,204.2	5,112.0	
15	Milk sold centrally	(Mn litres)	274.0	340.0	361.0	423.0	399.0	
16	Manufacturing output	(KSh Mn)	444,648	500,215	563,089	626,173	717,217	
17	Construction output	(KSh Mn)	126,102	144,497	166,188	191,299	222,903	
18	Cement Consumption	('000 tonnes)	1,418.3	1,572.5	1,765.8	2,061.4	2,205.8	
19	Petroleum Consumption	('000 tonnes)	2,374.6	2,715.9	3,038.2	3,121.8	3,133.1	
20	Electricity consumption	(GWh)	4,234.1	4,498.4	4,752.4	5,156.6	5,113.1	
21	Tourism earnings [2]	(KSh Mn)	38,457	48,874	56,200	65,450	52,710	
22	New registration of vehicles	(Number)	42,482	45,653	52,817	85,324	121,831	
23	Rail freight	(`000 tonnes)	1,890	2,000	1,891	2,304	1,766	
24	Air passengers handled	('000) No.	5,450.0	5,905.0	6,324.0	7,039.1	6,376.0	
25	Wage employment	('000) No.	1,764.7	1,811.6	1,857.6	1,909.8	1,943.5	
26	Education-primary enrolment	('000) No.	7,394.8	7,591.5	7,632.1	8,330.1	8,563.8	
27	Education-secondary enrolment	('000) No.	926.1	934.1	1,030.1	1,180.3	1,382.2	
28	Education-University enrolment	('000) No.	91.5	92.3	112.2	118.2	122.8	
29	Education-other post secondary enrolment	('000) No.	87.6	90.7	99.3	105.4	107.4	
31	Registered doctors and dentists	(Number)	5,857	6,317	6,787	7,202	7,597	
32	GDP Per capita (Current):	(KSh)	37,284	40,289	44,894	49,128	54,895	
33	GDP Per capita (Constant):	(KSh)	32,463	33,441	34,570	36,000	35,611	
34	Net lending/borrowing (% of GDP) at Current Market Prices	(Per cent)	0.2	-1.7	-1.6	-2.7	-2.3	
35	Net lending/borrowing	(KSh Mn)	2,601.9	-24,320.2	-25,822.9	-48,519.8	-118,895.0	
36	Recurrent Revenue and Grants	(KSh Mn)	300,727.7	329,486.0	387,483.1	468,584.0	549,604.2	
37	Total Expenditure	(KSh Mn)	379,830.2	432,591.3	508,845.5	658,080.4	773,005.5	
38	External Debt Service Charge as % of GDP[3]	(Per cent)	2.1	1.1	1.0	1.0	1.1	
39	External Debt Service as % of Exports of Goods & Services	(Per cent)	7.9	3.9	4.0	3.8	4.0	
	INDEX NUMBERS: (1982=100)							2004-2008 Annual % Rate of change
	Export volumes		296.1	317.7	256.0	278.7	294.0	-0.2
	Import volumes		245.6	254.1	238.3	270.1	320.0	6.8
	Terms of trade		77.4	71.8	72.0	69.6	77.0	-0.1
	NSE 20 Share: (1966=100)		2,946	3,973	5,646	5,445	3,521	19.5
	Consumer Prices+		163.7	180.6	206.7	226.9	286.4	15.0
	Real wages		116.4	119.6	107.3	104.9	87.9	-6.8
	Agriculture terms of trade: (2001 =100)		89.2	78.8	79.5	74.4	61.2	-9.0

* Provisional.

[1] More precise measures are given in individual chapters.

[2] 2005 Includes Visa fees and Domestic Tourism earnings

[3] Year ending 30th June

+ Weighted New Kenya Index (October 1997 = 100)

Chapter 1

International Scene

Introduction

The global economy faced unprecedented challenges in 2008 following the crisis in the United States housing sector in 2007 and consequently the financial markets. Subsequently, the global economy experienced slower growth against projected outcomes for 2008. The global economy is estimated to have expanded by 2.7 per cent in 2008 from 3.7 per cent and 3.9 per cent in 2007 and 2006, respectively. The slower growth rates experienced in 2008 are further attributed in part to high commodity and crude oil prices. Most advanced economies experienced a recession during the review period, a situation that is projected to continue until 2010.

1.1. The constrained global economic performance in 2008 worsened inflationary pressures with most economies recording high inflation rates in comparison to those experienced in the last ten years. The resurgence in high inflation has been observed in emerging and developing economies due to the rise in food and oil prices. Headline inflation reached an average of 3.6 per cent in the advanced economies, 7.3 per cent in emerging Asia and 10.2 per cent in Africa.

1.2. World trade experienced a slump in 2008 growing by 4.8 per cent compared to 7.0 per cent in 2007. The reduced growth in trade was due to shrinking markets in Europe and America as well as countries seeking to meet domestic demand for basic food stuffs. However, commodity-exporting countries still benefited from the generally high export prices in the global market.

1.3. Oil prices experienced sporadic spikes in 2008, reaching an all time high of US$143 a barrel in July 2008, and closed the year at US$ 37.6 a barrel in December 2008. Though the prices of all oil products moved up, the consumption of transportation fuels rose due to high growths in vehicle ownership in the emerging and developing economies. Due to strong demand for diesel that outstretched the refining capacity, its prices rose much faster than gasoline. Similarly, coal prices rose by 70.0 per cent mainly due to supply disruptions and bottlenecks in the major shipping ports.

Country/ Regional Economic Analysis

1.4. Table 1.1 highlights key economic indicators for the main Organisation for Economic Co-operation and Development (OECD) countries for the last three years and projections for 2009 and 2010. Real GDP growth in OECD countries dropped to 1.4 per cent in 2008 compared to 2.6 per cent in 2007. The countries' growth in real total domestic demand declined significantly from 2.3 per cent in 2007 to 0.8 per cent in 2008. World trade is estimated to have slowed from an increase of 7.0 per cent in 2007 to 4.8 per cent in 2008.

1.5. **United States;** The economy experienced a slackened real GDP growth estimated at 1.4 per cent in 2008 compared to 2.0 per cent in 2007. The decline in performance is attributed to collapse of various financial institutions especially those that had heavily invested in mortgage financing. The associated challenge was increasing unaffordability of mortgage payments, declining house prices which consequently reduced household wealth and thus causing a downward pressure on consumption. The labour market encountered increasing unemployment rate and falling wages consequently lowering domestic demand.

1.6. **Japan:** The expansion of the economy experienced a slowdown following the recession in the global economy. The country's real GDP grew at an estimated 0.5 per cent compared to 2.1 per cent in 2007. This was occasioned by external shocks leading to contraction in the country's export markets, reduction in domestic demand, and an appreciation of the Japanese Yen against other major currencies. The unemployment rate in the country increased from 3.9 per cent in 2007 to 4.1 per cent in 2008.

Table 1.1: Key Economic Indicators and Projections for Selected OECD Countries

	2006	2007	2008*	2009[1]	2010[1]
Real GDP (Per cent)					
United States	2.8	2.0	1.4	-0.9	1.6
Japan	2.4	2.1	0.5	-0.1	0.6
Euro area	3.0	2.6	1.0	-0.6	1.2
Total OECD	**3.1**	**2.6**	**1.4**	**-0.4**	**1.5**
Real Total Domestic Demand (Per cent)					
United States	2.6	1.4	-0.1	-1.6	1.3
Japan	1.6	1.0	-0.3	0.6	1.0
Euro area	2.9	2.3	0.8	-0.5	1.1
Total OECD	**3.0**	**2.3**	**0.8**	**-0.6**	**1.4**
Inflation (GDP Deflator) (Per cent)					
United States	3.2	2.7	2.2	1.8	1.5
Japan	1.0	-0.8	-1.0	1.3	-0.3
Euro area	2.0	2.3	2.4	2.0	1.3
Total OECD	**2.5**	**2.4**	**2.6**	**2.1**	**1.5**
Current Account Balances (US $ Billion)					
United States	-788.1	-731.2	-696.4	-562.3	-537.0
Japan	172.0	211.8	187.2	230.9	211.0
Euro area	43.2	39.3	-54.5	-7.6	-4.3
Total OECD	**-590.6**	**-557.3**	**-649.7**	**-447.1**	**-444.1**
Unemployment Rate (Per cent)					
United States	4.6	4.6	5.7	7.3	7.5
Japan	4.1	3.9	4.1	4.4	4.4
Euro area	8.2	7.4	7.4	8.6	9.0
Total OECD	**6.0**	**5.6**	**5.9**	**6.9**	**7.2**
(Percentage change from previous year)					
World Trade	**9.4**	**7.0**	**4.8**	**1.9**	**5.0**

Source: OECD Economic Outlook No. 84 December 2008

*Provisional

[1] Projections

Notes

Assumptions underlying the projections include:

- no change in actual and announced fiscal policies;
- unchanged exchange rates as from 28th October 2008; in particular 1USD=95.69 Yen & 0.80 Euros and 0.69 Euros;

The cut off date for other information used in the compilation of the projections was 14th November 2008.

***World Trade growth rate is the arithmetic average of world merchandise import and export volumes

1.7. **Euro Area:** A deepening global recession and tightening of financial conditions led to a reduction in the real GDP growth in the region from 2.6 per cent in 2007 to 1.0 per cent 2008. Declining domestic demand which decreased to 0.8 per cent in 2008 from 2.3 per cent in 2007 also contributed to the reduction in the real GDP growth. The labour market experienced a reduction in employment growth from 1.8 per cent in 2007 to 1.0 per cent in 2008. However, the rate of unemployment remained at 7.4 per cent over the review period.

1.8. **United Kingdom:** Real GDP is estimated to have grown at 0.8 per cent in 2008 with the economy facing adjustments in the construction sector, falling house prices and decelerated domestic demand. Unemployment is estimated to have increased by 0.1 percentage points to 5.5 per cent in 2008.

1.9. **Germany:** The country's real GDP growth is estimated to have reduced from 2.6 per cent recorded in 2007 to 1.4 per cent in 2008. There were notable increases in the unit labour cost from 0.3 per cent in 2007 to 2.4 per cent in 2008 while the rate of unemployment declined from 8.3 per cent in 2007 to 7.4 per cent in 2008.

1.10. **China:** Real GDP growth is estimated to have contracted in 2008 to 9.5 per cent compared to 11.9 per cent in 2007. This is mainly attributed to decline in domestic demand from 11.4 per cent in 2007 to 9.4 per cent in 2008. Other contributing factors to the reduced rate of growth include a slump in the real estate sector and a fall in exports with the country experiencing deteriorating terms of trade from negative 1.2 per cent in 2007 to negative 5.1 per cent in 2008.

1.11. **Middle East:** The global financial crisis had little effect in the area and consequently the region experienced steady growth in 2008 at 6.4 per cent compared to 5.9 per cent reported in 2007. This was largely attributed to high oil prices in the market and an expansion in the construction industry in some countries. However, inflation edged upward to double digit partly due to high consumer prices in previously stable economies in the region.

1.12. **Emerging Asian Economies:** Countries in this region experienced slowed real GDP growth in 2008 at a rate of 7.7 per cent compared to 9.3 per cent in 2007. The region also recorded worsening consumer prices in 2008 which led to the use of food subsidies, export bans, quota system and selective taxation measures to raise domestic food supplies. India's real GDP grew at 7.6 per cent in 2008 down from 9.3 per cent recorded in 2007. Association of South East Asian Nations (ASEAN) economies are estimated to have experienced a real GDP growth of 5.5 per cent in 2008 compared to 6.3 per cent in 2007.

1.13. **Africa:** The continent's real GDP growth slackened in 2008, growing at an estimated 5.9 per cent compared to 6.3 per cent in 2007 as indicated in Table 1.2. This is attributable to the reduced global market for Africa's products due to the effects of

the financial turmoil in developed economies, high energy costs and rise in food prices. The growth in 2008 was driven by improvements in terms of trade for many countries due to a surge in the prices of fuel and non-fuel commodities, and steady net capital inflows.

Table 1.2: Real GDP Growths, Consumer Prices and Current Account Balances for Selected African Countries, 2006 - 2009

	Real GDP				Consumer Prices[1]				Current Account Balances[2]			
	2006	2007	2008*	2009**	2006	2007	2008*	2009**	2006	2007	2008*	2009**
Africa	**6.1**	**6.3**	**5.9**	**6**	**6.3**	**6.2**	**10.2**	**8.3**	**2.9**	**0.4**	**3**	**0.2**
Maghreb	**4.3**	**4.3**	**5.5**	**4.9**	**3.1**	**3**	**4.3**	**4**	**13.9**	**12.1**	**15.5**	**10.3**
Algeria	2	4.6	4.9	4.5	2.5	3.6	4.3	4	24.8	22.8	28.1	19.8
Morocco	7.8	2.7	6.5	5.5	3.3	2	3.9	3.5	2.2	-0.1	0.4	-0.3
Tunisia	5.5	6.3	5.5	5	4.5	3.1	5.1	4.5	-2	-2.6	-3.4	-3.5
Sub-Sahara	**6.6**	**6.9**	**6.1**	**6.3**	**7.3**	**7.1**	**11.9**	**9.5**	**-0.3**	**-3**	**-0.7**	**-2.4**
Ethiopia	11.6	11.4	8.4	6.5	12.3	15.8	25.3	40.8	-9.1	-4.5	-5	-5.2
Sudan	11.3	10.2	8.5	7.7	7.2	8	16	10	-15.2	-12.6	-6.3	-6.7
Congo	5.6	6.3	10	10.3	13.2	16.7	17.5	15.1	-2.4	-1.8	-1.9	-12.6
Kenya[3]	**6.3**	**7.1**	**1.7**	**2.5**	**14.5**	**9.8**	**26.2**	**15**	**-2.3**	**-3.8**	**-6.5**	**-4.5**
Tanzania	6.7	7.1	7.5	8	7.3	7	9.2	6.5	-7.7	-9	-9.8	-10
Uganda	10.8	7.9	9.8	8.1	6.6	6.8	7.3	7.8	-3.5	-2.8	-3.4	-5.8
Angola	18.6	21.1	16	12.8	13.3	12.2	12.1	9.3	23.3	11.3	18	15.9
Zimbabwe	-5.4	-6.1	..	..	1016.7	10452.6	..	..	-7	-3.5	..	..
Ghana	6.4	6.3	6.5	5.8	10.2	10.7	16.8	13.3	-9	-10.9	-13.1	-13.2
Nigeria	6.2	5.9	6.2	8.1	8.3	5.5	11	11.1	9.5	2.1	6.2	0.6
Cameroon	3.2	3.5	3.8	4.6	5.1	0.9	4.1	2.1	0.6	-1.9	1.3	-1.1
Cote d'voire	0.7	1.6	2.9	4.7	2.5	1.9	5.6	5.7	2.8	-0.7	3.8	-0.6
South Africa	5.4	5.1	3.8	3.3	4.7	7.1	11.8	8	-6.5	-7.3	-8	-8.1

Source: World Economic Outlook

*Provisional

**Projections

[1] Movements in consumer prices indicated are for annual averages

[2] Percent of GDP

[3] See current GDP analysis in chapter 2

Sub-Saharan Africa (SSA)

1.14. Growth in SSA declined from 6.9 per cent in 2007 to an estimated 6.1 per cent in 2008. Despite its poor performance in 2008, there was reported growth in most countries including Congo, Tanzania, Uganda, Ghana, Nigeria, Cameroon and Cote d'voire. Poorly performing countries including Kenya, Ethiopia, Sudan and South Africa lost 3.7, 3.0, 1.7 and 1.3 percentage points in real GDP growth in 2008 compared to 2007, respectively. Zimbabwe's increasing economic and political crisis in 2008 worsened the hyperinflation recorded since 2000 dimming the country's prospects for economic recovery and tracking of performance.

1.15. Consumer prices increased significantly from 7.1 per cent in 2007 to 11.9 per cent in 2008. This was due to the increases in the prices of food that was experienced in 2008, largely fueled by high energy costs and crop failure. Notably, all countries experienced increased consumer prices in 2008 compared to 2007 with most economies recording double-digit inflation. Significant increases in consumer prices was reported in Sudan,

Kenya, Nigeria, Cameroon and Cote d'voire over the same period. While the rise in commodity prices in the region is projected to ease in 2009, Ethiopia, Uganda, Nigeria and Cote d'ivoire are projected to experience an upward trend in the costs of these goods.

1.16. The current account balance improved in 2008 at negative 0.7 per cent compared to negative 3.0 per cent in 2007. Cameroon and Cote d'ivoire reported surpluses in their currents account balances as was the case with oil-exporting countries of Angola and Nigeria. Net oil-importing countries will rely largely on adjustment of their monetary and fiscal policies, and income policies to address trade imbalances that are projected to continue in 2009 for most economies.

Maghreb Region

1.17. Countries in the region reported real GDP growth averaging 5.5 per cent in 2008 compared to 4.3 per cent in 2007. Morocco experienced a significant growth from 2.7 per cent in 2007 to 6.5 per cent in 2008. The region's economic prospects are however projected to slacken with growth projected at 4.9 per cent in 2009. While commodity prices increased by 1.3 percentage points in 2008 from 3.0 per cent recorded in 2007, they are projected to decline to 4.0 per cent in 2009.

1.18. The current account balance for the Maghreb region improved in 2008 to 15.5 per cent of GDP compared to 12.1 per cent in 2007. Algeria recorded the greatest improvement in its current account balance gaining 5.3 percentage points in 2008 from 22.8 per cent in 2007. Projections indicate that most countries in the region will record shrinking current account balances estimated at an average of 10.3 per cent of GDP in 2009. Algeria's current account balance is likely to reduce but will remain positive compared to Morocco and Tunisia which are projected to record negative trends.

Outlook

1.19. The global financial crisis is expected to impact the economic performance of many regions including OECD countries in 2010 negatively. The global rate of real GDP growth is projected at 3.0 per cent in 2009 compared to 2.7 per cent in 2008. All regions are expected to experience a decline including oil exporting region of the Middle East whose economy is projected to decline to 5.9 per cent in 2009 from 6.4 per cent in 2008.

1.20. The commodity price increase experienced globally in 2008 and its long-term effects on inflation were on account of food and oil prices. Notably, food prices will continue to contribute to high but stabilized inflationary tendencies in emerging economies, while oil prices will continue to spur inflation in advanced economies in 2009 and 2010.

1.21. The **OECD countries** are projected to record a negative real GDP growth rate of 0.4 per cent in 2009 but are expected to recover in 2010 at a projected 1.5 per cent. The projected negative growth in 2009 attributed to the anticipated continuation of the recessionary tendencies experienced in most OECD countries in 2008 as a result of

the global financial crisis. This will be reflected in a continued housing sector downturn and increasing unemployment. The rate of unemployment is projected to increase in 2009 and 2010 at 6.9 per cent and 7.2 per cent, respectively. Japan is expected to record higher unemployment levels in 2009 and 2010 with unemployment rate projections at 4.4 per cent in both years from 4.1 per cent in 2008.

1.22. In the **Euro area**, economic activity is projected to decline in 2009 and will be reflected by negative real GDP growth of 0.6 per cent before making a recovery in 2010 at a projected increase of 1.2 per cent. Unemployment levels might however continue to rise over the two years amidst falling income levels. The region is also likely to record a worsening current account balance in 2009 and 2010 at negative 7.6 per cent and negative 4.3 per cent, respectively. This is due to anticipation sluggish export growth in the region due to weak global demand.

1.23. In the **United Kingdom**, domestic demand is expected to shrink in 2009 with increased unemployment rate until late 2009 due to lack of confidence in the financial sector, tighter credit conditions and falling house prices. Growth in GDP at market prices is projected at negative 1.1 per cent in 2009 with economic recovery anticipated in 2010 at 0.9 per cent. The unemployment rate is projected to increase to 6.8 per cent and 8.2 per cent in 2009 and 2010, respectively.

1.24. In 2009, **Germany's** economy is expected to be severely affected by the global economic slowdown since the economy is largely dependent on international trade. The saving rate is however expected to rise due to increasing uncertainties in the labour market and a continued bear run in the stock market. The country's growth in real GDP is projected at negative 0.8 per cent in 2009 but is expected to make a recovery in 2010 to expand at 1.2 per cent.

1.25. **China's** economic performance will slaken further in 2009 due to global uncertainties which are likely to subdue its market and ignite a correction in its housing market before experiencing a recovery in 2010. The country's export will also be affected by rising labour costs leading to a decline in its current account surplus as a share of GDP.

1.26. In the **Middle East,** 2009 will present mixed prospects with a decline in real GDP growth by 0.5 percentage points to 5.9 per cent. However, commodity prices will reduce by 14.4 per cent. External risks to the region's future growth include weaker demand in advanced economies and potentially lower prices for exported products and services. The devaluation of currencies of most oil exporting countries poses a challenge for the region's future economic prospects.

1.27. **In Sub-Saharan Africa**, the financial obligations of most governments are not likely to be met due to the 2008 challenges projected to spiral into 2009. With a financial economic downturn in developed and emerging economies, the region's worsening

current account balances projected in 2009 implies that there will be reduction in private capital inflows to close the deficit, hence the slowed growth anticipated in SSA in 2009.

1.28. Despite the global economic turmoil, Africa's real GDP growth prospects are optimistic at a projected 6.0 per cent while commodity prices are likely to reduce to 8.3 per cent in 2009. The continent will however face various challenges including high inflation in some countries undermining poverty reduction efforts and stabilization mechanisms. Sub Saharan Africa is expected to recover from the slackened growth recorded in 2008 to grow at 6.3 per cent in 2009.

Chapter 2
Domestic Economy

Overview

The economic growth momentum that started in 2003 was restrained by a number of both internal and external factors in the year under review. These factors included the 2008 post election disruptions, the global financial crisis, the high fuel and food prices among others. Combined, these factors slowed the economic growth from 7.1 per cent in 2007 to 1.7 per cent in 2008.

2.2. Though the post-election violence was experienced only in the first quarter of 2008, its spill-over effects were manifest throughout 2008 resulting to substantial declines in growths of most of the sectors of the economy. Among the key sectors that were heavily impacted on include *Agriculture and forestry,* and *Hotels and restaurants* whose value added contracted substantially by 5.1 per cent and 36.1 per cent respectively in 2008 compared to growths of 2.0 per cent and 16.3 per cent correspondingly in 2007. In addition to the disruption associated with the post-election violence, agricultural activities were adversly affected by high costs of fertilizers, weather pattern changes and drought in some regions of the country during the year. Despite the unfavourable environment, *Construction* and *Education* sectors managed improved growths of 8.3 per cent and 5.8 per cent in 2008 compared to 6.9 per cent and 3.7 per cent in 2007 respectively.

2.3. The global financial crisis started in the US in early 2007 but spread out to other economies through a combination of markets failures[1]. These effects of the financial crisis were however not felt in Kenya until in 2008 through a deteriorating current account balance, declining economic growth and depreciation of domestic currency. The effects were attributed to the dwindling exports, remittances and capital inflows.

2.4. The food price shock of 2008 put an upward pressure on inflation way above the 2007 levels. Headline inflation rose from 9.8 per cent in 2007 to 26.2 per cent in 2008. Similarly, the underlying inflation increased from 5.7 per cent in 2007 to 11.1 per cent in 2008. The rise in inflation was also attributed to the escalation in fuel prices and the depreciation of the Kenyan shilling experienced during this period. Like in many countries around the world, Kenya witnessed an unprecedented rise in food prices during the period under review. Moreover, food and fuel shortages resulting from supply disruption due to the post-election violence exacerbated the domestic situation. The rise in international food prices was mainly on account of unseasoned droughts in grain producing countries, increase in costs of fertilizers, and increased use of biofuels particularly in developed countries.

[1] This was mainly due to poor corporate governance and incompatible executive remuneration structure while lack of transparency in trading procedures, financial instruments, and balance sheet positions of major financial institutions also exacerbated the market failures

Sectoral Analysis

Agriculture and Forestry

2.5. Agriculture and forestry sector declined by 5.1 per cent in 2008 compared to a revised growth of 2.0 per cent in 2007. The decline was mainly due to unfavourable weather conditions, displacement of some farmers and disruption of agricultural activities arising from the post election skirmishes leading to late planting and reduction of area under crop which resulted in poor harvests. The high costs of agricultural inputs like fertilizers and seeds worsened the situation thereby leading to the low production of both food and industrial crops except horticulture which recorded marginal increase. During the review period prices of most commodities increased due mainly due to the soaring demand coupled with a reduction in production.

2.6. During the year under review, maize production went down to 26.0 million bags compared to 32.5 million bags in 2007. Although this is a second consecutive decline, it was the lowest production in the last six years equaling 2002 production. Other key food crops like beans, and potatoes recorded declines of 15.9 per cent and 20.0 per cent, respectively, in 2008.

2.7. Coffee production declined by 26.0 per cent in 2008 to 38.7 thousand tonnes compared to 52.3 thousand tonnes in 2007 with the value of marketed production declining to KSh 6,859.3 million in 2008 compared to KSh 9,089.9 million in 2007. Better prices of tea in the international market in 2008 enabled the value of marketed production to increase by 26.2 per cent to record KSh 55,383.1 million in 2008 despite the drop in production to 345 thousand tonnes from 369.6 thousand tonnes in 2007.

2.8. The volume of fresh horticultural exports increased by 0.5 per cent in 2008 to 193.1 thousand tonnes compared to 192.2 thousand tonnes in 2007. However, the value decreased by 13.8 per cent from KSh 67.3 billion in 2007 to KSh 58.0 billion in 2008. The decline is attributed to the lower prices paid in the international market due to the lower demand. The volume of fruits and flowers exported recorded increases of 9.3 per cent and 2.6 per cent respectively in 2008 while that of vegetables recorded a decline of 3.5 per cent in the year under review.

2.9. The value of marketed livestock and products increased marginally in 2008 to stand at KSh 30, 629.1 million compared to KSh 29,691.4 million in 2007. Nearly all products except dairy produce recorded marginal increases. The dairy produce decreased by 1.1 per cent to KSh 8,368.7 million in 2008 as a result of reduced milk production.

Manufacturing

2.10. In 2008, the sector faced various challenges among them increased costs of doing business caused by rise in inflation, supply disruption and temporary closures associated with the post-election violence during the first quarter of the year. In addition, subdued demand and stiff competition from cheap imports and counterfeits also worked against the sector's growth. In spite of these challenges, the sector posted a growth of 3.8 per cent in 2008, albeit the lowest since 2003, compared to 6.5 per cent in 2007. This growth was largely, supported by a resilient domestic demand of some selected commodities among them beverages and cement.

2.11. Manufacture of food, beverages and tobacco sub-sector, which includes the processing of the products of agriculture and fishing into food for humans and animals, contracted by 1.7 per cent in 2008 from a growth of 9.3 per cent of 2007. This drop was principally on account of the decline in the agricultural output during the period under review. However, manufacture of beverages grew by 6.4 per cent in 2008 compared to 14.9 per cent recorded in 2007. All the other sub-sectors of manufacture of foods registered negative growths during the period under review. Combined, manufacture of non-food items (all other manufacturing) grew by 6.3 per cent in 2008 compared to a growth of 5.2 per cent in 2007.

Electricity and Water

2.12. The sector recorded a decelerated increase in real value added of 5.2 per cent in 2008 compared to 9.1 per cent in 2007. The decelerated growth was due to a reduction in electricity production from hydro sources which declined by 8.9 per cent from 3,591.5 GWh in 2007 to 3,271.8 GWh in 2008. The decline in hydro electricity generation was attributable to inadequate rainfall experienced in the catchment regions for the water used in electricity generation. Total installed capacity rose by 6.0 per cent in 2008 compared to an increase of 1.7 per cent in 2007 as a result of an increase in thermal oil and hydro installation.

Construction

2.13. The sector recorded a growth of 8.3 per cent in 2008 compared to 6.9 per cent in 2007. This was not only the highest growth for the sector since 1998 but also the highest growth recorded across the sectors in 2008. The robust growth was largely supported by increased capital investments in roads, housing and expansion of the Jomo Kenyatta International Airport (JKIA). Increase in construction activities was reflected in the cement consumption which grew by 7.0 per cent from 2,061.4 thousand tonnes in 2007 to 2,205.8 thousand tonnes in 2008. Loans and advances to the sector declined by 7.4 per cent in 2008 compared to the previous period, but the fall was more than offset by the government expenditure allocation to the sector which rose from KSh 29.3 billion in 2007 to KSh 31.6 billion in 2008.

Transport and Communication

2.14. Transport and Communication sector recorded the lowest growth in the last five years of 3.1 per cent in 2008 with the main driver in the sector remaining the post and telecommunication sub sector. Transport and storage sub sector which includes the road, rail, air and water transport among others recorded insignificant growth of 0.1 per cent in 2008 compared to 7.2 per cent growth in 2007. This decelerated growth was influenced by several factors which include the post election skirmishes, high international crude oil prices for the better part of the year and the generally low demand of its output. However, the high importation of motor and auto cycles resulted to an increase in the number of new registered motor vehicles by 42.8 per cent in 2008. The post and telecommunication sub sector recorded a decelerated growth of 7.9 per cent in 2008 from 30.3 per cent in 2007. The telecommunication sub sector recorded increase in subscriber base which reached 12.9 million in 2008 from 9.3 million in 2007.

Hotels and Restaurants

2.15. The Hotel and Restaurant sector was worst hit by the internal and external shocks to record a massive contraction of 36.1 per cent in 2008 compared to an impressive growth of 16.3 per cent in 2007. The post election skirmishes in the beginning of the year coupled with the global financial crises later in the year were some of the key factors that affected the sector. This resulted in a sharp decline in the number of international arrivals due to cancellations of reservations and termination of ongoing holidays. Consequently, international arrivals declined sharply by 33.8 per cent from 1,817.0 thousand in 2007 to 1,203.2 thousand in 2008. The resulting decline in the tourist arrivals led to a reduction in tourism earnings from KSh 65.2 billion in 2007 to KSh 52.2 billion in 2008.

Financial Intermediation

2.16. The financial sector, which has been on a growth path since 2003 recorded a value added growth of 3.1 per cent in 2008. Total domestic credit increased from KSh 670.8 billion in December 2007 to KSh 827.4 billion in 2008. Credit advanced to private enterprises and government increased by 24.5 per cent and 18.8 per cent respectively, during the review period. Consequently broad money supply (M3) expanded from KSh 777.6 billion in 2007 to KSh 901.1 billion in 2008. The average interest rates for the 91 day treasury bills, loans and advances for commercial banks and overdraft, rose by 1.72, 1.40 and 1.55 percentage points, respectively compared to 2007. However, there was a drop in the Central bank repo rate, interbank rate and interest on savings deposits for commercial banks during the review period. In the capital markets, the Nairobi Stock Exchange (NSE) experienced a downturn in 2008 with the NSE 20 share index losing 1,924 points by the end of 2008 to close at 3521.

2.17. Table 2.1 presents the breakdown of the Gross Domestic Product (GDP) at market prices for the period 2004 to 2008. In 2008, the absolute value of GDP at current prices stood at KSh 2,099.8 billion up from KSh 1,826.0 billion in 2007. Further, the table gives details of the value added by two broad institutional sectors; Corporations, Non-profit institutions and households and General government.

Table 2.1: Gross Domestic Product by Activity+

Current prices - KSh Million

Industry	2004	2005	2006	2007	2008*
Agriculture and forestry	311,275	336,806	379,183	394,777	491,975
Growing of crops and horticulture	221,824	242,153	274,630	289,262	370,478
Farming of animals	70,927	73,549	80,931	81,169	96,229
Agricultural and animal husbandry services	4,303	5,771	7,465	8,314	8,559
Forestry and logging	14,221	15,333	16,157	16,031	16,708
Fishing	6,403	6,313	7,068	7,193	7,446
Mining and quarrying	6,174	6,803	7,884	12,904	14,630
Manufacturing	127,443	149,162	166,777	190,165	223,353
Manufacture of food, beverages and tobacco	38,180	43,298	49,038	57,533	58,615
All other manufacturing	89,263	105,864	117,739	132,632	164,738
Electricity and water supply	24,810	28,766	28,477	27,111	30,805
Electricity supply	15,896	18,733	16,847	14,848	17,781
Water supply	8,914	10,033	11,630	12,263	13,023
Construction	48,079	56,121	63,928	69,280	80,135
Wholesale and retail trade, repairs	117,356	130,468	151,568	177,454	210,780
Hotels and restaurants	16,086	19,357	24,207	29,612	23,755
Transport and communication	125,727	145,523	171,991	194,011	214,983
Transport and storage	95,560	109,281	128,741	139,064	156,409
Post and telecommunications	30,167	36,242	43,251	54,947	58,574
Financial intermediation	44,343	49,864	64,122	86,422	98,747
Real estate, renting and business services	72,702	79,015	88,145	96,296	107,282
Dwellings, owner occupied and rented	36,394	39,348	44,836	49,120	53,338
Renting and business services	36,308	39,667	43,309	47,176	53,944
Public administration and defence	53,672	64,178	86,973	105,582	104,828
Education	100,205	104,413	112,947	124,375	132,293
Health and social work	33,199	37,059	41,068	44,752	51,066
Other community, social and personal services	49,205	53,407	58,249	63,211	71,740
Private households with employed persons	5,224	5,787	6,770	7,176	8,207
Less: Financial services indirectly measured	-9,052	-11,514	-15,376	-19,490	-19,761
All industries at basic prices	**1,132,850**	**1,261,527**	**1,443,981**	**1,610,831**	**1,852,263**
Taxes less subsidies on products	141,478	154,197	178,453	215,129	247,535
GDP at market prices	**1,274,328**	**1,415,724**	**1,622,434**	**1,825,960**	**2,099,798**

Institutional sector and industry	2004	2005	2006	2007	2008*
Corporations, non-profit institutions and households					
Agriculture and forestry	306,913	331,057	372,115	387,229	484,457
Fishing	6,403	6,313	7,068	7,193	7,446
Mining and quarrying	6,174	6,803	7,884	12,904	14,630
Manufacturing	127,443	149,162	166,777	190,165	223,353
Electricity and water supply	23,012	26,660	26,091	24,473	27,802
Construction	42,329	51,794	62,624	67,934	78,733
Wholesale and retail trade, repairs	117,356	130,468	151,568	177,454	210,780
Hotels and restaurants	16,086	19,357	24,207	29,612	23,755
Transport, and communication	123,383	142,297	167,450	189,364	210,719
Financial intermediation	44,343	49,864	64,122	86,422	98,747
Dwellings, owner occupied and rented	36,394	39,348	44,836	49,120	53,338
Other real estate and business services	35,779	39,470	43,166	47,002	53,874
Education	9,309	10,556	13,122	14,819	15,775
Health and social work	18,424	19,989	21,640	23,605	27,243
Other community, social and personal services	46,245	50,157	54,603	59,265	67,058
Private households with employed persons	5,224	5,787	6,770	7,176	8,207
Less: Financial services indirectly measured	-9,052	-11,514	-15,376	-19,490	-19,761
Total value added at basic prices	**955,764**	**1,067,566**	**1,218,668**	**1,354,247**	**1,586,155**
General government					
Agriculture and forestry	4,362	5,749	7,068	7,547	7,518
Water supply	1,798	2,105	2,386	2,638	3,003
Construction	5,750	4,327	1,303	1,346	1,401
Transport, and communication	2,344	3,227	4,541	4,647	4,264
Resaearch and technical services	529	197	142	174	70
Public administartion and defence	53,672	64,178	86,973	105,582	104,828
Education	90,897	93,858	99,825	109,556	116,518
Health and social work	14,775	17,070	19,428	21,147	23,823
Other services	2,960	3,250	3,646	3,946	4,681
Total value added at basic prices	**177,087**	**193,960**	**225,313**	**256,584**	**266,107**

*Provisional

+Revised

2.18. Table 2.2 shows the percentage share contributions of the various industries based on Table 2.1. During 2008, most of the sectors maintained their contribution to GDP at around the level of 2007. However, Agriculture and forestry was a notable exception which despite contraction in output in 2008, its contribution to GDP increased by 1.8 percentage points to 23.4 per cent in 2008. Other sectors whose contribution to GDP rose include Manufacturing and, Wholesale and Retail trade by 0.2 and 0.3 percentage points, respectively, during the same period. The increase in contribution of agriculture and forestry was compensated by falls in a number of sectors among them Hotels and restaurants, Transport and communication and Public administration.

Table 2.2: Gross Domestic Product by Activity+

Per cent contributions to GDP

Industry	2004	2005	2006	2007	2008*
Agriculture and forestry	24.4	23.8	23.4	21.6	23.4
Growing of crops and horticulture	17.4	17.1	16.9	15.8	17.6
Farming of animals	5.6	5.2	5.0	4.4	4.6
Agricultural and animal husbandry services	0.3	0.4	0.5	0.5	0.4
Forestry and logging	1.1	1.1	1.0	0.9	0.8
Fishing	0.5	0.4	0.4	0.4	0.4
Mining and quarrying	0.5	0.5	0.5	0.7	0.7
Manufacturing	10.0	10.5	10.3	10.4	10.6
Manufacture of food, beverages and tobacco	3.0	3.1	3.0	3.2	2.8
All other manufacturing	7.0	7.5	7.3	7.3	7.8
Electricity and water supply	1.9	2.0	1.8	1.5	1.5
Electricity supply	1.2	1.3	1.0	0.8	0.8
Water supply	0.7	0.7	0.7	0.7	0.6
Construction	3.8	4.0	3.9	3.8	3.8
Wholesale and retail trade, repairs	9.2	9.2	9.3	9.7	10.0
Hotels and restaurants	1.3	1.4	1.5	1.6	1.1
Transport and communication	9.9	10.3	10.6	10.6	10.2
Transport and storage	7.5	7.7	7.9	7.6	7.4
Post and telecommunications	2.4	2.6	2.7	3.0	2.8
Financial intermediation	3.5	3.5	4.0	4.7	4.7
Real estate, renting and business services	5.7	5.6	5.4	5.3	5.1
Dwellings, owner occupied and rented	2.9	2.8	2.8	2.7	2.5
Renting and business services	2.8	2.8	2.7	2.6	2.6
Public administration and defence	4.2	4.5	5.4	5.8	5.0
Education	7.9	7.4	7.0	6.8	6.3
Health and social work	2.6	2.6	2.5	2.5	2.4
Other community, social and personal services	3.9	3.8	3.6	3.5	3.4
Private households with employed persons	0.4	0.4	0.4	0.4	0.4
Less: Financial services indirectly measured	-0.7	-0.8	-0.9	-1.1	-0.9
All industries at basic prices	**88.9**	**89.1**	**89.0**	**88.2**	**88.2**
Taxes less subsidies on products	11.1	10.9	11.0	11.8	11.8
GDP at market prices	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Institutional sector and industry					
Corporations, non-profit institutions and households	75.0	75.4	75.1	74.2	75.5
General government	13.9	13.7	13.9	14.1	12.7

*Provisional

+Revised

2.19. Table 2.3 is similar to table 2.1 but the components of the GDP are valued at constant prices of 2001 (base year). Using base year prices for the valuation has the advantage of allowing comparison of GDP and its components between years. Table 2.4 depicts the growth rates of the GDP and value added for all the sectors. The table shows that value added for Agriculture and forestry and Hotels and restaurants contracted significantly while most of the other sectors posted slower growths in 2008 as compared to 2007. Only a few sectors registered improved growths in 2008 in comparison to 2007.

Table 2.3: Gross Domestic Product by Activity+

Constant 2001 prices - KSh Million

Industry	2004	2005	2006	2007	2008*
Agriculture and forestry	280,518	299,749	312,820	319,154	302,731
Growing of crops and horticulture	195,255	210,902	221,624	227,656	210,408
Farming of animals	70,342	73,694	76,231	76,828	77,636
Agricultural and animal husbandry services	3,977	3,919	3,850	3,733	3,661
Forestry and logging	10,943	11,234	11,115	10,937	11,026
Fishing	5,246	5,751	6,249	6,588	6,791
Mining and quarrying	5,195	5,334	5,554	6,272	6,472
Manufacturing	110,544	115,698	122,953	130,892	135,802
Manufacture of food, beverages and tobacco	32,235	35,112	38,317	41,886	41,155
All other manufacturing	78,309	80,586	84,636	89,007	94,647
Electricity and water supply	27,877	27,862	27,475	29,987	31,556
Electricity supply	20,954	20,462	19,856	22,208	23,584
Water supply	6,923	7,400	7,619	7,779	7,971
Construction	32,932	35,401	37,649	40,229	43,572
Wholesale and retail trade, repairs	100,486	106,091	118,357	131,989	138,677
Hotels and restaurants	13,741	15,572	17,894	20,814	13,298
Transport and communication	112,260	122,316	136,306	156,849	161,721
Transport and storage	78,372	82,429	89,819	96,296	96,409
Post and telecommunications	33,889	39,887	46,486	60,553	65,313
Financial intermediation	42,657	45,030	47,170	50,319	51,868
Real estate, renting and business services	63,740	65,882	68,446	70,860	73,461
Dwellings, owner occupied and rented	31,987	33,250	34,575	35,964	37,420
Renting and business services	31,753	32,632	33,871	34,896	36,041
Public administration and defence	47,062	46,460	45,722	44,788	45,074
Education	72,435	72,963	73,152	75,855	80,277
Health and social work	26,408	27,249	28,146	29,053	30,106
Other community, social and personal services	44,514	45,829	47,815	49,422	50,919
Private households with employed persons	3,932	4,011	4,091	4,173	4,256
Less: Financial services indirectly measured	-10,800	-11,261	-11,835	-12,157	-11,250
All industries at basic prices	**978,746**	**1,029,938**	**1,087,964**	**1,155,087**	**1,165,331**
All industries excl. agriculture and forestry	698,229	730,189	775,144	835,934	862,601
Taxes less subsidies on products	130,795	145,143	161,367	182,952	195,294
GDP at market prices	**1,109,541**	**1,175,081**	**1,249,331**	**1,338,039**	**1,360,626**

Institutional sector and industry	2004	2005	2006	2007	2008*
Corporations, non-profit institutions and households					
Agriculture and forestry	276,448	295,763	308,928	315,499	299,188
Fishing	5,246	5,751	6,249	6,588	6,791
Mining and quarrying	5,195	5,334	5,554	6,272	6,472
Manufacturing	110,544	115,698	122,953	130,892	135,802
Electricity and water supply	26,353	26,082	25,708	28,301	29,928
Construction	28,504	30,694	32,412	34,635	37,635
Wholesale and retail trade, repairs	100,486	106,091	118,357	131,989	138,677
Hotels and restaurants	13,741	15,572	17,894	20,814	13,298
Transport, and communication	107,266	117,182	130,509	150,112	155,984
Financial intermediation	42,657	45,030	47,170	50,319	51,868
Dwellings, owner occupied and rented	31,987	33,250	34,575	35,964	37,420
Other real estate and business services	31,076	31,960	33,206	34,275	35,415
Education	7,467	8,389	9,494	9,381	10,354
Health and social work	15,714	16,358	17,038	17,862	18,664
Other community, social and personal services	42,004	43,082	45,114	46,900	48,381
Private households with employed persons	3,932	4,011	4,091	4,173	4,256
Less: Financial services indirectly measured	-10,800	-11,261	-11,835	-12,157	-11,250
Total value added at basic prices	**837,818**	**888,987**	**947,415**	**1,011,819**	**1,018,884**
General government					
Agriculture and forestry	4,070	3,986	3,892	3,655	3,543
Water supply	1,525	1,780	1,767	1,686	1,628
Construction	4,427	4,708	5,237	5,595	5,936
Transport, and communication	4,994	5,134	5,796	6,737	5,738
Resaearch and technical services	678	672	666	621	626
Public administartion and defence	47,062	46,460	45,722	44,788	45,074
Education	64,968	64,574	63,658	66,473	69,924
Health and social work	10,693	10,890	11,109	11,191	11,442
Other services	2,510	2,747	2,701	2,522	2,538
Total value added at basic prices	**140,928**	**140,951**	**140,548**	**143,268**	**146,448**

*Provisional

+Revised

Table 2.4 Growth rates of Gross Domestic Product+

Constant 2001 prices

Industry	2004	2005	2006	2007	2008*
Agriculture and forestry	1.6	6.9	4.4	2.0	-5.1
Growing of crops and horticulture	0.8	8.0	5.1	2.7	-7.6
Farming of animals	4.4	4.8	3.4	0.8	1.1
Agricultural and animal husbandry services	-0.9	-1.5	-1.8	-3.0	-1.9
Forestry and logging	0.5	2.7	-1.1	-1.6	0.8
Fishing	10.1	9.6	8.7	5.4	3.1
Mining and quarrying	-0.4	2.7	4.1	12.9	3.2
Manufacturing	4.5	4.7	6.3	6.5	3.8
Manufacture of food, beverages and tobacco	2.8	8.9	9.1	9.3	-1.7
All other manufacturing	5.2	2.9	5.0	5.2	6.3
Electricity and water supply	3.0	-0.1	-1.4	9.1	5.2
Electricity supply	2.4	-2.4	-3.0	11.8	6.2
Water supply	4.6	6.9	3.0	2.1	2.5
Construction	4.4	7.5	6.3	6.9	8.3
Wholesale and retail trade, repairs	8.5	5.6	11.6	11.5	5.1
Hotels and restaurants	38.8	13.3	14.9	16.3	-36.1
Transport and communication	7.0	9.0	11.4	15.1	3.1
Transport and storage	6.3	5.2	9.0	7.2	0.1
Post and telecommunications	8.5	17.7	16.5	30.3	7.9
Financial intermediation	1.4	5.6	4.8	6.7	3.1
Real estate, renting and business services	3.0	3.4	3.9	3.5	3.7
Dwellings, owner occupied and rented	3.9	4.0	4.0	4.0	4.0
Renting and business services	2.2	2.8	3.8	3.0	3.3
Public administration and defence	0.2	-1.3	-1.6	-2.0	0.6
Education	2.0	0.7	0.3	3.7	5.8
Health and social work	3.8	3.2	3.3	3.2	3.6
Other community, social and personal services	3.7	3.0	4.3	3.4	3.0
Private households with employed persons	2.0	2.0	2.0	2.0	2.0
Less: Financial services indirectly measured	4.7	4.3	5.1	2.7	-7.5
All industries at basic prices	**3.9**	**5.2**	**5.6**	**6.2**	**0.9**
All industries excl. agriculture and forestry	4.9	4.6	6.2	7.8	3.2
Taxes less subsidies on products	14.8	11.0	11.2	13.4	6.7
GDP at market prices	**5.1**	**5.9**	**6.3**	**7.1**	**1.7**
Corporations, non-profit institutions and households	4.3	6.1	6.6	6.8	0.7
General government	1.6	0.0	-0.3	1.9	2.2

*Provisional

+Revised

2.20. Table 2.5 shows how various sectors of the economy contributed to GDP growth for the period 2004 to 2008. Taxes less subsidies and Wholesale and retail trade and repairs were the main drivers of the growth in 2008. Other sectors influential in driving the growth in 2008 were Manufacturing, Education, Construction and Real Estate, Renting and Business Services. As expected the contraction in Agriculture and forestry and Hotels and restaurants were the main forces behind the economic slowdown.

Table 2.5 Sources of Growth+

Percentages

Industry	2004	2005	2006	2007	2008*
Agriculture and forestry	8.2	29.3	17.6	7.1	-72.7
Growing of crops and horticulture	2.7	23.9	14.4	6.8	-76.4
Farming of animals	5.4	5.1	3.4	0.7	3.6
Agricultural and animal husbandry services	-0.1	-0.1	-0.1	-0.1	-0.3
Forestry and logging	0.1	0.4	-0.2	-0.2	0.4
Fishing	0.9	0.8	0.7	0.4	0.9
Mining and quarrying	0.0	0.2	0.3	0.8	0.9
Manufacturing	8.8	7.9	9.8	8.9	21.7
Manufacture of food, beverages and tobacco	1.6	4.4	4.3	4.0	-3.2
All other manufacturing	7.1	3.5	5.5	4.9	25.0
Electricity and water supply	1.5	0.0	-0.5	2.8	6.9
Electricity supply	0.9	-0.8	-0.8	2.7	6.1
Water supply	0.6	0.7	0.3	0.2	0.9
Construction	2.6	3.8	3.0	2.9	14.8
Wholesale and retail trade, repairs	14.6	8.6	16.5	15.4	29.6
Hotels and restaurants	7.1	2.8	3.1	3.3	-33.3
Transport and communication	13.6	15.3	18.8	23.2	21.6
Transport and storage	8.7	6.2	10.0	7.3	0.5
Post and telecommunications	5.0	9.2	8.9	15.9	21.1
Financial intermediation	1.1	3.6	2.9	3.6	6.9
Real estate, renting and business services	3.5	3.3	3.5	2.7	11.5
Dwellings, owner occupied and rented	2.2	1.9	1.8	1.6	6.4
Renting and business services	1.2	1.3	1.7	1.2	5.1
Public administration and defence	0.1	-0.9	-1.0	-1.1	1.3
Education	2.6	0.8	0.3	3.0	19.6
Health and social work	1.8	1.3	1.2	1.0	4.7
Other community, social and personal services	3.0	2.0	2.7	1.8	6.6
Private households with employed persons	0.1	0.1	0.1	0.1	0.4
Less: Financial services indirectly measured	-0.9	-0.7	-0.8	-0.4	4.0
All industries at basic prices	68.6	78.1	78.1	75.7	45.4
All industries excl. agriculture and forestry	60.4	48.8	60.5	68.5	118.1
Taxes less subsidies on products	31.4	21.9	21.9	24.3	54.6
GDP at market prices	100.0	100.0	100.0	100.0	100.0

*Provisional

+Revised

Table 2.6: Annual production accounts by industry+

Current prices - KSh Million

Industry	2004	2005	2006	2007	2008*
Agriculture and forestry					
Output at basic prices	396,096	437,726	490,369	515,635	617,334
Intermediate consumption	84,821	100,920	111,186	120,858	125,360
Gross value added at basic prices	311,275	336,806	379,183	394,777	491,975
Compensation of employees	41,921	46,629	53,336	54,740	55,297
Gross operating surplus/mixed income	269,353	290,177	325,848	340,037	436,678
Fishing					
Output at basic prices	8,537	8,417	9,423	9,591	9,928
Intermediate consumption	2,134	2,104	2,356	2,398	2,482
Gross value added at basic prices	6,403	6,313	7,068	7,193	7,446
Compensation of employees	854	842	942	959	993
Gross operating surplus/mixed income	5,549	5,471	6,125	6,234	6,453
Mining and quarrying					
Output at basic prices	11,930	12,898	14,631	20,233	22,689
Intermediate consumption	5,756	6,095	6,747	7,329	8,059
Gross value added at basic prices	6,174	6,803	7,884	12,904	14,630
Compensation of employees	3,478	3,798	4,289	5,831	6,457
Gross operating surplus/mixed income	2,696	3,005	3,595	7,073	8,173
Manufacturing					
Output at basic prices	444,648	500,215	560,089	626,173	717,217
Intermediate consumption	317,205	351,053	393,312	436,008	493,864
Gross value added at basic prices	127,443	149,162	166,777	190,165	223,353
Compensation of employees	46,791	50,734	57,827	59,898	60,829
Gross operating surplus/mixed income	80,651	98,428	108,950	130,267	162,524
Electricity and water					
Output at basic prices	36,908	43,644	50,534	55,356	58,248
Intermediate consumption	12,098	14,879	22,057	28,244	27,444
Gross value added at basic prices	24,810	28,766	28,477	27,111	30,805
Compensation of employees	8,345	9,617	11,003	12,383	13,746
Gross operating surplus/mixed income	16,465	19,148	17,474	14,728	17,058
Construction					
Output at basic prices	126,102	144,491	166,188	191,299	222,903
Intermediate consumption	78,023	88,370	102,260	122,019	142,769
Gross value added at basic prices	48,079	56,121	63,928	69,280	80,135
Compensation of employees	16,846	16,253	14,776	16,085	17,714
Gross operating surplus/mixed income	31,233	39,868	49,152	53,195	62,421
Wholesale and retail trade, repairs					
Output at basic prices	256,066	284,665	330,659	387,041	459,977
Intermediate consumption	138,710	154,196	179,092	209,587	249,197
Gross value added at basic prices	117,356	130,468	151,568	177,454	210,780
Compensation of employees	74,369	83,383	98,242	102,868	107,318
Gross operating surplus/mixed income	42,986	47,085	53,326	74,586	103,462
Hotels and restaurants					
Output at basic prices	49,526	59,521	74,509	91,047	75,148
Intermediate consumption	33,441	40,164	50,301	61,435	51,393
Gross value added at basic prices	16,086	19,357	24,207	29,612	23,755
Compensation of employees	8,010	9,670	12,185	14,977	12,097
Gross operating surplus/mixed income	8,075	9,687	12,022	14,635	11,659
Transport and communication					
Output at basic prices	288,664	332,231	409,305	470,128	524,648
Intermediate consumption	162,936	186,708	237,314	276,117	309,664
Gross value added at basic prices	125,727	145,523	171,991	194,011	214,983
Compensation of employees	59,244	65,235	79,661	88,367	95,945
Gross operating surplus/mixed income	66,483	80,288	92,331	105,644	119,038

Table 2.6: Contd

Current prices - KSh Million

Industry	2004	2005	2006	2007	2008*
Financial intermediation					
Output at basic prices	69,398	78,346	99,954	137,740	148,385
Intermediate consumption	25,055	28,482	35,832	51,319	49,638
Gross value added at basic prices	44,343	49,864	64,122	86,422	98,747
Compensation of employees	23,557	25,785	33,324	39,500	45,695
Gross operating surplus/mixed income	20,786	24,079	30,798	46,921	53,051
Finance, real estate and business services					
Output at basic prices	88,517	96,289	107,519	117,666	131,417
Intermediate consumption	15,815	17,274	19,375	21,370	24,135
Gross value added at basic prices	72,702	79,015	88,145	96,296	107,282
Compensation of employees	19,636	21,329	23,307	25,394	29,174
Gross operating surplus/mixed income	53,066	57,686	64,837	70,902	78,108
Public administration and defence					
Output at basic prices	98,075	107,106	131,533	154,193	159,906
Intermediate consumption	44,404	42,929	44,560	48,611	55,078
Gross value added at basic prices	53,672	64,178	86,973	105,582	104,828
Compensation of employees	36,717	46,157	67,291	83,999	80,801
Gross operating surplus/mixed income	16,955	18,021	19,682	21,583	24,027
Education					
Output at basic prices	124,905	131,058	142,232	158,691	164,849
Intermediate consumption	24,700	26,644	29,285	34,315	32,556
Gross value added at basic prices	100,205	104,413	112,947	124,375	132,293
Compensation of employees	87,944	90,487	97,253	106,443	113,363
Gross operating surplus/mixed income	2,392	2,543	2,777	3,045	3,390
Health and social work					
Output at basic prices	45,436	51,426	57,701	65,305	75,881
Intermediate consumption	12,237	14,367	16,633	20,553	24,815
Gross value added at basic prices	33,199	37,059	41,068	44,752	51,066
Compensation of employees	22,464	25,874	29,108	31,861	36,555
Gross operating surplus/mixed income	10,735	11,184	11,960	12,891	14,511
Other community, social and personal services					
Output at basic prices	80,526	87,126	95,847	104,196	118,248
Intermediate consumption	26,097	27,932	30,828	33,808	38,301
Gross value added at basic prices	54,429	59,194	65,019	70,388	79,947
Compensation of employees	23,907	26,090	28,981	31,272	35,688
Gross operating surplus/mixed income	30,522	33,103	36,038	39,115	44,258
Less: Financial services indirectly measured					
Intermediate consumption	9,052	11,514	15,376	19,490	19,761
Gross value added at basic prices	-9,052	-11,514	-15,376	-19,490	-19,761
All industries at basic prices					
Output at basic prices	2,125,334	2,375,158	2,740,494	3,104,294	3,506,778
Intermediate consumption	992,483	1,113,632	1,296,513	1,493,463	1,654,515
Gross value added at basic prices	1,132,850	1,261,527	1,443,981	1,610,831	1,852,263
Other taxes on production	2,851	2,932	3,722	4,354	4,506
Less: Subsidies	-5,252	-335	-233	-1,580	-1,557
Compensation of employees	474,084	521,883	611,524	674,578	711,672
Gross operating surplus/mixed income	661,166	737,046	828,968	933,479	1,137,642
Total economy					
Output at basic prices	2,125,334	2,375,158	2,740,494	3,104,294	3,506,778
Taxes on products	141,478	154,197	178,453	215,129	247,535
Intermediate consumption	992,483	1,113,632	1,296,513	1,493,463	1,654,515
GDP at market prices	1,274,328	1,415,724	1,622,434	1,825,960	2,099,798
Taxes on production and imports	144,329	157,130	182,175	219,483	252,041
Less: Subsidies	-5,252	-335	-233	-1,580	-1,557
Compensation of employees	474,084	521,883	611,524	674,578	711,672
Gross operating surplus/mixed income	661,166	737,046	828,968	933,479	1,137,642

*Provisional

+Revised

Expenditure on GDP

2.21. Expenditure on GDP and percentage shares are shown in tables 2.7 and 2.8 respectively. The Gross domestic expenditure at current prices increased by 12.9 per cent to KSh 2,335.6 billion in 2008 compared to KSh 2,068.9 billion in 2007. The combined share of Government and Private consumption expenditure declined to 92.1 per cent in 2008 compared to 94.3 per cent in 2007 with Government consumption expenditure share declining to 17.2 per cent and that of Private consumption declining to 74.9 per cent. Share of exports of goods and services declined by 0.2 percentage points to 26.3 per cent in 2008 while share of imports rose by 3.8 percentage points to 41.7 percent during the same period. The current account balance widened due to the rise in merchandise trade deficit occasioned by expansion of value of total imports as compared to the value of exports. This has resulted into declining share of net exports of goods and services to 15.4 per cent in 2008 compared to 11.5 per cent in 2007. Share of gross fixed capita formation remained at 11.4 per cent in 2008.

Table 2.7: Expenditure on the Gross Domestic Product+

Current prices - KSh Million

Expenditure category	2004	2005	2006	2007	2008*
Government final consumption expenditure	227,596	246,056	283,236	337,560	360,569
Private final consumption expenditure	962,433	1,067,448	1,222,570	1,383,366	1,572,761
Gross fixed capital formation	207,196	264,728	309,592	354,248	408,327
Changes in inventories	10,546	-25,282	-18,383	-6,240	-6,095
Gross domestic expenditure	**1,407,771**	**1,552,950**	**1,797,015**	**2,068,934**	**2,335,561**
Exports of goods and services	335,743	395,208	437,376	484,642	551,264
Imports of goods and services	435,844	523,970	613,764	691,220	876,550
Discrepancy [1]	-33,342	-8,464	1,807	-36,395	89,524
Gross domestic product at market prices	**1,274,328**	**1,415,724**	**1,622,434**	**1,825,960**	**2,099,798**

[1]Difference between GDP production approach and GDP expenditure approach

*Provisional

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Table 2.8: Expenditure on the Gross Domestic Product+

Percentage shares

Expenditure category	2004	2005	2006	2007	2008*
Government final consumption expenditure	17.9	17.4	17.5	18.5	17.2
Private final consumption expenditure	75.5	75.4	75.4	75.8	74.9
Gross fixed capital formation	16.3	18.7	19.1	19.4	19.4
Changes in inventories	0.8	-1.8	-1.1	-0.3	-0.3
Gross domestic expenditure	**110.5**	**109.7**	**110.8**	**113.3**	**111.2**
Exports of goods and services	26.3	27.9	27.0	26.5	26.3
Imports of goods and services	34.2	37.0	37.8	37.9	41.7
Discrepancy [1]	-2.6	-0.6	0.1	-2.0	4.3
Gross domestic product at market prices	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

[1] Discrepancy expressed as a percentage of GDP

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2.22. The details of expenditure on GDP in real terms and the growth rates are presented in Tables 2.9 and 2.10, respectively. There were moderate growths in the main components of expenditure on GDP except in private consumption expenditure and change in inventories. The highest growth of 9.7 per cent was recorded in Gross Fixed Capital Formation in 2008, although this is the lowest growth realized since

2005. Private consumption expenditure declined by 0.4 per cent in 2008 compared to an average growth of 7.3 per cent since 2005. The net exports of goods and services recorded a decelerated growth of 1.7 per cent in 2008 compared to a growth of 5.4 per cent in 2007.

Table 2.9: Expenditure on the Gross Domestic Product+

Expenditure category	2004	2005	2006	2007	2008*
Government final consumption expenditure	176,610	175,227	177,782	191,235	198,263
Private final consumption expenditure	856,918	912,330	984,101	1,058,847	1,054,849
Gross fixed capital formation	171,764	219,512	260,211	294,971	323,688
Changes in inventories including discrepancy	8,962	-14,857	-9,606	-4,537	-7,864
Gross domestic expenditure	**1,214,254**	**1,292,213**	**1,412,488**	**1,540,516**	**1,568,936**
Exports of goods and services	291,157	318,467	326,165	344,876	357,312
Imports of goods and services	344,380	395,842	466,343	517,912	545,473
Discrepancy [1]	-51,490	-39,758	-22,979	-29,442	-20,149
Gross domestic product at market prices	**1,109,541**	**1,175,081**	**1,249,331**	**1,338,039**	**1,360,626**

[1]Difference between GDP production approach and GDP expenditure approach

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Table 2.10: Growth rates in Expenditure on the Gross Domestic Product+

Percentage change

Expenditure category	2004	2005	2006	2007	2008*
Government final consumption expenditure	0.6	-0.8	1.5	7.6	3.7
Private final consumption expenditure	2.4	6.5	7.9	7.6	-0.4
Gross fixed capital formation	7.3	27.8	18.5	13.4	9.7
Changes in inventories 1)	0.1	-2.1	0.4	0.4	-0.2
Gross domestic expenditure	**2.9**	**6.4**	**9.3**	**9.1**	**1.8**
Exports of goods and services	12.6	9.4	2.4	5.7	3.6
Imports of goods and services	12.3	14.9	17.8	11.1	5.3
Discrepancy					
Gross domestic product at market prices	**5.1**	**5.9**	**6.3**	**7.1**	**1.7**

1) Change in changes of inventories as a percentage of GDP of the previous year

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Private Consumption

2.23. Tables 2.11a and 2.11b present figures on final private consumption by type of consumption and the percentage shares of each of the categories respectively. Total private consumption increased from KSh 1,383.4 billion in 2007 to KSh 1,572.8 billion in 2008 representing a growth of 13.7 per cent. Food and beverages category continued to register the largest share of consumption with its share increasing marginally from 43.8 per cent in 2007 to 44.8 per cent in 2008 due to the high prices of the commodities in the category witnessed in the year under review. The share of housing category reduced slightly to 7.7 per cent in 2008 compared to an average of 8.0 per cent since 2004.

Table 2.11a: Private Consumption+

Current prices - KSh Million

Purpose	2004	2005	2006	2007	2008*
Food and beverages	443,869	496,673	561,403	606,334	704,863
Clothing and footwear	32,808	35,505	37,432	40,232	44,425
Housing	74,800	87,623	100,592	109,716	120,376
All other goods	126,394	124,359	144,376	174,884	192,201
All other services	342,724	387,427	451,908	536,923	577,555
Direct pruchases abroad	4,609	5,284	8,016	11,296	10,150
Less: Direct purchases by non-res in Kenya	-62,772	-69,423	-81,157	-96,019	-76,809
Total	**962,433**	**1,067,448**	**1,222,570**	**1,383,366**	**1,572,761**

*Provisional

Table 2.11b: Shares of Private Consumption+

Percentage shares

Expenditure category	2004	2005	2006	2007	2008*
Food and beverages	46.1	46.5	45.9	43.8	44.8
Clothing and footwear	3.4	3.3	3.1	2.9	2.8
Housing	7.8	8.2	8.2	7.9	7.7
All other goods	13.1	11.7	11.8	12.6	12.2
All other services	35.6	36.3	37.0	38.8	36.7
Direct pruchases abroad	0.5	0.5	0.7	0.8	0.6
Less: Direct purchases by non-res in Kenya	-6.5	-6.5	-6.6	-6.9	-4.9
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

*Provisional

+Revised

Gross Fixed Capital Formation

2.24. Gross Fixed Capital Formation (GFCF) by type of asset and their shares at current prices are presented in Tables 2.12a and 2.12b. The total expenditure on GFCF recorded a growth of 15.3 per cent to stand at KSh 408,327 million in 2008. The booming construction activities in 2008 saw the share of building and structures increase to 46.3 per cent in 2008. The share of transport equipment declined to 18.1 per cent in 2007 compared to 23.4 per cent in 2008 while that of other machinery and equipment increased to 35.4 per cent in the year under review from 30.3 per cent in 2007.

Table 2.12a: Gross Fixed Capital Formation+

Purpose	2004	2005	2006	2007	2008*
Buildings and structures	108,730	123,426	142,161	162,589	189,219
Transport equipment	37,172	75,663	85,562	82,894	73,852
Other machinery and equipment	60,055	64,336	80,546	107,414	144,362
Cultivated assets	1,169	1,229	1,245	1,273	816
Intangible assets	71	73	78	78	78
Total	**207,196**	**264,728**	**309,592**	**354,248**	**408,327**

*Provisional

+Revised

Table 2.12b: Shares of Gross Fixed Capital Formation+

Percentage shares

Expenditure category	2004	2005	2006	2007	2008*
Buildings and structures	52.5	46.6	45.9	45.9	46.3
Transport equipment	17.9	28.6	27.6	23.4	18.1
Other machinery and equipment	29.0	24.3	26.0	30.3	35.4
Cultivated assets	0.6	0.5	0.4	0.4	0.2
Intangible assets	0.0	0.0	0.0	0.0	0.0
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

*Provisional

+Revised

2.25. Tables 2.13a and 2.13b give details of the real GFCF and the growth rates respectively. The total assets grew by 9.7 per cent in 2008 to stand at KSh 323,688 million in real terms. Other machinery and equipment, and building and structures recorded growths of 28.1 per cent and 8.9 per cent in 2008 while all other type of assets declined with the highest decline being witnessed in cultivated assets and transport and equipments of 53.3 per cent and 16.1 per cent, respectively.

Table 2.13a: Gross Fixed Capital Formation+

Constant prices - KShs Million

Purpose	2004	2005	2006	2007	2008*
Buildings and structures	86,776	93,604	98,945	105,873	115,247
Transport equipment	29,486	61,729	76,175	74,064	62,153
Other machinery and equipment	54,418	63,037	83,866	113,656	145,620
Cultivated assets	1,023	1,083	1,166	1,322	618
Intangible assets	61	59	59	56	51
Total	**171,764**	**219,512**	**260,211**	**294,971**	**323,688**

*Provisional

+Revised

Table 2.13b: Gross Fixed Capital Formation+

Annual changes

Expenditure category	2004	2005	2006	2007	2008*
Buildings and structures	3.7	7.9	5.7	7.0	8.9
Transport equipment	-5.7	109.4	23.4	-2.8	-16.1
Other machinery and equipment	23.7	15.8	33.0	35.5	28.1
Cultivated assets	-3.5	5.8	7.7	13.3	-53.3
Intangible assets	108.7	-3.8	0.9	-5.0	-10.3
Total	**7.3**	**27.8**	**18.5**	**13.4**	**9.7**

*Provisional

+Revised

Disposable Income and Savings

2.26. Tables 2.14 and 2.15 show the distribution of income. The Gross National Income (GNI) increased by 15.4 per cent to stand at KSh 1816.3 billion in 2008. The net primary income improved to a deficit of KSh 3,127 million in 2008 compared to deficit of KSh 9,706 million in 2007. The net current transfers recorded a decelerated growth of 3.1 per cent in 2008 compared to 10.2 per cent in 2007 partly due to the slower growth of remittances as a result of the global economic crisis.

Table 2.14: Gross Domestic Product and Gross National Income+

	2004	2005	2006	2007	2008*
CURRENT PRICES, KShs Million					
Compensation of employees	474,084	521,883	611,524	674,578	711,672
Consumption of fixed capital	121,126	123,575	128,299	136,569	149,802
Net operating surplus	540,040	613,471	700,669	796,910	987,840
Gross domestic product at factor cost	**1,135,251**	**1,258,929**	**1,440,492**	**1,608,057**	**1,849,314**
Taxes on production and imports	144,329	157,130	182,175	219,483	252,041
Subsidies	-5,252	-335	-233	-1,580	-1,557
Gross domestic product at market prices	**1,274,328**	**1,415,724**	**1,622,434**	**1,825,960**	**2,099,798**
Primary incomes					
Receivable from the rest of the world	3,564	5,536	7,168	10,812	12,190
Payable to rest of the world	-13,581	-13,730	-12,221	-20,518	-15,317
Gross national income at market prices	**1,264,311**	**1,407,530**	**1,617,381**	**1,816,254**	**2,096,671**
Current transfers					
Receivable from the rest of the world	**84,229**	100,897	133,368	145,875	152,117
Payable to rest of the world	-3,373	-5,029	-3,452	-2,723	-4,461
Gross national disposable income	**1,345,168**	**1,503,398**	**1,747,296**	**1,959,406**	**2,244,327**
Per capita, Kshs					
Gross domestic product at market prices	37,284	40,289	44,894	49,128	54,957
Gross national income at market prices	36,991	40,056	44,754	48,867	54,875
CONSTANT PRICES					
GDP at market prices, KShs million	1,109,541	1,175,081	1,249,331	1,338,039	1,360,626
Per capita	32,463	33,441	34,570	36,000	35,611
- Annual percentage change	2.0	3.0	3.4	4.1	-1.1

*Provisional

+Revised

Table 2.15: National Disposable Income and Saving+

Current prices - KSh Million

	2004	2005	2006	2007	2008*
Disposable income and saving					
Gross national disposable income	**1,345,168**	**1,503,398**	**1,747,296**	**1,959,406**	**2,244,327**
Consumption of fixed capital	121,126	123,575	128,299	136,569	149,802
Net national disposable income	**1,224,041**	**1,379,823**	**1,618,997**	**1,822,837**	**2,094,525**
Final consumption expenditure					
Private	962,433	1,067,448	1,222,570	1,383,366	1,572,761
General government	227,596	246,056	283,236	337,560	360,569
Discrepancy on GDP					
Saving, net	34,012	66,319	113,191	101,911	161,195
General government					
All Other serctors					
Financing of capital formation					
Saving, net	34,012	66,319	113,191	101,911	161,195
Capital transfers, receivable from abroad	11,495	7,807	12,142	10,558	6,535
Capital transfers, payable from abroad	0	0	0	0	0
Total	**45,507**	**74,126**	**125,333**	**112,469**	**167,730**
Gross fixed capital formation	207,196	264,728	309,592	354,248	408,327
Consumption of fixed capital	-121,126	-123,575	-128,299	-136,569	-149,802
Changes in inventories	10,546	-25,282	-18,383	-6,240	-6,095
Net lending (+) / Net borrowing(-)	-51,108	-41,745	-37,576	-98,970	-84,699
Total	**45,507**	**74,126**	**125,333**	**112,469**	**167,730**
Discrepancy on GDP	-33,342	-8,464	1,807	-36,395	89,524
Net lending/Net borrowing of the Nation	-5,601	32,381	87,757	13,500	83,031
Gross savings	155,139	189,894	241,490	238,480	310,997
Gross savings as a ratio to GDP	12.2	13.4	14.9	13.1	14.8
Gross savings as a ratio to Disposable Income	11.5	12.6	13.8	12.2	13.9

*Provisional

+Revised

Quarterly Gross Domestic Product

2.27. Tables 2.16 and 2.17 give the summary of the Quarterly Gross Domestic Product (QGDP) by activity from 2001 to 2008. The growth of the fourth quarter stagnated in 2008 compared to a growth of 6.0 per cent in 2007. The second and third quarters of 2008 recorded growths of 3.5 per cent and 3.3 per cent while the first quarter recorded a marginal decline.

Bench-marking

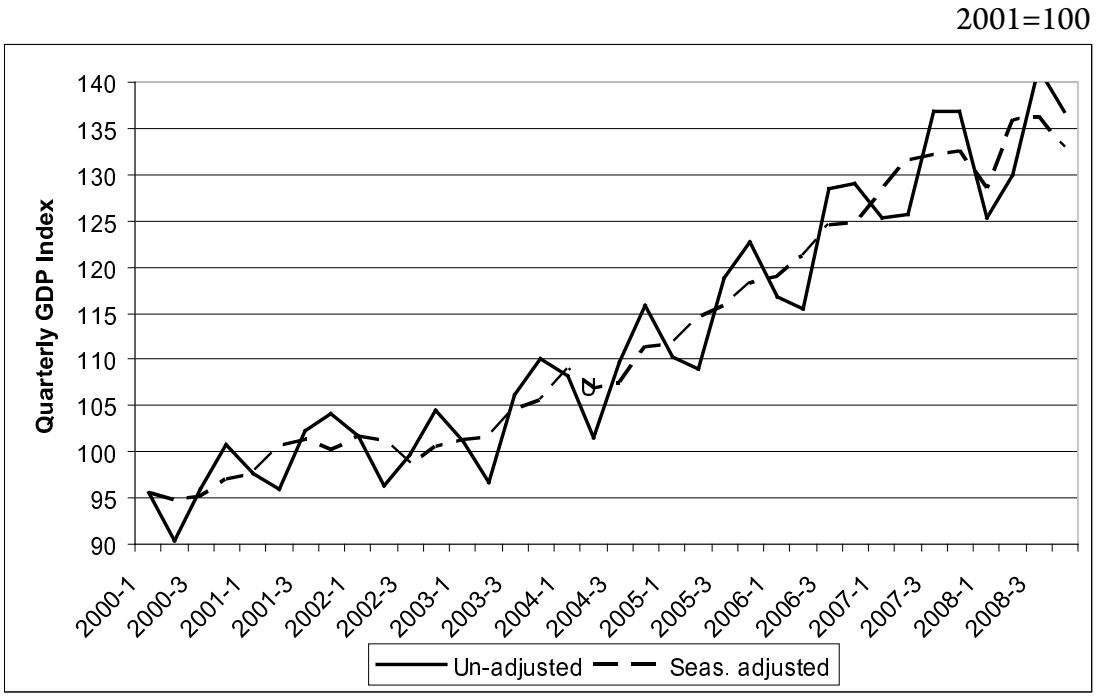
2.28. The approach and data sources used in the compilation of quarterly and annual GDP are not the same hence the sum of four quarters does not add up to the annual estimates. QGDP estimates, therefore, are re-aligned to annual estimates through benchmarking. Annual GDP estimates are considered to be more reliable as they are based on a more comprehensive data. The proportional Denton method is used to execute the benchmarking process. This is done through quadratic minimization of the differences between the re-aligned and original series, subject to the constraint that the yearly totals of the re-aligned estimates are equal to the annual estimates.

Seasonal adjustment

2.29. Quarterly estimates quite often show short-term variations due to factors such as weather, habits and legislation, usually defined as seasonal fluctuations. Although seasonality is an integral part of quarterly data, it is often an impediment to correct identification and analysis of the business cycle and trend. Therefore, quarterly estimates are seasonally adjusted as an addition to the raw estimates and they are needed to gauge the growth from quarter to quarter. Without seasonal adjustment, changes in trend can only be judged by comparing the level of change in the latest quarter with the same of the previous year. The benchmarked series are seasonally adjusted using the Census X-11/X-12 method.

2.30. Figure 2.1 shows the movement of seasonally adjusted and unadjusted QGDP. Seasonal diagnosis of value added by activity indicated that fluctuations in Agriculture, Hotels and Restaurants and, Wholesale and Retail Trade are the main sources of seasonal variations noted in QGDP. From table 2.17 it can be seen that the Seasonal adjusted GDP decreased by 2.5 per cent in the fourth quarter of 2008 compared to the third quarter of the same year. This shows a decline in the growth of the economy compared to the seasonally adjusted growth rates from the previous three quarters although it was much slower in the third quarter.

Figure 2.1: Movement of seasonally adjusted and unadjusted QGDP



2.31. Figure 2.2 below shows the total values added excluding agriculture. Agriculture has a very strong impact on the seasonal pattern of GDP. This is clear when comparing the seasonally adjusted and unadjusted GDP in figure 2.1 with the seasonally adjusted and non-adjusted "non-agricultural GDP" as shown in figure 2.2

Figure 2.2: Movement of seasonally adjusted and unadjusted QGDP excluding agriculture

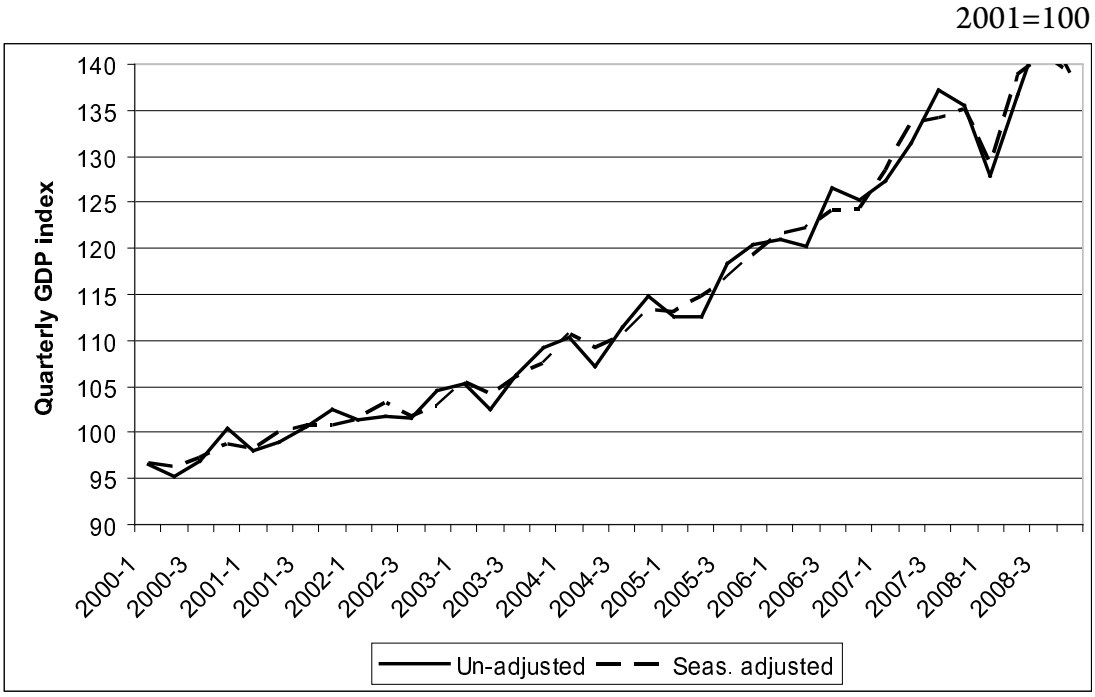


Table 2.16: Gross domestic product by activity

Constant 2001 prices – KSh. million

Year	Quarter	Agriculture and forestry	Fishing	Mining and quarrying	Manufacturing	Electricty and water	Construction	Whole-sale and retail trade	Hotels and restaurants	Transport and communic-ation	Financial intermediation
2000		251,171	7,995	4,536	98,202	18,683	30,653	88,479	12,280	81,649	47,114
2001		277,592	6,532	4,915	99,777	19,671	31,829	93,531	11,864	92,932	42,124
2002		269,071	5,119	5,036	99,858	23,749	31,214	91,219	12,425	101,336	41,443
2003		276,089	4,765	5,213	105,822	27,074	31,530	92,604	9,899	104,915	42,064
2004		280,518	5,246	5,195	110,544	27,877	32,932	100,486	13,741	112,260	42,657
2005		299,749	5,751	5,335	115,698	27,862	35,401	106,091	15,572	122,316	45,030
2006		312,820	6,249	5,554	122,953	27,475	37,649	118,357	17,894	136,306	47,170
2007		319,154	6,588	6,272	130,892	29,987	40,229	131,989	20,814	156,849	50,319
2008		302,731	6,791	6,472	135,802	31,556	43,572	138,677	13,298	161,722	51,868
2000	1	63,498	2,267	1,062	25,059	5,510	7,009	22,042	3,407	18,079	12,006
	2	54,167	1,763	1,176	23,833	5,173	8,127	20,721	2,511	18,852	11,876
	3	64,038	1,688	1,188	24,607	3,918	8,126	21,219	2,826	21,530	11,777
	4	69,469	2,277	1,109	24,703	4,082	7,390	24,497	3,535	23,189	11,455
2001	1	67,652	1,440	1,158	25,680	4,712	7,390	22,719	3,264	20,775	10,947
	2	60,318	1,830	1,301	25,040	4,701	8,927	21,425	2,453	22,933	10,677
	3	73,821	1,645	1,246	25,131	5,123	8,264	23,009	2,739	24,003	10,268
	4	75,801	1,617	1,210	23,925	5,136	7,247	26,378	3,409	25,220	10,231
2002	1	67,968	1,342	1,212	25,336	5,426	7,882	22,981	3,494	24,369	10,278
	2	57,658	985	1,275	24,828	5,999	8,098	22,219	2,618	25,895	10,234
	3	69,628	1,277	1,299	25,230	6,235	7,698	21,374	3,200	24,524	10,461
	4	73,816	1,516	1,250	24,464	6,089	7,536	24,645	3,114	26,548	10,471
2003	1	65,494	1,253	1,282	26,214	6,313	7,812	23,082	2,516	26,630	10,409
	2	58,961	928	1,359	25,875	6,694	8,389	21,238	2,064	23,322	10,364
	3	73,999	1,183	1,284	26,894	6,904	7,758	23,291	2,462	26,855	10,480
	4	77,634	1,401	1,287	26,839	7,163	7,570	24,994	2,857	28,107	10,810
2004	1	70,235	1,336	1,248	27,476	7,199	7,781	25,461	3,518	27,754	10,551
	2	59,043	1,186	1,331	26,912	7,057	8,519	22,623	2,694	25,587	10,559
	3	72,067	1,265	1,373	27,000	6,615	8,945	24,749	3,714	29,336	10,697
	4	79,173	1,458	1,243	29,157	7,007	7,687	27,652	3,816	29,583	10,851
2005	1	69,645	1,613	1,284	28,106	6,952	8,281	24,048	5,113	28,622	11,043
	2	64,167	1,054	1,284	28,930	6,904	8,505	25,205	3,034	28,131	11,158
	3	80,708	1,429	1,433	28,538	6,996	9,600	27,502	3,850	32,588	11,316
	4	85,229	1,655	1,334	30,124	7,010	9,015	29,336	3,575	32,975	11,513
2006	1	69,656	1,660	1,287	29,955	6,795	9,048	27,071	5,210	34,054	11,554
	2	67,453	1,105	1,327	30,179	6,808	8,997	28,498	3,384	33,331	11,781
	3	85,932	1,514	1,441	31,038	6,853	9,746	32,711	4,802	35,545	11,785
	4	89,780	1,970	1,499	31,780	7,019	9,858	30,077	4,498	33,375	12,049
2007	1	75,932	1,673	1,395	31,327	7,162	8,672	30,699	5,544	36,627	12,308
	2	69,029	1,170	1,570	32,395	7,605	9,928	32,773	4,735	38,340	12,576
	3	85,425	1,555	1,613	33,430	7,581	11,125	35,773	5,472	40,489	12,661
	4	88,767	2,189	1,695	33,741	7,639	10,504	32,744	5,064	41,393	12,775
2008	1	72,303	1,658	1,459	32,199	7,851	9,014	30,197	2,590	36,890	12,760
	2	69,833	1,208	1,676	34,031	7,975	11,218	34,216	2,984	39,111	13,095
	3	80,494	1,608	1,531	34,868	7,793	12,408	39,662	4,140	43,088	12,755
	4	80,100	2,316	1,806	34,705	7,938	10,932	34,602	3,584	42,633	13,258

Table 2.16: Contd.

Constant 2001 prices – KSh. million

Year	Quarter	Real estate, renting, business services	Public administration	Education	Other services	FISIM	All industries at basic prices	All industries excl. agriculture	Taxes on products	GDP at market prices	GDP, seasonally adjusted
2000		57,091	48,243	62,148	67,339	-12,479	863,105	611,933	113,232	976,337	
2001		58,667	46,760	63,013	69,424	-11,772	906,859	629,267	113,148	1,020,007	
2002		60,452	46,731	64,748	71,453	-10,665	913,190	644,119	112,394	1,025,584	
2003		61,864	46,991	71,045	72,203	-10,315	941,763	665,674	113,895	1,055,658	
2004		63,740	47,062	72,435	74,854	-10,800	978,746	698,229	130,795	1,109,541	
2005		65,882	46,460	72,963	77,089	-11,261	1,029,938	730,189	145,143	1,175,081	
2006		68,447	45,722	73,152	80,053	-11,835	1,087,964	775,144	161,367	1,249,331	
2007		70,860	44,788	75,855	82,648	-12,157	1,155,087	835,934	182,952	1,338,039	
2008		73,461	45,074	80,277	85,281	-11,250	1,165,332	862,601	195,295	1,360,626	
2000	1	14,018	12,105	15,593	16,738	-3,123	215,270	151,772	28,686	243,956	243,752
	2	14,338	12,120	15,561	16,777	-3,110	203,886	149,719	26,532	230,418	241,638
	3	14,293	12,068	15,521	16,854	-3,134	216,520	152,482	28,266	244,786	242,983
	4	14,442	11,949	15,474	16,970	-3,113	227,429	157,960	29,748	257,177	247,685
2001	1	14,521	11,798	15,784	17,124	-3,054	221,912	154,260	27,080	248,992	248,745
	2	14,643	11,676	15,689	17,279	-3,017	215,876	155,558	28,981	244,857	257,082
	3	14,872	11,629	15,706	17,433	-2,880	232,010	158,189	28,673	260,684	258,524
	4	14,630	11,657	15,834	17,588	-2,822	237,061	161,260	28,413	265,474	255,436
2002	1	14,493	11,679	16,050	17,742	-2,744	227,508	159,540	31,759	259,267	259,380
	2	15,025	11,672	16,086	17,853	-2,650	217,793	160,135	27,617	245,410	257,953
	3	15,462	11,679	16,205	17,918	-2,659	229,531	159,903	24,702	254,233	251,607
	4	15,472	11,701	16,407	17,940	-2,612	238,358	164,541	28,316	266,673	256,350
2003	1	15,353	11,733	17,715	17,939	-2,559	231,188	165,693	26,668	257,856	258,625
	2	15,952	11,752	17,769	17,975	-2,523	220,120	161,159	26,347	246,468	259,363
	3	14,964	11,757	17,788	18,069	-2,556	241,131	167,132	29,733	270,865	267,151
	4	15,594	11,749	17,773	18,221	-2,677	249,324	171,690	31,146	280,470	269,376
2004	1	15,693	11,744	18,113	18,465	-2,642	243,933	173,698	31,835	275,768	277,843
	2	16,403	11,767	18,055	18,650	-2,674	227,713	168,670	31,105	258,818	272,474
	3	15,566	11,777	18,080	18,806	-2,725	247,264	175,197	32,313	279,577	274,250
	4	16,077	11,774	18,187	18,933	-2,759	259,837	180,664	35,542	295,379	283,922
2005	1	16,059	11,627	18,215	19,052	-2,773	246,886	177,241	34,417	281,303	284,909
	2	16,695	11,593	18,230	19,183	-2,785	241,289	177,122	36,548	277,837	292,281
	3	16,639	11,615	18,248	19,338	-2,821	266,979	186,270	36,028	303,007	295,448
	4	16,489	11,626	18,270	19,516	-2,882	274,785	189,556	38,150	312,935	301,341
2006	1	16,889	11,618	18,236	19,748	-2,901	259,880	190,225	37,825	297,706	303,285
	2	16,890	11,541	18,199	19,934	-2,967	256,459	189,007	38,163	294,622	309,246
	3	16,744	11,392	18,271	20,106	-2,955	284,926	198,994	42,913	327,839	317,895
	4	17,923	11,171	18,446	20,264	-3,012	286,698	196,919	42,466	329,164	317,918
2007	1	17,151	11,206	19,083	20,407	-3,055	276,131	200,199	43,509	319,640	326,997
	2	17,835	11,388	18,906	20,567	-3,083	275,734	206,704	44,580	320,314	335,444
	3	18,288	11,261	18,875	20,742	-3,038	301,251	215,825	47,889	349,140	337,180
	4	17,586	10,932	18,991	20,932	-2,980	301,972	213,205	46,974	348,946	338,043
2008	1	17,214	11,079	19,898	21,139	-2,864	273,387	201,084	46,124	319,511	327,473
	2	19,707	11,340	20,006	21,294	-2,862	284,831	214,999	46,581	331,413	346,655
	3	19,528	11,325	20,123	21,398	-2,714	308,007	227,513	52,661	360,668	347,608
	4	17,012	11,330	20,251	21,449	-2,809	299,106	219,005	49,928	349,034	338,944

Table 2.17: Growth rates in Quarterly Gross domestic product by activity

Percentage changes at constant prices 2001

Year	Quarter	Agricul-ture and forestry	Fishing	Mining and quarrying	Manufac-turing	Electricty and water	Construc-tion	Whole-sale and retail trade	Hotels and restau-rants	Transport and com-munic-ation	Financial interme-diation
2000											
2001		10.5	-18.3	8.4	1.6	5.3	3.8	5.7	-3.4	13.8	-10.6
2002		-3.1	-21.6	2.5	0.1	20.7	-1.9	-2.5	4.7	9.0	-1.6
2003		2.6	-6.9	3.5	6.0	14.0	1.0	1.5	-20.3	3.5	1.5
2004		1.6	10.1	-0.4	4.5	3.0	4.4	8.5	38.8	7.0	1.4
2005		6.9	9.6	2.7	4.7	-0.1	7.5	5.6	13.3	9.0	5.6
2006		4.4	8.7	4.1	6.3	-1.4	6.3	11.6	14.9	11.4	4.8
2007		2.0	5.4	12.9	6.5	9.1	6.9	11.5	16.3	15.1	6.7
2008		-5.1	3.1	3.2	3.8	5.2	8.3	5.1	-36.1	3.1	3.1
2001	1	6.5	-36.5	9.0	2.5	-14.5	5.4	3.1	-4.2	14.9	-8.8
	2	11.4	3.8	10.6	5.1	-9.1	9.8	3.4	-2.3	21.6	-10.1
	3	15.3	-2.5	4.9	2.1	30.8	1.7	8.4	-3.1	11.5	-12.8
	4	9.1	-29.0	9.1	-3.1	25.8	-1.9	7.7	-3.6	8.8	-10.7
2002	1	0.5	-6.8	4.6	-1.3	15.2	6.7	1.2	7.0	17.3	-6.1
	2	-4.4	-46.2	-2.0	-0.8	27.6	-9.3	3.7	6.7	12.9	-4.2
	3	-5.7	-22.4	4.2	0.4	21.7	-6.9	-7.1	16.8	2.2	1.9
	4	-2.6	-6.2	3.3	2.3	18.6	4.0	-6.6	-8.6	5.3	2.3
2003	1	-3.6	-6.6	5.8	3.5	16.4	-0.9	0.4	-28.0	9.3	1.3
	2	2.3	-5.8	6.6	4.2	11.6	3.6	-4.4	-21.1	-9.9	1.3
	3	6.3	-7.4	-1.1	6.6	10.7	0.8	9.0	-23.1	9.5	0.2
	4	5.2	-7.6	2.9	9.7	17.6	0.5	1.4	-8.3	5.9	3.2
2004	1	7.2	6.7	-2.7	4.8	14.0	-0.4	10.3	39.8	4.2	1.4
	2	0.1	27.8	-2.1	4.0	5.4	1.5	6.5	30.5	9.7	1.9
	3	-2.6	7.0	6.9	0.4	-4.2	15.3	6.3	50.9	9.2	2.1
	4	2.0	4.1	-3.5	8.6	-2.2	1.5	10.6	33.6	5.2	0.4
2005	1	-0.8	20.7	2.9	2.3	-3.4	6.4	-5.6	45.3	3.1	4.7
	2	8.7	-11.1	-3.6	7.5	-2.2	-0.2	11.4	12.6	9.9	5.7
	3	12.0	13.0	4.4	5.7	5.8	7.3	11.1	3.7	11.1	5.8
	4	7.7	13.5	7.4	3.3	0.0	17.3	6.1	-6.3	11.5	6.1
2006	1	0.0	2.9	0.2	6.6	-2.3	9.3	12.6	1.9	19.0	4.6
	2	5.1	4.8	3.3	4.3	-1.4	5.8	13.1	11.5	18.5	5.6
	3	6.5	6.0	0.6	8.8	-2.0	1.5	18.9	24.7	9.1	4.1
	4	5.3	19.1	12.4	5.5	0.1	9.4	2.5	25.8	1.2	4.7
2007	1	9.0	0.8	8.4	4.6	5.4	-4.2	13.4	6.4	7.6	6.5
	2	2.3	5.9	18.3	7.3	11.7	10.4	15.0	39.9	15.0	6.7
	3	-0.6	2.7	11.9	7.7	10.6	14.2	9.4	14.0	13.9	7.4
	4	-1.1	11.1	13.0	6.2	8.8	6.6	8.9	12.6	24.0	6.0
2008	1	-4.8	-0.9	4.6	2.8	9.6	3.9	-1.6	-53.3	0.7	3.7
	2	1.2	3.3	6.8	5.0	4.9	13.0	4.4	-37.0	2.0	4.1
	3	-5.8	3.4	-5.1	4.3	2.8	11.5	10.9	-24.3	6.4	0.7
	4	-9.8	5.8	6.6	2.9	3.9	4.1	5.7	-29.2	3.0	3.8

Table 2.17: Contd.

Percentage changes at constant prices 2001

Year	Quar-ter	Real estate, renting, business services	Public admi-nistration	Education	Other services	FISIM	All industries at basic prices	All industries excl. agri-culture	Taxes on products	GDP at market prices	GDP, seaso-nally adjusted
2000											
2001		2.8	-3.1	1.4	3.1	-5.7	5.1	2.8	-0.1	4.5	
2002		3.0	-0.1	2.8	2.9	-9.4	0.7	2.4	-0.7	0.5	
2003		2.3	0.6	9.7	1.0	-3.3	3.1	3.3	1.3	2.9	
2004		3.0	0.2	2.0	3.7	4.7	3.9	4.9	14.8	5.1	
2005		3.4	-1.3	0.7	3.0	4.3	5.2	4.6	11.0	5.9	
2006		3.9	-1.6	0.3	3.8	5.1	5.6	6.2	11.2	6.3	
2007		3.5	-2.0	3.7	3.2	2.7	6.2	7.8	13.4	7.1	
2008		3.7	0.6	5.8	3.2	-7.5	0.9	3.2	6.7	1.7	
2001	1	3.6	-2.5	1.2	2.3	-2.2	3.1	1.6	-5.6	2.1	0.4
	2	2.1	-3.7	0.8	3.0	-3.0	5.9	3.9	9.2	6.3	3.4
	3	4.1	-3.6	1.2	3.4	-8.1	7.2	3.7	1.4	6.5	0.6
	4	1.3	-2.4	2.3	3.6	-9.4	4.2	2.1	-4.5	3.2	-1.2
2002	1	-0.2	-1.0	1.7	3.6	-10.2	2.5	3.4	17.3	4.1	1.5
	2	2.6	0.0	2.5	3.3	-12.2	0.9	2.9	-4.7	0.2	-0.6
	3	4.0	0.4	3.2	2.8	-7.7	-1.1	1.1	-13.9	-2.5	-2.5
	4	5.8	0.4	3.6	2.0	-7.4	0.5	2.0	-0.3	0.5	1.9
2003	1	5.9	0.5	10.4	1.1	-6.7	1.6	3.9	-16.0	-0.5	0.9
	2	6.2	0.7	10.5	0.7	-4.8	1.1	0.6	-4.6	0.4	0.3
	3	-3.2	0.7	9.8	0.8	-3.9	5.1	4.5	20.4	6.5	3.0
	4	0.8	0.4	8.3	1.6	2.5	4.6	4.3	10.0	5.2	0.8
2004	1	2.2	0.1	2.2	2.9	3.3	5.5	4.8	19.4	6.9	3.1
	2	2.8	0.1	1.6	3.8	6.0	3.4	4.7	18.1	5.0	-1.9
	3	4.0	0.2	1.6	4.1	6.6	2.5	4.8	8.7	3.2	0.7
	4	3.1	0.2	2.3	3.9	3.1	4.2	5.2	14.1	5.3	3.5
2005	1	2.3	-1.0	0.6	3.2	5.0	1.2	2.0	8.1	2.0	0.3
	2	1.8	-1.5	1.0	2.9	4.1	6.0	5.0	17.5	7.3	2.6
	3	6.9	-1.4	0.9	2.8	3.5	8.0	6.3	11.5	8.4	1.1
	4	2.6	-1.3	0.5	3.1	4.4	5.8	4.9	7.3	5.9	2.0
2006	1	5.2	-0.1	0.1	3.7	4.6	5.3	7.3	9.9	5.8	0.6
	2	1.2	-0.4	-0.2	3.9	6.5	6.3	6.7	4.4	6.0	2.0
	3	0.6	-1.9	0.1	4.0	4.8	6.7	6.8	19.1	8.2	2.8
	4	8.7	-3.9	1.0	3.8	4.5	4.3	3.9	11.3	5.2	0.0
2007	1	1.6	-3.5	4.6	3.3	5.3	6.3	5.2	15.0	7.4	2.9
	2	5.6	-1.3	3.9	3.2	3.9	7.5	9.4	16.8	8.7	2.6
	3	9.2	-1.1	3.3	3.2	2.8	5.7	8.5	11.6	6.5	0.5
	4	-1.9	-2.1	3.0	3.3	-1.1	5.3	8.3	10.6	6.0	0.3
2008	1	0.4	-1.1	4.3	3.6	-6.3	-1.0	0.4	6.0	0.0	-3.1
	2	10.5	-0.4	5.8	3.5	-7.2	3.3	4.0	4.5	3.5	5.9
	3	6.8	0.6	6.6	3.2	-10.7	2.2	5.4	10.0	3.3	0.3
	4	-3.3	3.6	6.6	2.5	-5.7	-0.9	2.7	6.3	0.0	-2.5

Chapter 3

Social Scene

Overview

In 2008, the Government continued to support the Free Primary Education (FPE) and initiated the Free Secondary Tuition Education (FSTE). However, the post election violence adversely affected the education and health sectors with the most affected being the Internally Displaced Persons (IDPs). In an effort to support women and youth development, the Government continued to support the youth and the women enterprise funds. To cater for the rising number of students qualifying for higher education, the Government elevated Kenya and Mombasa polytechnics to constituent university colleges.

3.2. The Government expenditure in the social services sector increased by 7.8 per cent, from an estimate of KSh 187,769.3 million in the 2007/08 to KSh 202, 428.3 million in the 2008/09. Recurrent expenditure constitutes the largest proportion of the total expenditure (87.5 per cent), largely for salaries. The number of both primary and secondary schools increased marginally by 0.4 per cent and 1.3 per cent from 26,104 and 6,485 in 2007 to 26,206 and 6,566 in 2008 respectively . Total enrolment in primary schools increased by 2.8 per cent from 8,330.1 thousand in 2007 to 8,563.8 thousand in 2008. The total enrolment in secondary school students increased by 17.1 per cent from 1,180.3 thousand students in 2007 to 1,382.2 thousand students in 2008. The Gross Enrolment Rate (GER) for boys and girls in 2008 was 118.1 per cent and 113.1 per cent respectively, indicating a higher proportion of boys enrolled in primary schools.

3.3. The number of health institutions rose by 2.2 per cent from 5,589 in 2007 to 5,712 in 2008. National Hospital Insurance Fund (NHIF) receipts increased by 14.1 per cent from KSh 3,954.9 million in 2006/07 to KSh 4,511.4 million in 2007/08 mainly as a result of an increase in new membership from both formal and informal sectors. Similarly, benefits and Contribution Net of Benefits to members rose by 31.2 per cent and 4.5 per cent in 2007/08 respectively. In 2008, the number of number of registered medical personnel increased by 6.1 per cent. The number of undergraduate and postgraduate medical students registered rose by 19.8 per cent from 4,855 to 5,814 in 2008/09. The total number of Full Immunization Coverage (FIC) reported declined by 2.7 per cent, from 978,417 to 951,700 cases in 2007 and 2008 respectively. The national FIC rate worsened from 73.0 per cent in 2007 to 71.0 per cent in 2008.

Social Sector Expenditure

3.4. The data presented in Table 3.1 illustrates the total social sector expenditure patterns over the last five years. The social sector expenditure levels is expected to increase to KSh 202,428.3 million in 2008/09 from KSh 113, 591.6 million in the year 2004/05 . The expenditure for Ministry of State for Youth and Sports is expected to almost triple between 2007/08 and 2008/09. Expenditure for the Ministry of National Heritage and Culture and the Ministry of Home Affairs is expected to increase by 65.7 and 40.9

per cent respectively over the same period. The Ministry of Higher Education, Science and Technology is expected to record a recurrent budget of KSh 19,334.6 million in 2008/09 compared to KSh 15,859.8 million in 2007/08, an increase of 21.9 per cent. The Ministries of Education, and Health are expected to record recurrent budgets of KSh 106,193.0 million and KSh 27,689.4 million respectively during the 2008/09.

3.5. Development expenditure of the social sector is expected to increase by 17.6 per cent to KSh 31,321.8 million in 2008/09 from KSh 26,577.2 million in 2007/08. During the same period, development expenditure in the Ministry of Higher Education, Science and Technology is expected to improve tremendously by more than ten-fold followed by Ministry of Ministry of Youth and Sports which more than quadrupled and National Heritage and Culture at 94.2 per cent. The expenditure increase in the three Ministries reflects the Government's commitment to the enhancement of the Youth revolving fund and cultural centers and improvement of facilities in Technical and Vocational Institutions and Youth Polytechnics. Both the Ministry of Medical Services and Ministry of Public Health and Sanitation are expected to record a total expenditure of KSh 6,947.1 million in 2008/09 as compared to KSh 11,230.0 million in 2007/08, a decline of 38.1 per cent. The same scenario is replicated in the Ministry of Gender, Sports, Culture and Social Services, which is expected to record an expenditure decline of 25.6 per cent, while that of the Ministry of Home Affairs is expected to increase by 6.0 per cent. The increase in expenditure for Home Affairs is towards the continued implementation of prison reforms. The Ministry of Education development expenditure is expected to increase marginally from KSh 9,683.7 million in 2007/08 to KSh 9,866.8 million in 2008/09, an increase of 1.9 per cent. The education development funds include commitments from Development partners for implementation of the Kenya Education Sector Support Programme (KESSP), a sector wide approach to planning.

Table 3.1: Central Government Expenditure on Social Services, 2004/05 - 2008/09

KSh Million

	2004/05	2005/06	2006/07	2007/08*	2008/09+
RECURRENT EXPENDITURE-					
Ministry of Education	80,239.91	88,357.51	99,806.41	106,914.84	106,193.01
Ministry of Higher Education, Science and Technology			1,453.27	15,859.84	19,334.59
Ministry of Health[1]	17,605.18	19,000.00	22,324.00	25,440.00	27,689.40
Ministry of Labour and Human Resource Development ..	779.09	891.00	910.24	955.75	999.55
Ministry of Home Affairs	1,478.56	2,000.00	2,234.25	6,494.21	9,522.51
Ministry of Gender and Children Development	-	-	-	2,035.06	1,640.16
Ministry of State for National Heritage and Culture	-	-	-	932.59	1,496.38
Minsitry of State for Youth Affairs and Sports	-	-	-	2,559.86	4,230.91
TOTAL	**100,102.74**	**110,248.51**	**126,728.17**	**161,192.15**	**171,106.52**
DEVELOPMENT EXPENDITURE-					
Ministry of Education	4,771.47	4,002.84	10,020.78	9,683.67	9,866.81
Ministry of Higher Education, Science and Technology	-	-	324.34	316.00	3,385.90
Ministry of Health[1]	7,803.91	9,943.17	9,832.24	11,230.00	6,947.13
Ministry of Labour and Human Resource Development ..	466.53	194.00	201.12	408.64	399.71
Ministry of Home Affairs	446.90	2,307.30	2,410.34	1,074.50	1,139.00
Ministry of Gender, Sports, Culture and Social Services				1,910.29	1,421.42
Ministry of State for National Heritage and Culture				170.72	331.56
Minsitry of State for Youth Affairs and Sports				1,783.33	7,830.24
	13,488.81	**16,447.32**	**22,788.82**	**26,577.15**	**31,321.78**
TOTAL EXPENDITURE..	**113,591.55**	**126,695.83**	**149,516.99**	**187,769.30**	**202,428.30**

* Provisional.

\+ Estimates including supplementaries.
Expenditure on the Ministry of Medical Services, Ministry of Public and Sanitation and expenditure on KETRI currently in the Ministry of Agriculture.

3.6. The implementation of social sector services by the Local Authorities seeks to improve the livelihood of the population and hence the need to track the budgetary patterns as illustrated in Table 3.2. Local Government expenditure estimate on social services has increased over the years from KSh 2.65 billion in the 2004/05 to KSh 4.73 billion in the 2008/09. Expenditure on education increased tremendously by 43.5 per cent from KSh 1,010.5 million in the 2007/08 to KSh 1,450.45 million in the 2008/09. This is attributed to communities demand for improved education sector access through school infrastructure support by the various local authorities. Expenditure on health and other social services is expected to increase by 5.8 per cent and 3.4 per cent respectively in the year under review.

Table 3.2: Local Government Expenditure on Social Services, 2004/05- 2008/09

KSh Million

	2004/05	2005/06	2006/07	2007/08*	2008/09+
Education	869.3	910.0	950.7	1,010.5	1,450.5
Health	1,297.4	1,320.5	1,350.9	1,540.5	1,630.4
Other Social Services	486.9	947.1	965.6	1,597.0	1,650.6
TOTAL EXPENDITURE	2,653.5	3,177.6	3,267.2	4,148.0	4,731.4

* Provisional

\+ Estimates

Education

3.7. Table 3.3 illustrates the recurrent and development expenditure of the Ministry of Education between 2004/05 and 2008/09, including budget estimates for the Technical Industrial and Vocational Educational Training (TIVET), University and Youth Polytechnics. The expenditure trend reflects Government commitment to implementing the Free Primary Education (FPE) and Free Tuition Secondary Education (FTSE). The gross total expenditure increased from KSh 122.0 billion in the 2007/08 to KSh 136.8 billion in 2008/09. Of the total allocation, recurrent expenditure received the largest share of 89.2 per cent. Overall, the secondary education registered the highest recurrent expenditure of KSh 12.5 billion in the 2008/09 compared to KSh 3.9 billion in 2007/08 to cater for the Free Secondary Tuition. Recurrent expenditure for pre-primary increased more than four fold while that of Youth polytechnics and training increased by 64.1 per cent. Recurrent expenditure for special education increased by 44.2 per cent in 2008/09. However, during the period teacher education and university education recorded a decline in recurrent expenditures of 13.5 per cent and 0.8 per cent respectively.

3.8. Total development expenditure estimate for the Ministry of Education including TIVET, University and Youth Polytechnics increased from KSh 11.0 billion in the 2007/08 to KSh 15.5 billion in the 2008/09. The increased expenditure is attributed to the contribution of the FPE and FSE from the development partners and the Government's commitment in TIVET and Youth development. The highest development expenditure during the period was recorded in secondary education which increased by 342 per cent, followed by University education, 141 per cent and Technical Education, 132 per cent. Primary Education development expenditure increased by 23.7 per cent from KSh 7.3 billion in the 2007/08 to KSh 9.0 billion in the 2008/09 .

Table 3.3 Expenditure of the Ministry of Education, 2004/05 - 2008/09

KSh Million

	2004/05	2005/06	2006/07	2007/08*	2008/09+
RECURRENT EXPENDITURE-					
General Administration and Planning	59,140.8	64,139.3	72,946.9	82,497.2	82,086.8
Pre-Primary Education	25.7	57.0	50.5	41.4	221.5
Primary Education	6,894.4	7,148.6	7,746.5	7,938.9	9,668.4
Secondary Education	938.8	2,893.7	1,019.0	3,919.0	12,472.4
Special Education	209.8	193.1	353.1	407.6	587.8
Teacher Education	210.4	177.7	144.9	247.6	214.2
Adult Education					
Youth Polytechnics and Training[1]				775.3	1,272.6
Technical Education[2]..	1,546.6	1,291.1	2,819.0	2,694.6	2,884.3
Polytechnic Education[2]	1,538.2	571.7	568.0	633.9	811.2
Universities[2]..	9,735.3	11,885.2	14,158.6	11,904.6	11,809.0
SUB-TOTAL	80,239.9	88,357.5	99,806.4	111,060.1	122,028.2
DEVELOPMENT EXPENDITURE-					
General Administration and Planning	651.0	1,705.0	2,630.1	899.4	714.1
Pre-Primary Education	6.6	-	-	21.8	21.8
Primary Education	3,196.9	1,311.6	6,424.2	7,281.5	8,297.9
Secondary Education	205.5	170.0	170.0	192.0	849.0
Special Education	-	-	-	-	-
Teacher Education	80.3	143.5	50.0	193.3	180.0
Adult Education				16.9	5.9
Youth Polytechnics and Training[1]				1,131.9	1,383.0
Technical Education[2]..	70.0	185.0	85.0	310.0	720.0
Polytechnic Education[2]	-	-	-	-	317.0
Universities[2]..	560.2	487.7	661.5	937.5	2,261.7
SUB-TOTAL	4,770.5	4,002.8	10,020.8	10,984.2	14,750.3
GROSS TOTAL EXPENDITURE	85,010.3	92,360.4	109,827.2	122,044.3	136,778.5

* Provisional.

\+ Budget Estimates including supplementaries.

[1] Expenditure is within the Ministry of Youth Affairs and Sports and Ministry of Higher Education, Science and Technology.

[2] Expenditure is within the Ministry of Higher Education, Science and Technology.

3.9. **Number of Educational Institutions:** Table 3.4 provides details on number of educational institutions between 2004 and 2008. The total number of educational institutions increased by 1.3 per cent from 69,916 units in 2007 to 70,790 units in 2008. The total number of primary schools registered as at 2008 were 26,206 as compared to 26,104 in 2007. The number of secondary schools rose from 6,485 in 2007 to 6,566 in 2008. The number of training colleges and universities remained unchanged over the period.

Table 3.4: Number of Educational Institutions, 2004 - 2008

Numbers

Category	2004	2005	2006	2007	2008*
Schools:					
Pre-Primary	32,879	34,043	36,121	37,263	37,954
Primary:					
Public	17,804	17,807	17,946	18,063	18,130
Private	6,839	7,546	7,983	8,041	8,076
Total	**24,643**	**25,353**	**25,929**	**26,104**	**26,206**
Secondary:					
Public	3,552	3,621	3,646	4,245	4,261
Private	1,590	1,773	2,013	2,240	2,305
Total	**5,142**	**5,394**	**5,659**	**6,485**	**6,566**
Training Colleges:					
Pre primary	4	6	8	10	10
Primary	30	30	30	33	34
Secondary+	3	3	3	3	2
Total	**33**	**33**	**33**	**36**	**36**
Universities					
Public	7	7	7	7	7
Private	17	17	17	21	21
Total	**24**	**24**	**24**	**28**	**28**
TOTAL	**62,721**	**64,847**	**67,766**	**69,916**	**70,790**

Source: Ministry of Education

* Provisional.

\+ Includes Kenya Technical Training College

3.10. **Pre-Primary Education: E**nrolment and number of teachers in Early Childhood Development (ECD) centres for the period 2004 to 2008 are presented in Table 3.5. Enrolment increased by 1.7 per cent to 1.7 million in 2008. The number of trained ECD teachers increased by 7.0 per cent from 54,177 in 2007 to 57,976 in 2008. In 2008, there were 68,141 female teachers constituting 87.1 per cent of the total ECD teachers. The number of untrained ECD teachers declined by 8.5 per cent from 22,147 in 2007 to 20,254 in 2008. This is attributed to the increased access to ECD Teacher training colleges that have provided opportunity to untrained teachers. The pupil teacher ratio remained stable at 22:1 over the period. GER for Pre-primary school increased slightly from 59.3 per cent in 2007 to 59.8 per cent in 2008, while Net Enrolment Rate (NER) increased from 39.7 per cent to 43.0 per cent in the same period.

Table 3.5: Pupil Enrolment and Teacher Numbers in Early Childhood Development Centres, 2004-2008

Numbers

	2004	2005	2006	2007	2008*
Enrolment					
Boys	823,417	830,828	866,445	876,163	885,320
Girls	804,304	812,347	805,891	814,930	834,925
TOTAL	**1,627,721**	**1,643,175**	**1,672,336**	**1,691,093**	**1,720,245**
Number of Teachers					
Male Trained	4,786	4,930	5,176	5,331	5,965
Female Trained	44,272	46,043	47,424	48,846	52,011
Sub Total	**49,058**	**50,972**	**52,600**	**54,177**	**57,976**
Male Untrained	4,068	4,109	4,314	4,357	4,124
Female Untrained	16,932	17,101	17,614	17,790	16,130
Sub Total	**21,000**	**21,210**	**21,928**	**22,147**	**20,254**
TOTAL	**70,058**	**72,182**	**74,529**	**76,324**	**78,230**

Source: Ministry of Education

* Provisional

3.11. **Primary Education:** Table 3.6 shows primary school enrolment by class and gender between 2004 and 2008. The Government continued to implement Free Primary Education (FPE) under the Kenya Education Sector Programme. The Ministry continued to support construction of new classrooms under the School Infrastructure Investment Programme and the Constituency Development Fund (CDF) with more funds directed to the areas that were affected during the post election violence. Overall, primary school enrolment rose by 2.8 per cent to 8.6 million in 2008. The Non-Formal Education Programme registered an increase in enrolment from 154,000 in 2007 to 161,231 in 2008. Majority of these enrollments were in Nairobi slum areas and the Arid and Semi-Arid Lands (ASALs) districts. The number of Kenya Certificate of Primary Education (KCPE) candidates declined by 1.3 per cent from 704,918 in 2007 to 695,728 in 2008. The transition rate increased marginally from 59.6 per cent in 2007 to 59.9 per cent in 2008. There was improvement in the average textbook pupil ratio from 1:3 to 1:2, as a result of sustained FPE grants towards procurement of teaching and learning materials at school level. The GER in primary schools increased from 108.9 per cent in 2007 to 109.8 per cent in 2008. The GER for boys and girls in 2008 were 112.2 per cent and 107.3 per cent respectively. The NER increased from 91.6 per cent in 2007 to 92.5 per cent in 2008 as illustrated in Figure 3.1.

Table 3.6: Primary School Enrolment by Class and Gender, 2004 - 2008

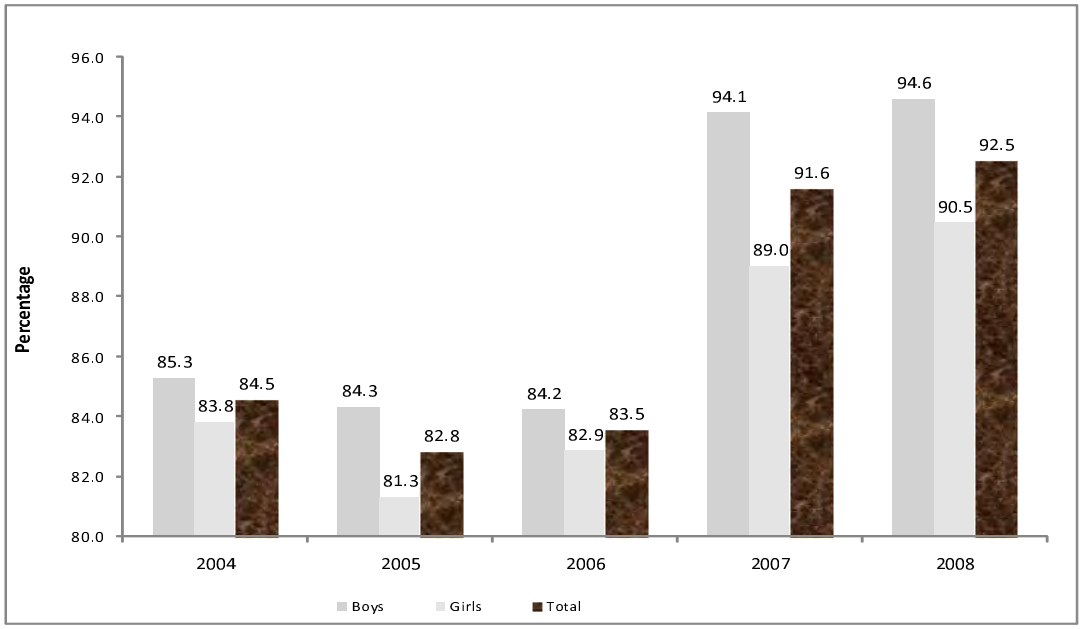
'000

	2004		2005		2006		2007		2008*	
Class	Boys	Girls	Boys	Girls	Boys	Girls	Boys	Girls	Boys	Girls
Standard 1	646.2	606.2	620.4	585.8	593.2	568.1	638.9	604.2	650.9	617.2
Standard 2	588.3	551.1	575.8	551.6	555.1	534.8	622.4	593.9	607.7	582.6
Standard 3	493.9	459.8	549.2	517.5	542.5	519.7	603.7	584.6	586.4	569.2
Standard 4	477.7	445.7	493.7	469.9	531.8	508.7	572.8	541	591.4	573
Standard 5	444	402.5	449.1	410.8	456.7	442.1	492	470.2	543	536
Standard 6	418.8	399.9	429.3	413.6	430.8	417.9	464	444.4	510.1	501.4
Standard 7	412.6	404.9	443	430	453	442	487.9	470.1	503.2	495.7
Standard 8	334	309.1	342.1	309.6	333.5	302.3	379.2	360.8	366	330.1
TOTAL ..	3,815.5	3,579.3	3,902.7	3,688.8	3,896.6	3,735.5	4,261.0	4,069.1	4,358.7	4,205.1
GRAND TOTAL	**7,394.8**		**7,591.5**		**7,632.1**		**8,330.1**		**8,563.8**	

Source : Ministry of Education

* Provisional

Figure 3.1: Primary Schools NER, 2004-2008



3.12. **Primary Teachers:** The number of public primary school teachers by qualification and sex between 2004 and 2008 is shown in Table 3.7. The total number of teachers declined by 1.8 per cent from 173,157 in 2007 to 170,059 in 2008, with Male teachers constituting 54.0 per cent. There were no untrained teachers recorded in 2008 since they were upgraded to P1 grade. Teachers with P1 qualification were the majority accounting for 58.5 per cent followed by Approved Teachers at 25.3 per cent within the scheme of service for primary school teachers. Under the policy of replacing teachers exiting service through natural attrition, a total of 7,250 primary school teachers were recruited by the Teachers Service Commission in 2008 compared to 6,500 teachers in 2007. The Pupil Teacher Ratio (PTR) rose from 44:1 in 2007 to 45:1 in 2008. However, there is a

high PTR disparity among the districts ranging from 24:1 to 94:1. On average 87 out of the 158 districts have a higher PTR than the national average, reflecting a disparity in the teachers' distribution across districts.

Table 3.7: Number of Primary Teachers by Qualification and Sex[1], 2004 - 2008

Number

PRIMARY TEACHERS	2004			2005			2006			2007			2008*		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
TRAINED															
Graduate	530	395	925	510	380	890	584	436	1020	608	470	1078	658	490	1148
Approved	26,791	22,309	49,100	25,755	21,447	47,202	22,302	18,572	40,874	23,033	20,135	43,168	22,003	21,010	43,013
S1/Diploma	4,512	4,655	9,167	4,338	4,475	8,813	6,786	7,001	13,787	7,060	7,527	14,587	7,054	7,456	14,510
P1	56,156	43,393	99,549	53,985	41,716	95,701	52,616	40,659	93,275	54,741	44,250	98,991	55,241	44,160	99,401
P2	9,037	6,738	15,775	8,688	6,477	15,165	6,541	4,877	11,418	6,805	5,213	12,018	6,802	5,185	11,987
P3	854	1011	1865	821	972	1793	778	920	1698	809	992	1801	-	-	-
TOTAL	97,880	78,501	176,381	94,097	75,467	169,564	89,607	72,465	162,072	93,056	78,587	171,643	91,758	78,301	170,059
UNTRAINED															
K.C.E./K.C.S.E.	672	217	889	538	184	722	338	115	453	568	120	688	-	-	-
K. J. S. E	84	40	124	67	34	101	42	21	63	84	29	113	-	-	-
C. P. E./ Others	506	284	790	405	241	646	254	151	405	556	157	713	-	-	-
TOTAL	1,262	541	1,803	1,010	459	1,469	634	287	921	1,208	306	1,514	-	-	-
GRAND TOTAL	**99,142**	**79,042**	**178,184**	**95,107**	**75,926**	**171,033**	**90,241**	**72,752**	**162,993**	**94,264**	**78,893**	**173,157**	**91,758**	**78,301**	**170,059**

Source : Ministry of Education

* Provisional

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

3.13. **Secondary Education:** Total secondary school enrolment between 2004 and 2008 is shown in Table 3.8. In 2008, the Government implemented the Free Secondary Tuition Education aimed at enhancing access to secondary education. As a result, there was substantial increase in enrolment by 17.1 per cent to 1,382.2 thousand students in 2008. The increase was mainly recorded in day schools that required minimal fee levies to cater for development and lunch only. The GER increased from 38.0 per cent in 2007 to 42.5 per cent in 2008 as shown in Figure 3.2. As shown in Figure 3.3, NER improved from 24.2 per cent in 2007 to 28.9 per cent in 2008. Despite the implementation, the cost of secondary education still remains prohibitively high due to boarding expenses which are not catered for by the grants provided. This leads to more than half of the school age population not accessing secondary education. The number of Kenya Certificate of Secondary Education (KCSE) candidates increased by 10.4 per cent from 276.2 thousand in 2007 to 305.0 thousand in 2008 of which 165.7 thousand were boys and 139.3 thousand were girls. In 2008, a total of 7,716 students were registered as private KCSE candidates.

Table 3.8: Enrolment in Secondary Schools by Form and Sex, 2004–2008

Numbers

	2004		2005		2006		2007		2008*	
Form	**Boys**	**Girls**	**Boys**	**Girls**	**Boys**	**Girls**	**Boys**	**Girls**	**Boys**	**Girls**
Form 1	146,645	127,057	139,469	124,384	161,588	137,873	170,650	143,045	207,212	180,461
Form 2	124,585	114,053	122,867	109,471	132,015	119,077	173,165	149,840	196,500	163,164
Form 3	117,975	105,118	120,912	107,770	120,978	115,443	157,572	134,793	181,775	155,798
Form 4	101,301	89,416	110,909	98,367	131,491	111,615	137,304	113,899	161,026	136,275
TOTAL	490,506	435,643	494,157	439,992	546,072	484,008	638,690	541,577	746,513	635,698
GRAND TOTAL	**926,149**		**934,149**		**1,030,080**		**1,180,267**		**1,382,211**	

Source : Ministry of Education

* Provisional.

Figure 3.2: Secondary Schools GER, 2004-2008

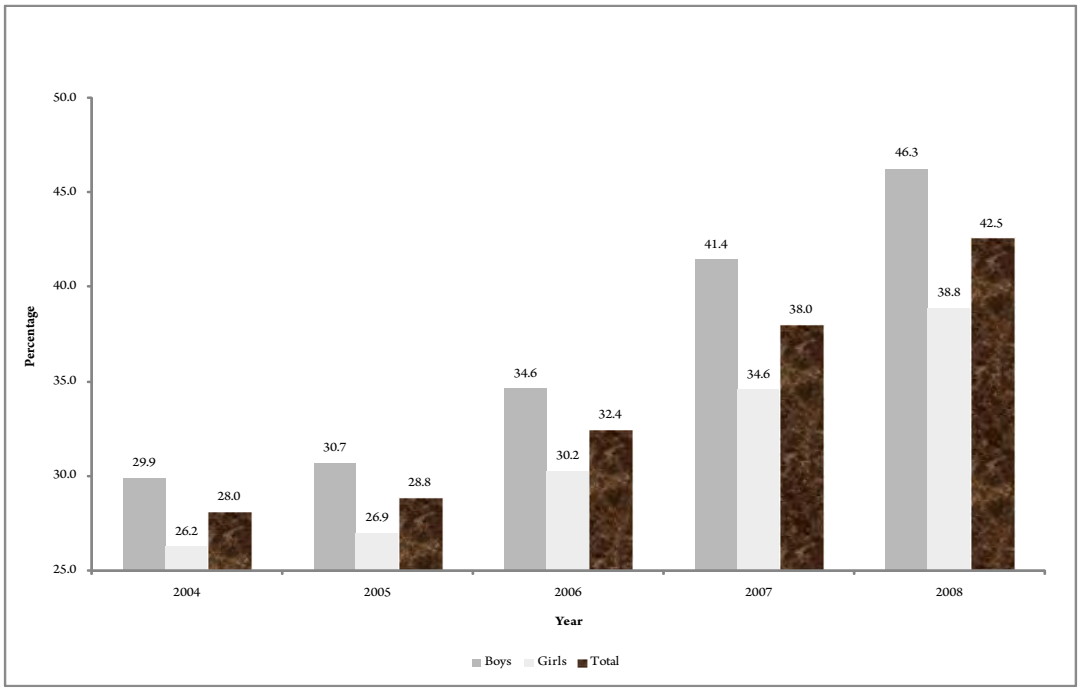
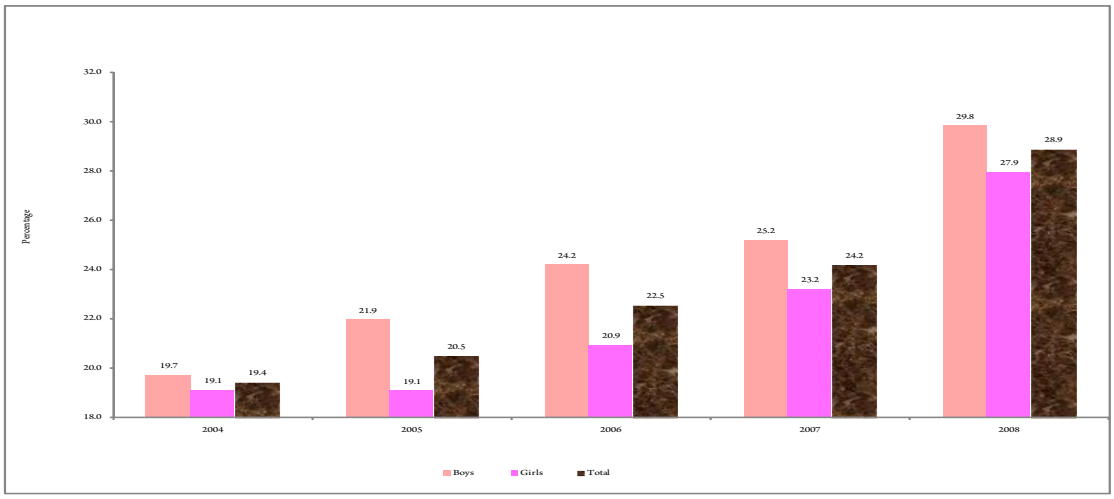


Figure 3.3: Secondary Schools NER, 2004-2008



3.14. **Secondary School Teachers:** Table 3.9 shows the number of public secondary school teachers by qualification and sex between 2004 and 2008. The number of teachers declined by 2.9 per cent from 44,305 in 2007 to 43,016 in 2008. The number of male teachers declined by 2.5 per cent from 28,544 in 2007 to 27,838 in 2008, while the number of female teachers decreased by 3.7 per cent from 15,761 in 2007 to 15,178 in 2008. The student teacher ratio in public secondary schools rose from 23:1 in 2007 to 28:1 in 2008. A total of 4,700 secondary school teachers were recruited in 2008 as compared to 3,500 in 2007.

Table 3.9: Number of Secondary Teachers by Qualification and Sex1, 2004 – 2008

Numbers

	2004			2005			2006			2007			2008*		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
TRAINED															
Graduate	19,829	10,499	30,328	19,734	10,629	30,363	21,565	11,934	33,499	22,431	12,572	35,003	22,131	12,502	34,633
Approved	8,456	4,446	12,902	8,415	4,425	12,840	5,225	2,747	7,972	5,435	2,894	8,329	5,135	2,397	7,532
S1/Diploma	1,549	1,040	2,589	1,541	1,035	2,576	101	68	169	105	72	177	85	65	150
TECHNICAL	451	209	660	449	208	657	371	172	543	386	181	567	365	187	552
TOTAL	30,285	16,194	46,479	30,139	16,297	46,436	27,262	14,921	42,183	28,357	15,719	44,076	27,716	15,151	42,867
UNTRAINED															
Graduate	673	92	765	606	85	691	133	19	152	138	20	158	87	15	102
Dip/Technical	236	104	340	212	96	308	47	21	68	49	22	71	35	12	47
TOTAL	909	196	1105	818	181	999	180	40	220	187	42	229	122	27	149
GRAND TOTAL	**31,194**	**16,390**	**47,584**	**30,957**	**16,478**	**47,435**	**27,442**	**14,961**	**42,403**	**28,544**	**15,761**	**44,305**	**27,838**	**15,178**	**43,016**

Source : Ministry of Education

* Provisional

[1] Public schools data and excludes teachers on study leave, disciplinary cases and those performing non-teaching duties

3.15. **Teacher Training Institutions:** Table 3.10 shows teacher trainee enrolment by year and gender for the period between 2004 and 2008. There was a 3.0 per cent decline in primary teacher trainee enrolment in teacher training colleges from 22,908 in 2007 to 22,228 in 2008. Enrolment in diploma teacher training colleges declined by 6.7 per cent from 1,939 trainees in 2007 to 1,809 trainees in 2008.This is mainly attributed to the reduced college intake capacity as a result of some colleges being converted into constituent university colleges. In 2008, female enrolment in P1 and Diploma colleges constituted 49.0 per cent and 43.9 per cent of the total number of trainees, respectively.

Table 3.10: Teacher Trainees Enrolment by Year and Gender, 2004- 2008

Numbers

TYPE OF INSTITUTION/ CERTIFICATION	2004		2005		2006		2007		2008*	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Public Primary Teachers (P 1)										
1st Year	3,931	4,508	4,589	4,334	4,201	4,589	4,621	4,435	4,134	3,908
2nd Year	4,449	4,730	3,951	4,530	4,589	4,334	4,201	4,589	4,601	4,402
SUB TOTAL	**8,380**	**9,238**	**8,540**	**8,864**	**8,790**	**8,923**	**8,822**	**9,024**	**8,735**	**8,310**
Private Primary Teachers (P 1)	**1,117**	**1,213**	**1,340**	**1,456**	**1,474**	**1,586**	**1,524**	**1,599**	**1,672**	**1,702**
Diploma Teachers[1]										
1st Year	425	331	305	282	359	295	422	301	254	204
2nd Year	411	331	421	330	301	261	359	295	403	297
3rd Year	421	304	463	334	344	287	301	261	358	293
SUB TOTAL	**1,257**	**966**	**1,189**	**946**	**1,004**	**843**	**1,082**	**857**	**1,015**	**794**
TOTAL	**10,754**	**11,417**	**11,069**	**11,266**	**11,268**	**11,352**	**11,428**	**11,480**	**11,422**	**10,806**
GRAND TOTAL	**22,171**		**22,335**		**22,620**		**22,908**		**22,228**	

Source: Ministry of Education

* Provisional

[1] Kenya Science, Kagumo and Kenya Technical Teachers Training College

3.16. **Technical, Industrial and Vocational Educational Training (TIVET) Institutions:** According to Vision 2030, the Government's commitment in this sector is to use science, technology and innovation in general and TIVET as the vehicle for socio-economic and technological transformation. The student enrolment in TIVET institutions by gender for the years 2004 to 2008 is presented in Table 3.11. Total enrolment increased by 11.3 per cent from 76,516 in 2007 to 85,200 in 2008. Kenya Polytechnic University College had the highest student enrolment of 10,148 students in 2008 followed by Mombasa Polytechnic University College with 6,999 students while the least enrollment was in Kisumu Polytechnic at 2,799 students. Enrolment of males is higher than that of females in TIVET institutions except for Youth Polytechnics. The Kenya Polytechnic University College and Mombasa Polytechnic university college have already registered 200 and 150 students on degree courses.

Table 3.11: Student Enrolment by Gender in Technical Institutions, 2004 - 2008

Number

INSTITUTION	2004		2005		2006		2007		2008*	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
National Polytechnics										
Kenya Poly University College	6,386	3,499	6,410	3,549	6,405	3,329	6,521	3,401	6,602	3,546
Mombasa Poly University Coll	2,778	2,436	3,111	2,631	3,265	2,710	3,285	3,012	3,456	3,543
Kisumu Polytechnic	1,124	476	1,349	619	1,410	710	1,489	824	1,768	1,022
Eldoret Polytechnic	1,675	752	1,759	820	1,834	832	1,894	858	1,996	987
Sub Total	**11,963**	**7,163**	**12,629**	**7,619**	**12,914**	**7,581**	**13,189**	**8,095**	**13,822**	**9,098**
Other TIVET Institutions										
Technical Training Institutes	9,653	8,350	9,846	8,684	9,925	8,731	10,818	9,517	12,132	9,876
Institutes of Technology	4,715	3,755	4,904	3,943	4,961	4,104	5,407	4,473	5,807	4,768
Sub Total	**14,368**	**12,105**	**14,750**	**12,627**	**14,886**	**12,835**	**16,226**	**13,990**	**17,939**	**14,644**
Youth Polytechnics	8,605	13,918	8,691	14,196	8,741	14,210	9,528	15,489	12,154	17,543
TOTAL	**34,936**	**33,186**	**36,070**	**34,442**	**36,541**	**34,626**	**38,942**	**37,574**	**43,915**	**41,285**
GRAND TOTAL		**68,122**		**70,512**		**71,167**		**76,516**		**85,200**

Source: Ministry of Higher Education, Science & Technology and Ministry of State for Youth and Sports

* Provisional

3.17. **University Education:** Table 3.12 summarizes student enrolment by gender in Public and Private Universities between 2004/05 and 2008/09 academic years. Total enrolment in all the universities grew by 3.9 per cent from 118,239 students in the 2007/08 academic year to 122,847 students in the 2008/09 academic year. Student enrolment in public universities rose by 3.6 per cent from 97,107 students in the 2007/08 academic year to 100,649 students in 2008/09 academic year. Male student enrolment in public universities increased by 3.7 per cent from 60,504 to 62,753 while female enrolment rose by 3.5 per cent from 36,603 to 37,896 during 2007/08 and 2008/09 academic years respectively. Public universities intake through the Joint Admissions Board (JAB) increased from 16,000 in the 2007/08 academic year to 17,100 in the 2008/09 academic year, an increase of 6.9 per cent. Part-time students constituted 34.2 per cent of the total student enrolment in 2008/09 academic year. Students in private accredited universities accounted for 17.2 per cent of the total university students enrolled in 2008/09 academic year. The proportion of female students enrolled in the universities stood at 40.1 per cent in 2008 as compared to 36.7 per cent in 2004.

Table 3.12: Student Enrolment by Gender in Universities, 2004/05 –2008/09

Number

INSTITUTION	2004/05		2005/06		2006/07		2007/08		2008/09*	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Public Universities										
Nairobi	21,268	11,706	21,940	11,765	22,513	12,426	23,513	12,826	24,162	13,253
Full time	9,987	5,250	10,800	5,425	10,858	5,536	11,340	5,714	11,624	5,857
Part Time	11,281	6,456	11,140	6,340	11,655	6,890	12,173	7,112	12,538	7,396
Kenyatta	11,252	4,803	10,896	4,787	8,845	7,891	10,172	8,425	10,652	8,713
Full time	4,313	2,887	4,356	2,947	5,066	3,285	5,826	3,507	6,176	3,647
Part Time	6,939	1,916	6,540	1,840	3,779	4,606	4,346	4,918	4,476	5,066
Moi	6,796	5,214	6,831	5,314	8,604	6,059	8,674	6,158	8,982	6,379
Full time	4,304	3,195	4,311	3,200	5,654	3,554	5,700	3,612	5,928	3,756
Part Time	2,492	2,019	2,520	2,114	2,950	2,505	2,974	2,546	3,054	2,622
Egerton	6,350	2,247	6,262	2,236	8,163	4,006	8,262	4,205	8,667	4,415
Full time	5,540	1,960	5,322	1,890	7,319	3,383	7,408	3,551	7,778	3,729
Part Time	810	287	940	346	844	623	854	654	888	687
Jomo Kenyatta (JKUAT)	4,315	1,959	4,207	1,673	4,460	1,845	5,450	2,512	5,723	2,594
Full time	2,201	999	2,240	1016	2,176	524	2,659	713	2,792	742
Part Time	2,114	960	1,967	657	2,284	1321	2,791	1799	2,931	1853
Maseno	3,413	2,168	2,826	1,878	2,778	1,937	3,487	2,199	3,603	2,257
Full time	2,660	1,690	2,106	1,420	1,888	1,277	2,370	1,450	2,441	1,494
Special	753	478	720	458	890	660	1117	749	1162	764
Masinde Muliro	-	-	775	287	1154	656	946	278	965	284
Full time	-	-	420	182	620	422	508	179	518	183
Part Time	-	-	355	105	534	234	438	99	447	101
SUB-TOTAL	**53,394**	**28,097**	**53,737**	**27,940**	**56,517**	**34,820**	**60,504**	**36,603**	**62,753**	**37,896**
Private Universities										
Private Accredited	3,796	4,546	4,215	4,624	8,975	6,973	9,688	10,469	10,172	10,992
Private Unaccredited	801	907	853	947	2853	2091	583	392	618	416
SUB-TOTAL	**4,597**	**5,453**	**5,068**	**5,571**	**11,828**	**9,064**	**10,271**	**10,861**	**10,790**	**11,408**
TOTAL	**57,991**	**33,550**	**58,805**	**33,511**	**68,345**	**43,884**	**70,775**	**47,464**	**73,543**	**49,304**
GRAND TOTAL	**91,541**		**92,316**		**112,229**		**118,239**		**122,847**	

Source: Commission of Higher Education, Ministry Higher Education, Science & Technology

* Provisional

Health 3.18. Table 3.13 shows the distribution of health institutions by province from 2004 to 2008. Over the five year period, the number of health institutions has increased by 19.8 per cent. The increase could be partly attributed to the implementation of the Constituency Development Funds (CDF) Act which enabled new health facilities to be constructed. The number of health institutions rose marginally by 2.2 per cent from 5,589 in 2007 to 5,712 in 2008. Rift Valley Province continues to have the largest number of health institutions (27.0 per cent) followed by Eastern Province (16.5 per cent). North Eastern Province had the least number of health institutions accounting for 3.5 per cent.

Table 3.13: Number of Health Institutions1 by Province, 2004 - 2008

Number

Province	2004	2005	2006	2007	2008*
Nairobi	377	389	409	347	387
Central	868	894	972	556	825
Coast	550	566	624	717	723
Eastern	824	849	952	1079	944
North Eastern	135	139	162	164	198
Nyanza	494	509	601	761	715
Rift Valley	1,146	1,181	1,308	1,573	1,543
Western	373	385	443	392	377
Total	4,767	4,912	5,471	5,589	5,712

Source: Health Management Information System, Ministry of Public Health and Sanitation

* Provisional

[1] Includes Voluntary, Counseling and Testing (VCT) Sites

3.19. Table 3.14 (a) presents the National Hospital Insurance Fund (NHIF) resources over a five year period ending 2007/08. Overall, the receipts increased by 14.1 per cent from KSh 3,954.9 million in 2006/07 to KSh 4,511.4 million in 2007/08, mainly as a result of an increase in new membership from both formal and informal sectors. Benefits to members maintained an upward trend rising by 31.2 per cent in 2007/08 compared to 27.9 per cent in 2006/07. Contributions net of benefits continued to rise for the second consecutive year from KSh 2,540.1 million in 2006/07 to KSh 2,654.9 million 2007/08, an increase of 4.5 per cent.

Table 3.14 (a): National Hospital Insurance Fund Resources, 2003/04-2007/08

KSh Million

Financial Year	2003/04	2004/05	2005/06	2006/07	2007/08*
Receipts	2,639.5	3,117.2	3,458.8	3,954.9	4,511.4
Benefits	713.3	685.5	1,105.9	1,414.9	1,856.5
Contributions Net of Benefits	**1,926.2**	**2,431.8**	**2,352.9**	**2,540.1**	**2,654.9**

Source: National Hospital Insurance Fund

* Provisional

3.20. Registered membership of the National Hospital Insurance Fund for the period between 2005/06 to 2007/08 is shown in Table 3.14 (b). The total membership increased by 14.1 per cent to 2,077.5 thousand in the 2007/08. In the same year, the formal sector accounted for 85.5 per cent of the total registered members. Since the introduction of informal registered membership, its share to total registered membership has increased from 6.7 per cent in 2005/06 to 14.5 per cent in 2007/08. Between 2005/06 and 2007/08, the number of informal sector registered members nearly tripled compared to 15.3 per cent in the formal sector in the same period.

Table 3.14 (b): Registered Members of the National Hospital Fund, 2005/06-2007/08

Numbers

Financial Year	2005/06	2006/07	2007/08*
Formal Sector	1,540,000	1,620,000	1,775,390
Informal Sector	110,000	201,098	302,106
Total	**1,650,000**	**1,821,098**	**2,077,496**

Source: National Hospital Insurance Fund

* Provisional

3.21. Details of registered medical personnel for the years 2007 and 2008 are shown in Table 3.15. There was an increase in the number of registered medical personnel in most categories. Compared to 2007, the number of registered medical personnel increased by 6.1 per cent in 2008. The number of doctors, dentists and registered nurses rose by 5.6 per cent, 4.6 per cent and 15.4 per cent respectively from 2007 to 2008. The 'In-training' medical personnel slightly decreased by 3.2 per cent from 9,224 in 2007/08 to 8,925 in 2008/09.

Table 3.15: Number of Registered Medical Personnel and In-Training, 2007 – 2008

	Registered Medical Personnel				In-Training	
	2007		2008*			
Type of Personnel	Number	No. Per 100,000 Population	Number	No. Per 100,000 Population	2007/08	2008/09*
Doctors	6,271	17	6,623	17	2,966	3,172
Dentists	931	3	974	3	155	152
Pharmacists	2,775	7	2,860	7	403	339
Pharmaceutical Technologists	1,680	5	1,815	5	199	509
BSc. Nursing	585	2	657	2	894	731
Registered Nurses	12,198	33	14,073	37	2,465	1,847
Enrolled Nurses	31,917	86	31,917	83	-	-
Clinical Officers	4,182	11	5,035	13	1,502	1,509
Public Health officers	6,728	18	6,960	18	640	666
Public Health Technicians	5,969	16	5,969	16	-	-
Total	**73,236**	**197**	**77,736**	**203**	**9,224**	**8,925**

Source: Health Management Information System, Ministry of Public Health and Sanitation

3.22. Table 3.16 presents the number of registered undergraduate and post graduate medical students by course and gender in Kenyan universities, between 2004/05 and 2008/09 academic years. The number of medical students registered increased by 55.0 per cent from 3,761 to 5,814 in 2004/05 and 2008/09 academic years. This increase could be attributed to introduction of medical courses at Kenya Methodist University, University of Eastern Africa, Baraton, AghaKhan University and Kenyatta University. Furthermore, the parallel degree programme offered at the University of Nairobi and expansion of facilities at Moi University has contributed to the increase in number of students enrolled. In the last two years, the number of medical students registered rose by 25.3 per cent to 5,814 in 2008/09. Bachelor of Science in Medicine and Surgery accounted for 54.6 per cent of the total registered medical students enrolled. More males were registered in all the courses, with exception of Bachelor of Science in Nursing. Only 8.8 per cent of the medical students were registered for postgraduate courses.

Table 3.16: Number of Undergraduate and Post Graduate Medical Students by Course and Gender, 2004/05- 2008/09

Number

Undergraduate	2004/05		2005/06		2006/07		2007/08		2008/09*	
Medical Degree	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Medicine & Surgery	1,388	789	1,384	830	1,762	993	1,492	908	1,976	1,196
Bsc (Nursing)	245	331	267	357	336	465	380	529	319	506
Dental Surgery	82	65	71	66	129	55	70	85	73	79
Environmental Health	68	52	87	50	88	75	117	98	130	84
Pharmacy	181	123	174	127	371	188	265	138	217	152
Bsc (Biochemistry)	61	57	89	72	193	110	177	99	344	225
Sub-Total	**2,020**	**1,407**	**2,039**	**1,469**	**2,783**	**1,794**	**2,427**	**1,716**	**3,059**	**2,242**
Postgraduate students	239	80	297	105	332	141	330	167	339	174
Total	**2,259**	**1,487**	**2,336**	**1,574**	**3,115**	**1,935**	**2,757**	**1,883**	**3,398**	**2,416**
Grand Total	**3,746**		**3,910**		**5,050**		**4,640**		**5,814**	

Source: University of Nairobi, Moi University, Kenya Methodist University, University of Eastern Africa, Baraton and Kenyatta University

* Provisional

3.23. Table 3.17 presents the number of middle level medical trainees in public medical training colleges. Over the last five years, the number of medical trainees rose by 59.5 per cent to 6,090 in 2008. The number of enrolled trainees increased by 2.6 per cent from 5,932 in 2007 to 6,090 in 2008. A combined enrolment for Diploma courses in Community Health Nursing, Clinical Medicine and Surgery and Pharmacy accounted for 59.4 per cent of the total middle level medical trainees in 2008. A new certificate course in Nutrition was introduced in 2008.

Table 3.17: Middle Level Medical Trainees in Public Medical Training Colleges, 2004 – 2008

Number

Level of Training	2004	2005	2006	2007	2008*
Certificate in Community Nursing	119	155	107	131	138
Certificate in Medical Laboratories	145	-	-	-	-
Certificate in Medical Engineering Technology	96	161	109	109	181
Certificate in Health Records & Information Technology	69	102	96	116	215
Certificate in Nutrition+	-	-	-	-	36
Sub-Total	**429**	**418**	**312**	**356**	**570**
Diploma in Community Health Nursing	1,142	1,402	2,035	2,380	1,762
Diploma in Community Nutrition	96	61	37	75	53
Diploma in Environmental Health Sciences	254	157	350	349	366
Diploma in Medical Laboratory Sciences	311	184	311	348	424
Diploma in Clinical Medicine & Surgery	633	1128	972	1290	1349
Diploma Bridging Course in Medical Laboratory	54	-	-	-	-
Diploma in Medical Engineering Technology	55	50	42	80	99
Diploma in Community Oral Health	-	39	42	49	38
Diploma in Dental Technology	33	20	27	34	30
Diploma in Health Records and Information technology	56	13	113	57	39
Diploma in Occupational Therapy	71	40	45	50	138
Diploma in Orthopaedic Technology	27	26	31	38	23
Diploma in Pharmacy	155	147	137	199	509
Diploma in Physiotherapy	33	52	55	102	124
Diploma in Medical Imaging Sciences	36	38	53	41	48
Diploma in Optical Technology	-	-	18	25	64
Diploma in Nuerophysiology	-	-	-	31	22
Sub Total	**2,956**	**3,357**	**4,268**	**5,148**	**5,088**
Higher Diploma in Pharmacy	8	12	7	-	7
Higher Diploma in Environmental Health Sciences[1]	223	105	138	91	86
Higher Diploma in Medical Laboratory Sciences[2]	62	67	40	44	61
Higher Diploma in Nursing[3]	80	43	60	70	85
Higher Diploma in Clinical Medicine and Surgery[4]	60	143	66	93	130
Higher Diploma in Medical Engineering	-	-	25	-	7
Higher Diploma in Ultra Sound Image Pattern Analysis	-	7	5	12	16
Higher Diploma in Community Health & HIV/AIDS CARE	-	-	-	23	-
Higher Diploma in Sensory Integration	-	-	-	9	-
Higher Diploma in Health Education & Promotion	-	-	-	30	22
Post Graduate Diploma in Medical Education	-	28	20	26	18
Post Graduate Certificate in Medical Education	-	-	-	30	-
Sub-Total	**433**	**405**	**361**	**428**	**432**
Total	**3,818**	**4,180**	**4,941**	**5,932**	**6,090**

Source: Kenya Medical Training College, Ministry of Medical Services

* Provisional

\+ New courses

1. Includes food science and inspection, epidemiology, solid waste and occupational health
2. Includes clinical chemistry, haematology, histology, parastology, virology, microbiology, bacterialogy and blood tr
3. Includes Psychiatry Nursing, Community Health Nursing, intensive care, ophthalmic and PeriOperative nursing (reintroduced in September 2008)
4. Includes paediatrics, orthopaedics, anesthesia, lungs & skin, ent & audiology, reproductive health and opthalmolog

3.24. Table 3.18 shows Full Immunization Coverage (FIC) rate of children under one year old by province between 2004 and 2008. The total number of FIC cases reported declined by 2.7 per cent, from 978,417 to 951,700 cases in 2007 and 2008 respectively. The reduced coverage was registered in Central, Coast, Eastern, Rift Valley and Western

provinces. The National FIC rate worsened from 73 per cent in 2007 to 71 per cent in 2008. North Eastern Province registered the highest coverage rate while Coast Province registered the lowest.

Table 3.18: Full Immunisation Coverage (FIC) Rate of Under One Year Old Children by Province 2004 – 2008

Provinces	2004		2005		2006		2007		2008*	
	No.	%	No.	%	No.	%	No.	%	No.	%
Nairobi	67,192	70	74,570	75	77,497	76	82,176	78	104,194	86
Central	100,181	83	112,931	93	106,226	88	104,878	85	90,773	75
Coast	61,716	55	68,727	61	86,471	74	94,340	78	126,062	64
Eastern	121,537	83	127,155	67	145,084	78	151,324	78	85,866	74
N/Eastern	18,051	55	16,228	48	25,556	72	29,593	81	33,454	89
Nyanza	96,249	48	107,842	53	136,720	66	135,194	66	151,990	76
R/Valley	160,199	49	189,860	57	228,021	67	251,319	70	233,027	65
Western	96,200	53	103,006	57	110,534	59	129,593	68	126,334	65
National Coverage	**721,325**	**59**	**800,319**	**63**	**916,109**	**71**	**978,417**	**73**	**951,700**	**71**

Source: Kenya Expanded Programme on Immunization

* Provisional

3.25. Table 3.19 shows the incidence of the top ten diseases causing morbidity in the country between 2004 and 2008. Malaria accounted for about 32.8 per cent of all the disease cases reported in 2008, while diseases of the respiratory system ranked second accounting for 24.1 per cent. The number of malaria cases reported declined significantly from 31.2 million in 2007 to 28.4 million in 2008. This could be attributed to the drought experienced in the country. Similarly, the prevalence of waterborne diseases such as intestinal worms and diarrhoea as well as pneumonia and disease of the respiratory system also declined over the same period.

Table 3.19: Incidence of Diseases Causing Morbidity in Kenya, 2004 - 2008

	2004		2005		2006		2007		2008*	
DISEASE	Number	%	Number	%	Number	%	Number	%	Number	%
Malaria	5,338,008	34.5	9,147,412	27.6	8,926,058	28.6	9,610,691	30.8	9,312,357	32.8
Disease of the Respiratory System	3,489,589	22.5	7,972,443	24.0	7,001,349	22.4	7,626,100	24.5	6,840,004	24.1
Disease. of the Skin (Incl. Ulcers)	996,227	6.4	1,960,723	5.9	1,796,796	5.8	1,912,419	6.1	1,989,432	7.0
Diarrhoea Diseases	700,013	4.5	1,378,620	4.2	1,373,073	4.4	1,453,529	4.7	1,397,659	4.9
Intestinal Worms	622,685	4.0	1,559,272	4.7	1,266,439	4.1	1,349,306	4.3	331,627	1.2
Pneumonia	439,511	2.8	765,157	2.3	875,459	2.8	1,060,789	3.0	989,095	3.5
Accidents (incl. fractures, burns etc)	411,121	2.7	796,724	2.4	696,906	2.2	737,110	2.4	568,457	2.0
Rheumatism, Joint pains etc	280,047	1.8	569,411	1.7	538,550	1.7	578,408	1.9	488,908	1.7
Urinary Tract Infections	258,497	1.7	489,980	1.5	483,904	1.6	551,820	1.8	652,224	2.3
Eye Infection	254,996	1.6	488,584	1.5	479,405	1.5	507,145	1.6	492,225	1.7
All Other Diseases	2,699,714	17.5	8,055,440	24.3	7,789,262	24.9	5,781,561	18.5	5,337,642	18.8
TOTAL	**15,490,408**	**100**	**33,183,766**	**100**	**31,227,201**	**100**	**31,168,878**	**100**	**28,399,630**	**100**

Source: Health Management Information System, Ministry of Public Health and sanitation

* Provisional

Other Social Services

3.26. **National Youth Service (NYS):** Table 3.20 gives details of recruitment and income earned between 2004 and 2008 by the National Youth Service. In 2008, the recruitment of service men increased by 87.8 per cent while that of service women more than doubled. Income earned by both service men and women declined by 21.4 per cent from KSh 54.0 million in 2007 to KSh 42.4 million in 2008. The decrease on the income earned was due to lost man hours during the post election violence period.

Table 3.20: National Youth Services Recruitment and Allowances, 2004-2008

	Recruitment (Numbers)			
Year	Service Men	Service Women	Total	**Income Earned (KSh Million)**
2004	2,768	783	3,551	29.82
2005	1,508	523	2,031	7.81
2006	2,917	575	3,492	51.62
2007	2,917	875	3,792	53.97
2008*	5,477	1,901	7,378	42.41

Source: National Youth Service

* Provisional

3.27. **National Social Security Fund (NSSF):** Details of registered employers and employees, annual contributions and benefits paid to members by the NSSF between 2004 and 2008 are shown in Table 3.21. The number of employers registered with NSSF increased by 4.4 per cent from 58.8 thousand in 2007 to 61.8 thousand in 2008. However, the number of employees' registered declined marginally from 3,171.8

thousand to 3,169 thousand in the review period. Despite the decrease in the registered number of employees, the annual contributions and benefits maintained an upward trend.

Table 3.21: National Social Security Fund, 2004- 2008

Details	2004	2005	2006	2007	2008*
Registered Employers '000	55.7	61.3	57.9	58.8	61.4
Registered Employees '000					
Male	2,269.7	2,284.1	2,326.0	2,378.9	2,376.8
Female	756.6	761.4	775.3	793.0	792.3
Total	**3,026.2**	**3,045.4**	**3,101.3**	**3,171.8**	**3,169.0**
Annual contribution KSh (million)	3,773.3	4,421.6	4,655.1	5,358.4	5,368.6
Annual benefits paid KSh (million)	2,513.5	2,548.8	2,540.2	2,566.8	2,575.6

Source: National Social Security Fund

* Provisional

3.28. **Adult Education:** Details of enrolment for adult learners by province and gender are shown in Table 3.22. Overall, the number of adult learners enrolment rose from 118,264 in 2007 to 179,598 in 2008, an increase of 51.9 per cent. Enrolment was higher for female adult learners in all the provinces except in Nairobi and North Eastern. Over the three year period, male enrolment had an upward trend due to enhanced publicity and advocacy.

Table 3.22: Adult Education Enrolment by Province and Gender 2006 – 2008

Number

	2006			2007			2008*		
Province	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
Nairobi	2,502	2,388	4,890	2,627	2,165	4,792	3,466	3,394	6,860
Central	2,782	7,154	9,936	2,921	6,816	9,737	4,081	10,016	14,097
Coast	4,290	11,032	15,322	4,505	10,510	15,015	5,723	13,800	19,523
Eastern	7,490	19,261	26,751	7,865	18,251	26,216	13,134	28,037	41,171
North Eastern	1,824	4,691	6,515	1,976	4,409	6,385	6,333	5,093	11,426
Nyanza	5,071	13,041	18,112	5,325	12,425	17,750	11,807	19,806	31,613
Rift Valley	9,545	24,546	34,091	10,025	23,384	33,409	11,969	23,518	35,487
Western	3,834	9,860	13,694	4,026	934	4,960	7,233	12,188	19,421
Grand Total	**37,338**	**91,973**	**129,311**	**39,270**	**78,994**	**118,264**	**63,746**	**115,852**	**179,598**

Source: Department of Adult Education

3.29. Table 3.23 gives annual evaluation of adult learners in literacy proficiency test passed from 2006 to 2008. The number of learners who passed proficiency test declined from 18,031 in 2007 to 15,825 in 2008. Similarly, the number of private candidates registered for the KCPE declined by 16 per cent to 12,534 candidates in 2008 as reflected in Table 3.24. More males than females registering for private KCPE examinations in most provinces.

Table 3.23: Adults who Passed Literacy Proficiency Test by Province and Gender 2006-2008 Number

	2006			2007			2008*		
Province	Male	Female	Total	Male	Female	Total	Male	Female	Total
Nairobi	111	259	370	168	132	300	168	132	300
Central	417	973	1,390	459	1,003	1,462	277	928	1,205
Coast	373	928	1,301	410	984	1,394	92	328	420
Eastern	1,059	2,723	3,782	1,144	2,359	4,003	859	4,350	5,209
North Eastern	405	945	1,350	467	1,049	1,516	931	315	1,246
Nyanza	985	2,532	3,517	1,064	2,734	3,798	1,128	2,843	3,971
Rift Valley	1,073	2,537	3,610	1,127	2,664	3,791	701	1,032	1,733
Western	495	1,197	1,692	510	1,257	1,767	504	1,237	1,741
Grand Total	**4,918**	**12,094**	**17,012**	**5,349**	**12,682**	**18,031**	**4,660**	**11,165**	**15,825**

Source: Department of Adult Education

* Provisional

Table 3.24: Private Candidates KCPE registration by Province and Gender 2006-2008

Number

Province	2006			2007			2008*		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Nairobi	2,106	2,364	4,470	4,420	2,080	6,500	3,171	2,997	6,168
Central	1,507	97	1,604	1,233	580	1,813	149	388	537
Coast	134	34	168	182	86	268	337	220	557
Eastern	309	226	535	418	197	615	90	289	379
North Eastern	1,301	403	1,704	1,333	628	1,961	2,166	300	2,466
Nyanza	256	138	394	310	146	456	77	82	159
Rift Valley	2,131	551	2,682	2,062	970	3,032	1,266	735	2,001
Western	159	85	244	188	89	277	162	105	267
Grand Total	**7,903**	**3,898**	**11,801**	**10,146**	**4,776**	**14,922**	**7,418**	**5,116**	**12,534**

Source: Department of Adult Education

* Provisional

3.30. **Gender**: The formation of women groups in Kenya as a strategy to empower women has benefited communities at the grassroots level through income generating activities. Women groups represent the primary decision-making forums for women in Kenya. Table 3.25 shows the number of registered women groups, membership, contributions, Government of Kenya grants to women groups and women enterprise funds. The number of registered women groups increased by 1,729 to 140,482 in 2008. Women group membership increased by 1.2 per cent from 5,417.9 thousand in 2007 to 5,484.3 thousand in 2008, while women groups' contributions rose from KSh 544.6 million in the year 2007 to KSh 547.3 million in 2008. Government grants doubled from KSh 40.1 million in 2007 to KSh 80.0 million in 2008. This increase could be attributed to the large number of women groups requesting the grants from the Department of Gender and Social Development and the establishment of Social Protection Fund within the Department for individual poor women.

Table 3.25: Registered Women Groups by Membership, Contributions and GOK Grants, 2004 to 2008

Year	No. of Women Groups	Membership	Group contributions (KSh Million)	Grants by GOK	
				Women Group (KSh Million)	Women Enterprise Fund (KSh Billion)
2004	133,135	5,115,980	531.6	46.0	-
2005	135,294	5,279,691	538.4	48.1	-
2006	136,972	5,353,607	540.3	44.4	-
2007	138,753	5,417,850	544.6	40.1	1.0
2008*	140,482	5,484,275	547.3	80.0	0.3

Source: Department of Gender and Social Development.

3.34. The Women Enterprise Fund was initiated by the Government in December 2006 as a strategy to address poverty reduction through socio-economic empowerment of women. The Government has set aside KSh 315 million in the 2008/09 compared to KSh 1.0 billion in the 2007/08 for Women Enterprise Fund.

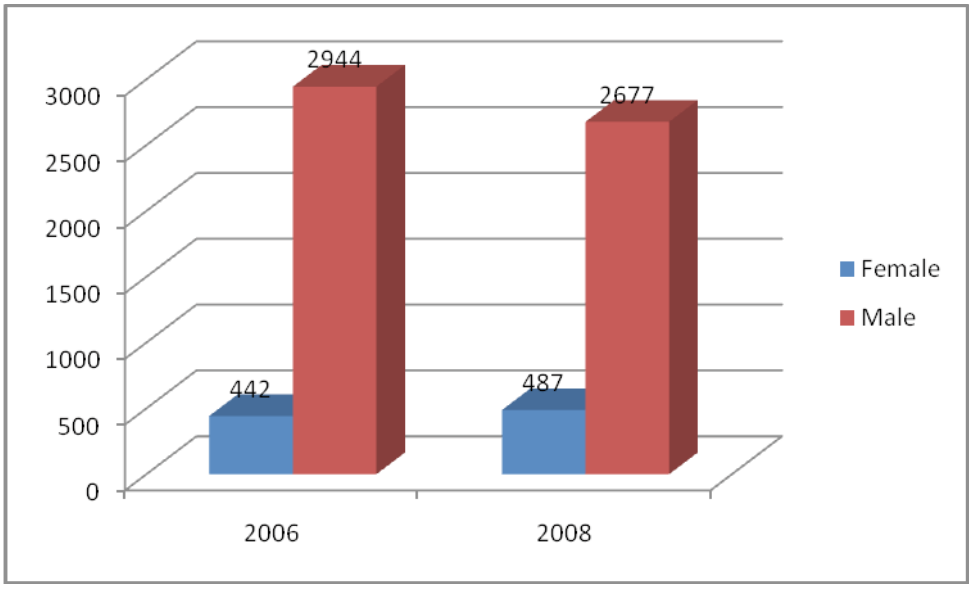
3.35. **Decision Making:** Table 3.26 gives details of decision making in selected public offices. In all the categories, women representation is less than the 30 per cent stipulated in the affirmative action. Overall, the proportion of female public officers in selected public offices increased from 13.1 per cent in 2006 to 15.4 per cent in 2008. The cadre of deputy secretary and diplomatic corps has women forming 26.4 and 27.5 per cent shares respectively. Generally, there was an increase of 10.2 per cent of women representation at all levels in 2008 compared to 2006 as shown in Figure 3.4.

Table 3.26: Decision Making in Selected Public Offices by Gender

	Jun-06				Apr-08			
Category	Female	Male	Total	% Female	Female	Male	Total	% Female
National Assembly	18	204	222	8.1	19	200	219	8.7
Ministers	2	32	34	5.8	7	35	42	16.7
Assistant Ministers	6	40	46	13.0	6	46	52	11.5
Ambassadors / High Commissioners	11	29	40	27.5	11	29	40	27.5
Permanent Secretary	5	25	30	16.7	6	38	44	13.6
Provincial Commissioners	-	8	8	-	-	8	8	-
District Commissioners	2	69	71	2.8	12	136	148	8.1
Deputy Secretary	21	77	98	21.4	33	92	125	26.4
Councillors	377	2,460	2,837	13.3	393	2,093	2,486	15.8
Total	**442**	**2,944**	**3,386**	**13.1**	**487**	**2,677**	**3,164**	**15.4**

Source: Department of Gender and Social Welfare

Figure 3.4: Women Representation in Decision Making in Selected Public Offices, 2006-2008



Chapter 4

Employment, Earnings and Consumer Prices

Overview

The slow economic growth in 2008 adversely affected employment creation. The number of new jobs created by the domestic economy declined from 485.5 thousand jobs in 2007 to 467.3 thousand jobs in 2008. In particular, the new jobs created in the modern private sector declined from 74.0 thousand to 23.8 thousand within this period. The annual average inflation rate almost tripled from 9.8 per cent in 2007 to 26.2 per cent in 2008, a record high since that of 28.8 per cent in 1994. Underlying inflation, which excludes food items from the Consumer Price Index (CPI) basket, increased from 5.7 per cent in 2007 to 11.1 per cent in 2008. This was mainly due to high prices of petroleum products and electricity. The high annual average inflation rate reduced real average earnings by 16.2 per cent in 2008.

Employment

4.2. Table 4.1 gives a summary of total number of persons employed in various sectors of the domestic economy during the period 2004 to 2008 excluding small scale farming and pastoralist activities. In 2008, total employment registered a decelerated growth of 4.9 per cent from 5.4 per cent to stand at 9,946.2 thousand. In the same period, 33.7 thousand new jobs were created in the modern sector wage employment, down from 52.2 thousand in 2007. The modern sector employment contributed 20.2 per cent of total jobs in 2008. The informal sector which constituted 79.8 per cent of total employment, continued to form the bulk of total jobs created providing an additional 433.5 thousand new jobs, same levels as those created in 2007. In the same period, the total number of self employed and unpaid family workers within the modern sector remained at the same level of 2007.

Table 4.1: Total Recorded Employment[1], 2004 - 2008

'000

	2004	2005	2006	2007	2008*
Modern Establishments - Urban and Rural Areas:					
Wage Employees	1,764.7	1,811.6	1,857.6	1,909.8	1,943.5
Self-employed and unpaid family workers	66.3	66.8	67.2	67.5	67.6
Informal Sector[2]	6,167.5	6,626.6	7,068.6	7,501.6	7,935.1
TOTAL	7,998.5	8,505.0	8,993.4	9,478.9	9,946.2

* Provisional

[1] Figures refer to employment stock as at 30th June and excudes small scale farming and Pastrolist activities.

[2] Estimated

Modern Sector

4.3. Table 4.2 gives an analysis of modern wage employment by industry and sector for the period 2004 to 2008. During the period under review, the private sector employment growth decelerated from 6.1 per cent in 2007 to 1.9 per cent in 2008. The public sector, on the other hand, reversed its steady decline to record a modest growth of 1.6 per cent in 2008 from a negative growth of 3.4 per cent in 2007.

4.4. **Private Sector**: In 2008, the leading industries providing wage employment were; community social and personal services; agriculture and forestry, and manufacturing with contribution of 23.5, 22.2 and 18.2 per cent, respectively. Wage employment in the manufacturing sector, however, declined by 0.4 percent while a marginal increase of 0.2 per cent was recorded in agriculture and forestry. The decline in the manufacturing industry can partly be attributed to the scaling down and closure of firms in the garment sub-sector of the Export Processing Zones (EPZs) where employment contracted by 8.0 per cent. Community, social and personal services industry, provided 7.9 thousand new jobs in 2008. The transport and communication industry registered a significant drop in growth from 29.6 per cent in 2007 to a paltry 2.1 per cent in 2008. Building and construction posted improved performance from 5.7 per cent in 2007 to 6.0 per cent in 2008. This was occasioned by continued public spending in the industry especially in the construction of roads and private sector real estate construction. Overall, most industries registered reduced growth which can partly be attributed the effects of the 2008 post election violence and the global economic down turn.

4.5. **Public Sector:** This sector which has been registering negative growth since 2004 recovered to post a marginal growth of 1.6 per cent in modern wage employment as reflected in Table 4.2. Most industries in the public sector recorded marginal growths in 2008. Building and construction; and finance, insurance, real estate and business services industries, however, registered declines of 1.0 per cent and 0.7 per cent, respectively.

Table 4.2: Wage Employment by Industry and Sector, 2004 - 2008

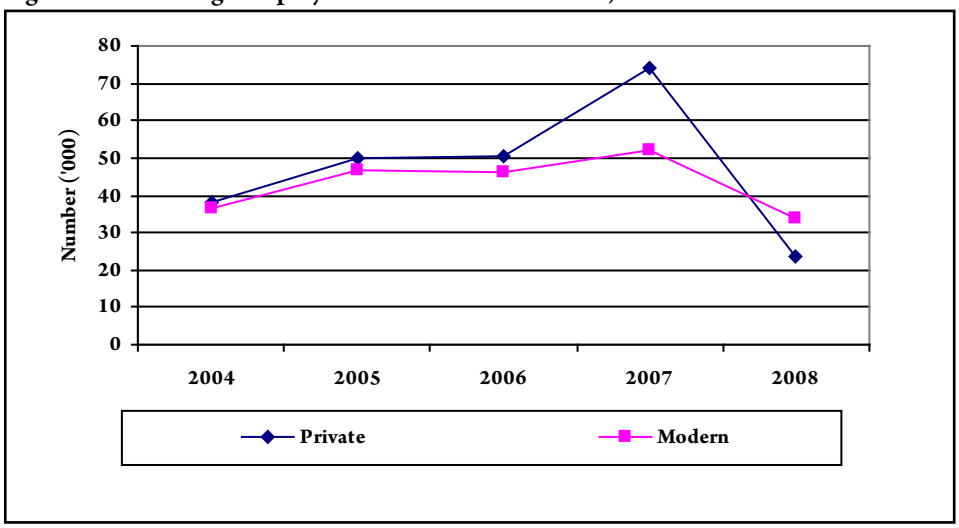
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	2004	2005	2006	2007	2008*	% change
PRIVATE SECTOR:						
Agriculture and Forestry	264.8	272.4	280.3	289.0	289.7	0.2
Mining and Quarrying	4.9	5.1	5.3	5.6	5.9	5.4
Manufacturing	212.0	221.7	228.5	237.9	237.0	-0.4
Electricity and Water	1.9	1.9	1.9	2.2	2.3	4.5
Building and Construction	54.4	55.7	57.9	61.2	64.9	6.0
Wholesale and Retail Trade, Restaurants and Hotels	161.7	169.2	179.6	189.8	196.4	3.5
Transport and Communications	60.7	75.1	90.9	117.8	120.3	2.1
Finance, Insurance, Real Estate and Business Services	70.2	72.4	75.5	79.0	81.9	3.7
Community, Social and Personal Services	276.7	283.9	287.8	299.2	307.1	2.6
TOTAL PRIVATE SECTOR	1,107.3	1,157.4	1,207.7	1,281.7	1,305.5	1.9
PUBLIC SECTOR:						
Agriculture and Forestry	55.8	54.8	54.3	50.9	51.0	0.2
Mining and Quarrying	0.7	0.7	0.7	0.7	0.7	0.0
Manufacturing	31.6	31.1	30.8	26.9	27.1	0.7
Electricity and Water	18.9	18.3	17.7	16.8	17.0	1.2
Building and Construction	23.0	22.5	22.0	20.1	19.9	-1.0
Wholesale and Retail Trade, Restaurants and Hotels	6.3	6.2	6.3	6.0	6.0	0.0
Transport and Communications	37.9	38.9	40.2	36.1	37.4	3.6
Finance, Insurance, Real Estate and Business Services	15.0	16.5	16.8	14.3	14.2	-0.7
Community, Social and Personal Services	468.2	465.2	461.1	456.3	464.7	1.8
TOTAL PUBLIC SECTOR	657.4	654.2	649.9	628.1	638.0	1.6

* Provisional.

4.6. Figure 4.1 shows the number of new jobs created in the modern sector wage employment for the period 2004 to 2008. As illustrated in the figure, the jobs created by the private sector declined sharply from 74.0 thousand in 2007 to 23.8 thousand in 2008, same level as those created in 2002. On the contrary the public sector wage employment recovered from a loss of 21.8 thousand jobs in 2007 to create 9.9 thousand new jobs in 2008, the first positive growth since 2003.

Figure 4.1: New Wage Employment in the Modern Sector, 2004 - 2008



4.7. The employment scenario in various public sector domains is presented in Table 4.3. The Teachers Service Commission (TSC) which is the largest employer in the sector registered a 0.9 per cent growth in employment in 2008 compared to that of 0.6 per cent in 2007. Employment in the Central Government continued on an upward trend registering a growth of 2.4 per cent same level as that of 2007. This was on account of continued recruitment in the civil service. Both parastatal bodies and institutions with majority control by the public sector reversed their declining trend to register modest growth of 2.3 per cent each. Employment in Local Authorities which had been on a declining trend since 2006 also registered a marginal growth of 0.5 per cent in 2008 compared to a 3.6 per cent decline in 2007.

Table 4.3: Wage Employment in the Public Sector[1], 2004 – 2008

'000

	2004	2005	2006	2007	2008*	Annual Percentage Change 2008/2007
Central Government[1]	194.2	189.5	187.7	192.3	196.8	2.4
Teachers Service Commission ..	234.5	232.8	233.3	234.6	236.8	0.9
Parastatal Bodies[2]..	95.4	97.5	97.2	80.6	82.4	2.3
Majority Control by the Public Sector[3] ..	45.9	46.9	46.8	38.8	39.7	2.3
Local Government	87.4	87.5	85.0	81.9	82.3	0.5
TOTAL	**657.4**	**654.2**	**649.9**	**628.1**	**638.0**	1.6

* Provisional.

[1] Covers all civil servants on Government payroll plus casual workers in various ministries.

[2] Refers to Government wholly-owned corporations.

[3] Refers to institutions where the Government has over 50 per cent shares but does not wholly own them.

4.8. Wage employment by province for the years 2004 to 2008 is presented in Table 4.4. All provinces recorded marginal growths of less than 2.0 per cent with Nairobi having the largest increase in absolute terms of 8.9 thousand jobs, followed by Rift Valley with an increase of 7.9 thousand new jobs during the review period.

Table 4.4: Wage Employment by Province, 2004 - 2008

'000

Province	2004	2005	2006	2007	2008*	Percentage Change 2008/2007
Nairobi	443.7	454.7	466.3	479.3	488.2	1.9
Coast	219.3	224.8	230.4	237.0	241.1	1.7
North Eastern	16.2	16.6	17.1	17.6	17.8	1.1
Eastern	147.1	151.1	155.0	159.3	161.9	1.6
Central	250.0	257.7	264.8	271.9	276.5	1.7
Rift Valley	397.0	407.2	417.3	429.1	437.0	1.8
Nyanza	174.4	179.6	183.8	189.2	192.5	1.7
Western	117.0	119.9	122.9	126.4	128.5	1.7
TOTAL	**1,764.7**	**1,811.6**	**1,857.6**	**1,909.8**	**1,943.5**	**1.8**

* Provisional

4.9. Table 4.5 presents wage employment in major urban centres by selected industries. Over the five year period, 136,400 jobs were created in urban areas, reflecting a 14.3 per cent increase from 2003. The largest share of wage employment was contributed by the city of Nairobi followed by Mombasa both having a combined share of 60.2 per cent. The transport and communications industry registered the highest growth in percentage terms while Manufacturing had the least growth over the period for the selected industries. Community, social and personal services and manufacturing continued to be the most dominant industries with wage employment of 394,700 persons and 243,000 persons respectively, in 2008.

Table 4.5: Wage Employment by Urban Centres[1] and Selected Industries, 2003 and 2008

'000

Towns	Manufacturing		Construction		Wholesale and Retail Trade, Restaurants and Hotels		Transport and Communications		Finance, Insurance, Real Estate and Business Services		Community, Social and Personal Services		Total Six Industries	
	2003	2008*	2003	2008*	2003	2008*	2003	2008*	2003	2008*	2003	2008*	2003	2008*
Nairobi	80.5	88.0	39.0	44.6	61.2	70.9	29.9	37.6	40.0	45.4	161.9	182.2	412.5	468.7
Mombasa	33.6	36.7	6.5	7.4	22.8	27.0	31.6	45.4	12.7	14.5	50.9	56.4	158.1	187.4
Kisumu	7.7	8.5	2.3	2.7	4.5	5.4	1.8	2.8	2.3	2.8	22.3	24.7	40.9	46.9
Nakuru	9.4	10.3	2.6	2.9	6.0	7.1	1.6	2.4	2.4	2.9	13.8	15.3	35.8	40.9
Thika	17.5	19.3	0.6	0.6	3.3	3.9	0.4	0.6	1.7	1.9	6.2	6.8	29.7	33.1
Eldoret	17.7	19.5	1.9	2.2	4.3	5.1	1.0	1.3	2.8	3.2	5.4	5.9	33.1	37.2
Malindi	0.5	0.5	0.3	0.3	3.1	3.6	0.3	0.4	0.4	0.4	3.1	3.4	7.7	8.6
Kericho	4.2	4.5	1.0	1.0	1.4	1.7	0.2	0.2	0.5	0.5	5.7	6.2	13.0	14.1
Others	50.8	55.7	5.2	5.8	52.3	62.0	7.0	9.9	22.6	25.6	84.6	93.8	222.5	252.8
TOTAL	221.9	243.0	59.4	67.5	158.9	186.7	73.8	100.6	85.4	97.2	353.9	394.7	953.3	1,089.7

* Provisional.

[1] Urban centres refer to towns which had a population of 2000 or more persons in 1989.

4.10. As shown in Table 4.6, males in modern sector wage employment accounted for 69.8 per cent of the total wage employment in 2008. There was a slight decline in the wage employment for males in the manufacturing industry while other industries showed marginal growth in both sexes. Inter-sectoral comparison shows that agriculture and forestry, and manufacturing engaged the largest number of males accounting for 18.7 per cent and 16.0 per cent of total males engaged, respectively. On the other hand, educational services had the largest number of females engaged accounting for 27.2 per cent of total females engaged in the modern sector wage employment. Overall, casual employment registered a growth of 13.3 per cent and accounted for 32.2 per cent of total wage employment. Levels of regular employment dipped by 2.9 per cent, reflecting employers' preference of hiring casual employees during the period under review.

Table 4.6: Wage Employment by Industry and Sex, 2007 and 2008

'000

	Male		Female		Total	
INDUSTRY	**2007**	**2008***	**2007**	**2008***	**2007**	**2008***
Agriculture and Forestry ..	252.7	253.3	87.2	87.4	339.9	340.7
Mining and Quarrying ..	4.9	5.1	1.4	1.5	6.3	6.6
Manufacturing	217.1	216.6	47.7	47.5	264.8	264.1
Electricity and Water ..	15.5	15.7	3.5	3.6	19.0	19.3
Building and Construction ..	75.9	79.2	5.4	5.6	81.3	84.8
Trade, Restaurants and Hotels	141.7	146.5	54.1	55.9	195.8	202.4
Transport and Communication	121.7	124.5	32.2	33.2	153.9	157.7
Finance, Insurance, Real Estate and Business Services ..	68.4	70.4	24.9	25.7	93.3	96.1
Community, Social and Personal Services-						
Public Administration ..	78.7	77.1	49.1	48.1	127.8	125.2
Education Services	191.1	197.7	154.3	159.6	345.4	357.3
Domestic Services	59.5	60.3	41.5	42.0	101.0	102.3
Other Services	108.8	112.1	72.5	74.9	181.3	187.0
TOTAL	**1,334.3**	**1,356.7**	**575.5**	**586.8**	**1,909.8**	**1,943.5**
Of which: Regular	979.7	960.1	377.8	357.8	1,357.5	1,317.9
Casual	354.6	396.6	197.7	229.0	552.3	625.6

* Provisional

Wage Earnings in the Modern Sector

4.11. Total wage payments by industry and sector are presented in Table 4.7. The nominal wage bill rose by 10.3 per cent from KSh 656,777.4 million in 2007 to KSh 724,220.4 in 2008. The public sector wage bill increased by 11.0 per cent from KSh 203,130.1 million in 2007 to KSh 225,426.3 million in 2008. The private sector registered a growth of 10.0 per cent, lower than the 14.6 per cent rise registered in 2007. This may be attributed to increased use of casual labourers whose pay is usually lower than that of regular employees.

Table 4.7: Total Wage Payments by Industry and Sector+, 2004 – 2008

KSh Million Per Annum

	2004	2005	2006	2007	2008*
PRIVATE SECTOR:					
Agriculture and Forestry	32,872.1	35,557.1	39,190.6	43,416.6	46,949.6
Mining and Quarrying	928.5	1,048.1	1,241.8	1,378.1	1,544.0
Manufacturing	39,895.8	44,054.6	48,500.4	53,050.3	56,736.0
Electricity and Water	1,155.4	1,251.3	1,150.2	1,685.4	1,855.6
Building and Construction	15,677.4	16,707.9	18,904.0	21,677.0	25,291.8
Wholesale and Retail Trade, Restaurants and Hotels	63,147.1	72,043.0	81,100.9	91,098.0	98,591.0
Transport and Communications	34,221.3	42,612.1	53,209.1	70,702.0	77,816.3
Finance, Insurance Real Estate and Business Services	43,723.2	45,826.4	49,966.5	55,178.3	61,068.6
Community, Social and Personal Service	90,041.9	95,665.3	102,539.1	115,461.6	128,941.2
TOTAL PRIVATE SECTOR	**321,662.7**	**354,765.8**	**395,802.6**	**453,647.3**	**498,794.1**
PUBLIC SECTOR:					
Agriculture and Forestry	8,539.3	8,889.3	9,312.8	9,444.8	10,576.6
Mining and Quarrying	132.9	134.6	137.4	145.5	152.4
Manufacturing	5,046.5	5,286.8	5,757.5	5,468.3	5,816.0
Electricity and Water	8,103.4	8,317.4	8,560.6	8,951.7	9,773.7
Building and Construction	5,287.7	5,478.1	5,806.0	5,882.5	6,410.0
Wholesale and Retail Trade, Restaurants and Hotels	2,296.9	2,630.1	3,028.5	3,366.6	3,909.3
Transport and Communications	12,988.0	14,360.8	16,766.2	18,319.6	20,938.3
Finance, Insurance Real Estate and Business Services	10,816.4	12,903.5	14,145.2	12,529.4	12,856.2
Community, Social and Personal Service	113,076.1	120,031.2	128,179.4	139,021.7	154,993.8
TOTAL PUBLIC SECTOR	**166,287.2**	**178,031.8**	**191,693.6**	**203,130.1**	**225,426.3**
TOTAL PUBLIC AND PRIVATE	**487,949.9**	**532,797.6**	**587,496.2**	**656,777.4**	**724,220.4**

* Provisional

+ Revised

4.12. Total wage payment in the public sector by various domains is summarised in Table 4.8. The wage bill for the Teachers Service Commission (TSC) which has the highest contribution to the total public sector wage bill, rose by 9,011.4 million in 2008. The Central Government, parastatal bodies and institutions of majority control by the public sector all had their wage bills increase by about 9 per cent each. Local Government had the smallest increase in absolute terms of 2,446.3 million in 2008.

Table 4.8: Total Wage Payments+ in the Public Sector[1], 2004 - 2008

KSh million

	2004	2005	2006	2007	2008*
Central Government	36,158.9	39,635.4	42,678.2	46,370.3	50,741.6
Teachers Service Commission	51,510.0	57,008.1	62,132.3	68,180.2	77,191.6
Parastatal Bodies[2]	41,566.7	43,306.6	43,964.1	43,011.8	46,949.1
Majority Control by the Public Sector[3]	26,414.0	27,518.8	27,935.7	27,330.5	29,860.4
Local Government	10,637.6	10,562.9	14,983.2	18,237.3	20,683.6
TOTAL	**166,287.2**	**178,031.7**	**191,693.6**	**203,130.1**	**225,426.3**

* Provisional.

+ Revised

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

[2] Refers to Government wholly-owned corporations.

[3] Refers to institutions where the Government has over 50 per cent shareholding but does not fully own them.

4.13. Table 4.9 details average annual wage earnings per employee for the period under review. Overall, annual average earnings recorded an 8.4 per cent increase rising from

KSh 343,934.7 in 2007 to KSh 372,699.9 in 2008 translating to KSh 31,058.3 per month. Annual average earnings per employee in the private sector remained higher than those in the public sector over the five year period. However, average earnings in the public sector increased by 9.2 per cent compared to an increase of 8.0 per cent in the private sector in 2008.

Table 4.9: Average Wage Earnings per Employee, 2004 - 2008

KSh Per Annum

	2004	2005	2006	2007	2008*
PRIVATE SECTOR:					
Agriculture and Forestry	124,121.1	130,574.0	139,802.3	150,236.8	162,036.4
Mining and Quarrying	191,127.0	206,935.6	232,720.3	246,747.6	262,905.1
Manufacturing	188,144.2	198,680.3	212,284.4	222,961.3	239,410.7
Electricity and Water	594,057.0	644,319.4	607,585.8	779,906.3	820,691.2
Building and Construction	288,340.5	300,128.5	326,618.4	353,997.4	389,445.5
Trade, Restaurants and Hotels	390,563.8	425,688.0	451,604.2	479,943.0	502,093.0
Transport and Communications	563,657.2	567,313.6	585,422.5	600,288.4	647,046.0
Finance, Insurance, Real Estate and Business Services	622,456.6	632,803.4	661,545.2	698,707.6	745,939.5
Community, Social & Personal Services	325,517.0	337,036.0	356,347.9	385,871.5	419,813.7
TOTAL PRIVATE SECTOR	**290,489.7**	**306,535.9**	**327,743.6**	**353,944.9**	**382,089.7**
PUBLIC SECTOR:					
Agriculture and Forestry	153,024.0	162,201.6	171,509.8	185,515.2	207,365.4
Mining and Quarrying	189,881.8	192,238.8	196,316.0	207,817.5	217,780.8
Manufacturing	159,686.6	169,981.5	186,934.4	203,239.1	214,590.5
Electricity and Water	428,718.6	454,471.6	483,658.2	532,720.9	574,862.4
Building and Construction	229,882.1	243,452.6	263,914.4	292,595.2	322,079.0
Trade, Restaurants and Hotels	364,551.2	424,178.7	480,728.1	560,976.3	651,482.1
Transport and Communications	342,667.8	369,143.5	417,079.7	507,358.2	559,793.3
Finance, Insurance, Real Estate and Business Services	721,041.8	781,978.2	841,996.3	875,996.3	905,274.6
Community, Social & Personal Services	241,495.7	258,001.8	277,991.7	304,605.3	333,502.7
TOTAL PUBLIC SECTOR	**252,946.8**	**272,123.4**	**294,958.5**	**323,408.6**	**353,321.7**
TOTAL PRIVATE AND PUBLIC SECTOR	**276,698.1**	**294,290.9**	**316,486.8**	**343,934.7**	**372,699.9**
MEMORANDUM ITEMS IN PUBLIC SECTOR:					
Central Government	186,194.0	209,158.0	227,374.7	241,197.7	257,833.5
Teachers Service Commission	219,658.8	244,880.0	266,319.3	290,623.1	325,977.9
Parastatal Bodies[2]	435,710.0	443,958.9	452,363.9	533,789.4	569,553.3
Majority Control by the Public Sector [3]	575,468.0	586,344.3	597,426.3	704,963.0	752,900.5
Local Government	121,712.0	120,784.0	176,372.0	222,694.0	251,234.0
TOTAL PUBLIC SECTOR	**252,946.8**	**272,123.4**	**294,958.5**	**323,408.6**	**353,321.7**

* Provisional.

+ Revised

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

[2] Refers to Government wholly-owned corporations.

[3] Refers to institutions where the Government has over 50 per cent shareholding but does not fully own them.

4.14. Table 4.10 presents percentage changes in wage employment and average earnings for the period 2003/2008 and 2007/2008. During the five year period, total wage employment rose by 12.1 per cent with wage employment in the private sector rising by 22.1 per cent and that of the public sector declining by 3.2 per cent. The increase of 1.9 per cent in the private sector wage employment in the period 2008/2007 was however lower than the average growth of 4.1 per cent over the five year period. In the public sector, only the Central Government and Teachers Service Commission

showed a slight increase in employment of 0.9 per cent each over the five year period. Local Government, parastatal bodies and institutions where Government has majority control all recorded a decline in employment. Over the same period, the private sector, Transport and Communication industry indicated the largest increase of 144.5 per cent.

4.15. Annual average earnings in the economy have risen by 49.2 per cent over the five year period with public sector earnings rising by 57.0 per cent compared to 44.2 per cent of the private sector. In the public sector, employees in the Local and Central Government had the highest increases of 85.4 and 75.0 per cent, respectively whereas the lowest increase of 47.5 per cent was recorded in the parastatal bodies. Increase in the earnings of the various industries in the private sector ranged from 21.3 per cent to 57.4 per cent.

Table 4.10: Wage Employment and Average Earnings[1], 2008/2003 and 2008/2007

Percentage Changes

	EMPLOYMENT		AVERAGE EARNINGS	
	2008/2003	2008/2007*	2008/2003	2008/2007*
PRIVATE SECTOR:				
Agriculture and Forestry	11.6	0.2	43.2	7.9
Mining and Quarrying	25.5	5.4	57.4	6.5
Manufacturing	13.2	-0.4	41.1	7.4
Electricity and Water	27.8	4.5	57.4	5.2
Building and Construction	22.2	6.0	49.7	10.0
Trade, Restaurants and Hotels	25.3	3.5	37.2	4.6
Transport and Communications	144.5	2.1	21.3	7.8
Finance, Insurance ,Real Estate and Business Services	18.5	3.7	26.0	6.8
Community, Social & Personal Services	15.6	2.6	42.2	8.8
TOTAL PRIVATE SECTOR	**22.1**	**1.9**	**44.2**	**8.0**
PUBLIC SECTOR:				
Agriculture and Forestry	-9.7	0.2	56	11.8
Mining and Quarrying	0	0.0	24.3	4.8
Manufacturing	-13.7	0.7	44.6	5.6
Electricity and Water	-11.9	1.2	38.9	7.9
Building and Construction	-15.3	-1.0	60.1	10.1
Trade, Restaurants and Hotels	-1.6	0.0	106.6	16.1
Transport and Communications	-1.3	3.6	90.1	10.3
Finance, Insurance ,Real Estate and Business Services	-3.4	-0.7	47.3	3.3
Community, Social and Personal Services	-1	1.8	54.6	9.5
TOTAL PUBLIC SECTOR	**-3.2**	**1.6**	**57.0**	**9.2**
TOTAL PUBLIC AND PRIVATE	**12.1**	**1.8**	**49.2**	**8.4**
MEMORANDUM ITEMS IN PUBLIC SECTOR:				
Central Government	0.9	2.4	75	6.9
Teacher's Service Commission	0.9	0.9	63.3	12.2
Parastatal Bodies[2]	-15.3	2.3	47.5	6.7
Majority Control by the Public Sector[3]	-14.5	2.3	48.4	6.8
Local government	-3.8	0.5	85.4	12.8
TOTAL PUBLIC SECTOR	**-3.2**	**1.6**	**57.0**	**9.2**

* Provisional

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

[2] Refers to Government wholly-owned corporations.

[3] Refers to institutions where the Government has over 50 per cent shareholding but does not fully own them.

4.16. Tables 4.11 and 4.12 present estimated real average earnings per employee and changes in wage, prices and real earnings, respectively, for the period 2004 to 2008. Real earnings which show the extent to which inflation affects workers' earnings are deflated from nominal average earnings using the consumer price index. In the private sector real average earnings declined from KSh 157,357.8 in 2007 to KSh 131,415.2 while the public sector decline from KSh 143.781.9 and KSh 121,520.8 in 2008. Overall, real average earnings fell by 16.2 per cent in 2008.

Table 4.11: Estimated Real Average Wage Earnings per Employee[1], 2004 - 2008

KSh Per Annum

	2004	2005	2006	2007	2008*
PRIVATE SECTOR:					
Agriculture and Forestry	76,110.6	71,543.5	69,055.3	66,792.7	55,730.5
Mining and Quarrying	117,198.3	113,383.2	114,952.1	109,699.7	90,423.1
Manufacturing	115,369.3	108,860.0	104,857.8	99,124.7	82,342.5
Electricity and Water	364,273.4	353,032.4	300,116.7	346,732.8	282,267.0
Building and Construction	176,809.2	164,445.0	161,333.0	157,381.1	133,945.1
Trade, Restaurants and Hotels	239,492.2	233,241.0	223,069.7	213,374.3	172,688.9
Transport and Communications	345,632.3	310,839.8	289,169.2	266,877.8	222,543.8
Finance, Insurance Real Estate and Business Services	381,687.9	346,722.7	326,769.9	310,633.3	256,557.0
Community, Social & Personal Services	199,605.7	184,667.2	176,017.9	171,551.8	144,389.9
TOTAL PRIVATE SECTOR	**178,127.1**	**167,955.7**	**161,888.8**	**157,357.8**	**131,415.2**
PUBLIC SECTOR:					
Agriculture and Forestry	93,833.7	88,872.7	84,717.2	82,476.8	71,320.9
Mining and Quarrying	116,434.8	105,330.6	96,970.2	92,392.1	74,903.1
Manufacturing	97,919.2	93,135.5	92,336.2	90,356.6	73,805.8
Electricity and Water	262,888.5	249,011.9	238,902.7	236,838.5	197,717.1
Building and Construction	140,962.8	133,391.4	130,360.4	130,082.7	110,775.2
Trade, Restaurants and Hotels	223,541.3	232,414.0	237,455.4	249,400.3	224,069.5
Transport and Communications	210,122.5	202,259.4	206,016.3	225,562.7	192,534.2
Finance, Insurance Real Estate and Business Services	442,139.9	428,457.8	415,903.7	389,452.8	311,358.4
Community, Social & Personal Services	148,084.2	141,363.1	137,313.9	135,422.2	114,704.3
TOTAL PUBLIC SECTOR	**155,106.0**	**149,100.6**	**145,694.6**	**143,781.9**	**121,520.8**
TOTAL PRIVATE AND PUBLIC SECTOR	**169,670.2**	**161,246.5**	**156,328.5**	**152,907.4**	**128,185.7**
MEMORANDUM ITEMS IN PUBLIC SECTOR:					
Central Government	114,173.4	114,600.9	112,311.6	107,232.3	88,678.8
Teachers Service Commission	134,693.9	134,173.5	131,548.3	129,206.0	112,116.2
Parastatal Bodies[1]	267,175.6	243,251.8	223,444.9	237,313.5	195,891.1
Majority Control by the Public Sector[2]	352,874.7	321,267.0	295,098.4	313,414.3	258,951.1
Local Government	74,633.3	66,179.4	87,118.9	99,005.9	86,408.9
TOTAL PUBLIC SECTOR	**155,106.0**	**149,100.6**	**145,694.6**	**143,781.9**	**121,520.8**

* Provisional.

1: Average current earnings adjusted for the rise in consumer prices. Real earnings and the consumer price indices, refer to the position as at 30th June , but the figures are annualised by multiplying by 12 for earnings.

2: Refers to Government wholly-owned corporations.

3: Refers to institutions where the Government has over 50 per cent shareholding but does not fully own them.

Table 4.12: Changes in Wage Employment, Prices and Real Earnings, 2004 - 2008

Percentage

	2004	2005	2006	2007	2008*
Wage employment	1.8	2.7	2.5	2.8	1.8
Average earnings at current prices	10.7	6.4	7.5	8.7	8.4
Consumer prices (Inflation rates)[1]	5.9	11.9	10.9	11.1	29.3
Real average earnings+	4.5	-5.0	-3.0	-2.2	-16.2

* Provisional.

[1] Inflation rates at June of each year

+ Revised after deflating with the June CPI Index

Employment in the Informal Sector

4.17. The informal sector represents an important part of the economy and labour market, and also plays a vital role in employment creation, production and income generation. As introduced by the International Labour Organization (ILO) Mission to Kenya in 1972, the sector is characterised by ease of entry, reliance on indigenous resources, family ownership, small scale operations; labour intensive and adaptive technology, skills acquired outside the formal sector unregulated and competitive markets. The working environment in the sector lacks the desired 'decent job' conditions and is now one of the major challenges to policy makers.

4.18. Table 4.13 presents the number of persons engaged in the informal sector. Most of the informal sector activities are based in the rural areas which are estimated to absorb 61.0 per cent of the informal sector employment. In 2008, Nairobi province accounted for 24.5 per cent and had the highest informal sector employment of 1,943,300 persons. Rift Valley Province followed with 1,496,800 persons and a share of 18.9 per cent of the total informal sector employment. North Eastern Province had the least number of informal sector employees. Notably, the sector has witnessed a declining trend in employment growth rate over the five year period.

Table 4.13: Number of Persons Engaged in the Informal Sector by Province, 2004- 2008

000

Province	2004	2005	2006	2007	2008*
Nairobi	1,487.1	1,601.1	1,712.1	1,824.5	1,943.3
Central	976.4	1,049.1	1,118.9	1,187.2	1,255.3
Nyanza	731.3	783.2	832.6	878.4	920.0
Western	445.3	480.2	514.0	548.5	585.6
Rift Valley	1,167.3	1,254.2	1,337.0	1,417.5	1,496.8
Eastern	570.4	609.5	646.8	680.4	709.2
Coast	760.3	818.1	874.2	930.7	989.6
North Eastern	29.4	31.2	33.0	34.4	35.3
TOTAL	**6,167.5**	**6,626.6**	**7,068.6**	**7,501.6**	**7,935.1**
Of which					
Urban	2,030.9	2,584.4	2,756.8	2,925.6	3,094.6
Rural	4,136.6	4,042.2	4,311.8	4,576.0	4,840.5

* Provisional

4.19. The distribution of employment in the informal sector by activity is presented in Table 4.14. Wholesale and Retail Trade, Hotels and Restaurants sector continued to absorb the highest number of employees accounting for 59.4 per cent of total employment while manufacturing accounted for 20.7 per cent. Thus, the two sectors jointly accounted for over 80.0 per cent, of the total employment in the informal sector.

Table 4.14: Number of Persons Engaged in the Informal Sector by Activity, 2004 - 2008

000

Activity	2004	2005	2006	2007	2008*
Manufacturing	1,318.3	1,433.6	1,492.7	1,567.1	1,642.5
Construction	173.7	190.2	194.7	202.8	211.2
Wholesale and Retail Trade, Hotels and Restaurants	3,631.9	3,889.7	4,177.3	4,446.2	4,714.6
Transport and Communications[1]	186.5	197.8	214.2	228.8	243.3
Community, Social and Personal Services	576.8	614.1	668.2	715.4	762.3
Others	280.2	301.1	321.5	341.3	361.1
**TOTAL .. ..

The minimum monthly salary for officers in Job Group 'A' rose from KSh 7,466 to KSh 7,619 while those in Job Group 'L' increased from KSh 25,491 to KSh 30,472.

Table 4.15: Gazetted Monthly Basic Minimum Wages for Agricultural Industry[1], 2004 – 2008

KSh

Type of Employee	2004	2005	2006	2007	2008
UNSKILLED EMPLOYEES	2,096	2,285	2,536	2,536	2,536
STOCKMAN, HERDSMAN AND WATCHMAN	2,420	2,638	2,928	2,928	2,928
SKILLED AND SEMI-SKILLED EMPLOYEES					
House servant or cook	2,392	2,607	2,894	2,894	2,894
Farm foreman	3,780	4,120	4,573	4,573	4,573
Farm clerk	3,780	4,120	4,573	4,573	4,573
Section foreman	2,448	2,668	2,961	2,961	2,961
Farm artisan	2,505	3,730	3,030	3,030	3,030
Tractor driver	2,656	2,895	3,213	3,213	3,213
Combine harvester driver	2,926	3,189	3,540	3,540	3,540
Lorry driver or car driver	3,701	3,347	3,715	3,715	3,715
AVERAGE	**2,870**	**3,060**	**3,396**	**3,396**	**3,396**

Source: Ministry of Labour & Human Resource Development

1. No minimum wages have been gazetted since 2006

Table 4.16: Gazetted Monthly Basic Minimum Wages in Urban Areas[1] (Excluding Housing Allowance), 2008.

KSh

Occupation	Nairobi area, Mombasa & Kisumu 2008	Municipalities plus Mavoko & Ruiru Town Councils 2008	All other towns 2008
General labourer	5,195	4,792	2,771
Miner, stone cutter, turnboy, waiter, cook	5,611	4,978	3,203
Night watchman	5,796	5,373	3,306
Machine attendant	5,888	5,479	4,441
Machinist	6,721	6,288	5,141
Plywood machine operator	7,012	6,471	5,349
Pattern designer	8,002	7,315	6,237
Tailor, Driver (medium vehicle)	8,818	8,105	7,226
Dyer, Crawler, Tractor driver, Salesman	9,735	9,083	8,198
Saw doctor, Caretaker (building)	10,774	10,060	9,371
Cashier, Driver (heavy commercial)	11,723	11,031	10,343
Artisan (Ungraded)	7,012	6,471	5,349
Artisan Grade III	8,818	8,105	7,226
Artisan Grade II	9,735	9,083	8,198
Artisan Grade I	11,723	11,031	10,343
AVERAGE	**8,171**	**7,578**	**6,447**

Source: Ministry of Labour and Human Resource Development

1: No minimum wages have been gazetted since 2006

4.24. The Industrial Court has jurisdiction to register collective bargaining agreements negotiated between representatives of employers and workers in order to improve terms and conditions of employment. As presented in Table 4.17, the number of collective bargaining agreements registered by the Court declined to 297 in 2008 from 317 in 2007. However, the number of unionisable employees covered by the agreements

increased from 61,251 in 2007 to 82,612 in 2008. The majority were in agriculture, hunting and fishing sector which represented 48.4 per cent of the total unionisable employees. The average monthly basic salary offered in 2008 was KSh 14,621.60 while the monthly basic house allowance on average was KSh 3,138.

Table 4.17: Collective Bargaining Agreements Registered by the Industrial Court, 2007 and 2008

	No. of Agreements		No. of Unionisable Employees Covered by the Agreements		Monthly Basic Wage (KSh)		Monthly Housing Allowance Offered (KSh)	
	2007	2008	2007	2008	2007	2008	2007	2008
Agriculture, Forestry, Hunting & Fishing	26	30	10,217	39,946	7,464.40	7,543.60	1,846.40	1,545.30
Mining & Quarrying	3	3	191	492	9,146.10	9,466.60	1,135.00	1,866.70
Manufacturing of :								
Food, Beverage & Tobacco	32	43	5,663	9,278	17,587.70	14,375.20	2,419.80	2,109.10
Textile, Wearing Apparels & Leather Industry	21	24	5,243	6,443	7,183.60	6,846.30	1,824.80	1,821.40
Wood & Wood Industry including Furniture	6	5	1,022	145	9,820.00	9,503.10	1,457.30	1,541.00
Paper & Paper Products, Printing & Publishing	9	15	1,782	773	15,665.00	13,062.00	2,196.90	4,273.20
Chemical, Petroleum Rubber & Plastic Product	33	19	2,678	820	15,336.10	12,867.50	2,473.30	2,645.70
Glass, Ceramic & Cement	3	5	525	573	25,434.40	20,414.50	6,825.80	3,644.40
Basic Metal Industries	1	-	43	-	21,361.00	-	2,300.00	-
Electronics & Electrical Products	44	42	2,463	1,976	11,198.50	12,978.00	1,945.20	2,274.80
Other Manufacturing industries	3	1	340	28	23,808.90	9,557.40	2,565.00	1,600.00
Electricity and Water	3	3	2,035	298	21,120.80	17,536.00	5,666.70	5,800.00
Building & Construction	6	2	2,274	88	11,102.10	22,081.70	1,152.60	6,710.00
Wholesale & Retail Trade, Restaurant & Hotels	28	23	2,698	1,057	18,779.60	9,813.10	3,076.00	2,655.40
Transport and Communication	32	25	2,677	11,370	18,996.20	23,689.20	3,669.80	4,420.40
Finance, Insurance, Real Estate & Business Services	20	18	10,972	897	38,439.60	23,481.30	4,448.70	4,239.80
Community & Social Services	47	39	10,428	8,428	12,846.90	20,730.60	2,720.90	3,061.50
Total/Average	**317**	**297**	**61,251**	**82,612**	**16,781.80**	**14,621.60**	**2,807.30**	**3,138.00**

Source: Ministry of Labour & Human Resource Development

* Provisional

Consumer Price Index

4.25. The overall annual rate of inflation, computed as a percentage change in the Consumer Price Index (CPI) over two consecutive 12 month periods, increased from 9.8 per cent in 2007 to 26.2 per cent in 2008. Table 4.18 shows annual inflation rates for the different income groups in Nairobi and for the rest of urban areas over the last five years. In 2008, inflationary pressures were almost twice as much for both the Nairobi lower income group and the rest of urban areas compared to the Nairobi middle/upper income category of the population.

4.26. The increase in overall inflation was mainly attributed to high food prices arising from the high cost of agricultural inputs, the post election violence that disrupted production and distribution of goods and services in the early part of 2008, the global economic turmoil and global food shortages.

4.27 Underlying inflation which excludes food items from the CPI basket increased from 5.7 per cent in 2007 to 11.1 per cent in 2008. This was mainly due to high prices of petroleum products and electricity among other non-food items.

Table 4.18: Annual Inflation Rates, 2004-2008

Income Group	2004	2005	2006	2007	2008
Nairobi Lower Income Inflation..... ...	14.4	11.7	19.6	9.4	27.9
Nairobi Middle/Upper Income Inflation ...	8.0	10.1	6.5	7.1	14.0
Nairobi Inflation	13.2	11.4	17.3	9.1	25.7
Rest of Urban Towns Inflation ...	10.6	9.6	12.6	10.2	26.6
Kenya Inflation Rate	**11.6**	**10.3**	**14.5**	**9.8**	**26.2**

I: The Nairobi composite index is weighted as 0.8 for lower income group and 0.2 for middle/upper income group while Kenya composite index is weighted as 0.399 for Nairobi and 0.601 for rest of Urban Towns.

II: The lower income group comprises households with monthly expenditure below KSh 10,000 in October 1997

III The middle/upper income group comprises households with monthly expenditure above KSh 10,000 in October 1997

4.28. Tables 4.19 to 4.23 show a five year series of the CPI for the Nairobi lower, middle/upper, Nairobi combined, rest of urban areas and the whole Kenya combined. In general, relatively higher CPI which translated to higher inflation rates were recorded for all categories and for all the months in 2008 compared to 2007.

4.29. The annual average CPI for Nairobi lower income group rose from 240.85 in 2007 to 308.12 in 2008 giving rise to an annual inflation of 27.9 per cent as shown in Table 4.19. In 2008, the highest CPI of 332.13 was recorded in December for this income group while the lowest of 285.03 was observed in January. Table 4.20 shows an average annual CPI of 179.13 in 2007 and 204.12 in 2008 for the Nairobi middle/upper income groups. This translates to an annual inflation of 14.0 per cent. The monthly CPI for this income group ranged from 191.28 in January to 212.35 in December. Similarly, Tables 4.21, 4.22 and 4.23 give the average annual CPI for Nairobi combined, rest of urban and for the whole Kenya combined respectively.

Table 4.19: Consumer Price Indices for the Nairobi Lower Income Group, 2004-2008

October 1997=100

Month	2004	2005	2006	2007	2008
January	149.80	176.87	220.63	237.69	285.03
February	153.41	180.15	232.47	241.18	285.29
March	156.08	184.38	232.81	241.85	297.92
April	157.91	189.36	226.30	235.04	302.98
May	160.08	189.43	219.93	233.01	315.39
June	161.71	184.63	209.83	236.97	307.63
July	161.54	183.01	206.44	238.74	305.37
August	173.48	182.68	209.63	239.69	307.23
September	177.75	179.99	215.39	241.81	314.78
October	178.35	181.90	221.38	242.36	318.53
November	173.26	186.10	219.33	245.81	325.14
December	173.62	190.29	226.83	256.09	332.13
Annual average	**164.75**	**184.07**	**220.08**	**240.85**	**308.12**

Table 4.20: Consumer Price Indices, Nairobi Middle/Upper income Group, 2004-2008

Month	2004	2005	2006	2007	2008
January	136.11	152.76	165.64	174.48	191.28
February	137.24	153.63	168.19	176.19	194.06
March	137.90	154.46	168.75	174.53	196.37
April	138.50	157.48	169.19	174.51	199.97
May	139.71	157.55	167.39	174.94	205.61
June	142.64	158.22	164.42	176.66	204.95
July	142.10	157.13	162.95	177.68	204.25
August	145.35	157.64	165.74	179.45	205.79
September	147.93	158.25	167.24	184.21	209.14
October	149.43	158.81	168.12	185.19	211.62
November	147.99	158.80	168.85	185.39	214.08
December	146.79	159.70	169.99	186.32	212.35
Annual average	**142.64**	**157.04**	**167.20**	**179.13**	**204.12**

Table 4.21: Consumer Price Indices, Overall Nairobi, 2004-2008

October 1997=100

Month	2004	2005	2006	2007	2008
January	147.06	172.05	209.64	225.05	266.28
February	150.18	174.84	219.61	228.18	267.04
March	152.45	178.40	220.00	228.38	277.61
April	154.03	182.99	214.88	222.93	282.38
May	156.01	183.05	209.42	221.39	293.43
June	157.90	179.35	200.74	224.91	287.09
July	157.65	177.83	197.74	226.53	285.15
August	167.85	177.67	200.85	227.64	286.94
September	171.79	175.64	205.76	230.29	293.65
October	172.57	177.28	210.73	230.93	297.15
November	168.21	180.64	209.23	233.73	302.93
December	168.25	184.17	215.46	242.14	308.18
Annual average	**160.33**	**178.66**	**209.51**	**228.51**	**287.32**

Table 4.22: Consumer Price Indices, Rest of Urban areas, 2004-2008

October 1997=100

Month	2004	2005	2006	2007	2008
January	154.99	175.97	195.69	217.85	257.39
February	157.47	176.94	202.50	220.53	265.92
March	159.14	178.75	208.03	223.26	272.43
April	160.83	183.75	207.91	222.39	281.55
May	163.86	185.43	208.08	222.12	290.69
June	166.52	184.61	203.57	224.95	293.17
July	165.01	183.33	200.70	226.60	287.60
August	169.13	181.89	201.00	224.56	288.80
September	172.21	181.86	203.19	226.74	291.86
October	173.92	181.53	206.24	229.37	294.20
November	173.83	182.83	208.18	232.99	301.04
December	174.75	185.85	213.12	238.26	305.01
Annual average	**165.97**	**181.90**	**204.85**	**225.80**	**285.81**

Table 4.23: Consumer Price Indices, Kenya, 2004-2008

October 1997=100

Month	2004	2005	2006	2007	2008
January	151.83	174.41	201.25	220.72	260.94
February	154.56	176.10	209.33	223.59	266.37
March	156.47	178.61	212.80	225.30	274.49
April	158.12	183.45	210.69	222.61	281.88
May	160.73	184.48	208.62	221.83	291.79
June	163.08	182.51	202.45	224.93	290.75
July	162.07	181.14	199.52	226.57	286.62
August	168.62	180.21	200.94	225.79	288.06
September	172.04	179.38	204.22	228.16	292.57
October	173.38	179.83	208.04	229.99	295.38
November	171.59	181.96	208.60	233.28	301.79
December	172.16	185.18	214.05	239.81	306.28
Annual average	**163.72**	**180.61**	**206.71**	**226.88**	**286.41**

Table 4.24: CPI and Inflation by Commodities, 2007 and 2008

October 1997=100

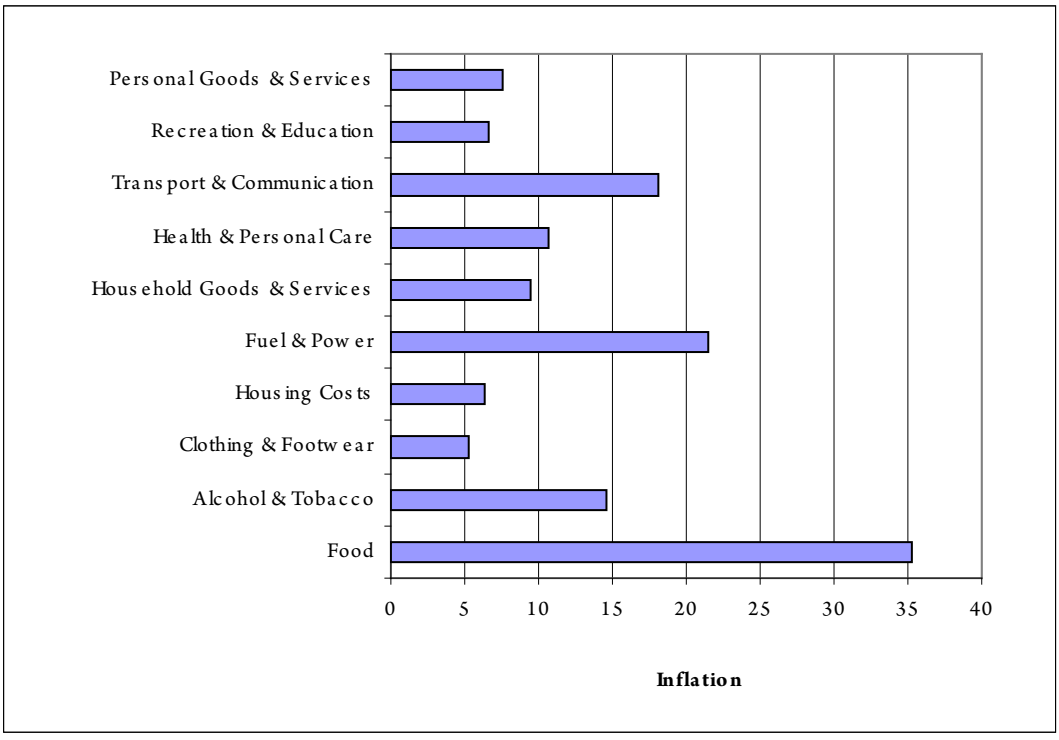
Broad Item Group	Weights (Percentage)	Annual Average Index 2007	Annual Average Index 2008	% Change
Food & Non-Alcoholic Drinks	50.50	281.84	381.19	35.3
Alcohol & Tobacco	2.97	185.24	212.33	14.6
Clothing & Footwear	9.00	126.98	133.65	5.3
Housing Costs	11.74	164.10	174.43	6.3
Fuel & Power	4.18	293.63	356.76	21.5
Household Goods & Services	5.82	147.90	161.76	9.4
Health & Personal Care	1.59	196.81	217.78	10.7
Transport & Communication	5.75	200.48	236.86	18.1
Recreation & Education	6.02	156.65	166.94	6.6
Personal Goods & Services	2.45	139.83	150.36	7.5
Average of all Items	**100.00**	**226.88**	**286.41**	**26.24**

4.30. As indicated in Table 4.24, the annual average CPI for food and non-alcoholic drinks rose from 281.84 in 2007 to 381.19 in 2008. This represents an annual food inflation of 35.3 per cent. Food accounts for more than half of the weight of the overall CPI basket and hence movements in the food prices contributed greatly to the upsurge in the overall inflation.

4.31. Overall, the price of food items increased tremendously in 2008. The average cost of a 2 Kg packet of maize flour rose by 42.4 per cent from KSh 49.49 in 2007 to KSh 70.47 in 2008. The price of beans went up by 49.3 per cent from an annual average of KSh 45.64 per Kg in 2007 to KSh 68.16 in 2008. The price of rice rose by 45.8 per cent from an average of KSh 45.83 per Kg to KSh 66.82 over the two periods. Kales (Sukuma wiki) price increased by 31.1 per cent, Irish potatoes by 29.5 per cent and beef with bones by 19.1 per cent.

4.32. Figure 4.2 shows the inflation rates by broad commodity groups in 2008. All the nine non-food broad commodity groupings recorded significant rises in their respective indices. These high non-food prices similarly resulted in more than doubling of the underlying inflation rates for the year 2008 compared to 2007.

Figure 4.2: Inflation Rates by Broad Commodity Groups



Chapter 5

Money, Banking and Finance

Overview

The monetary policy in 2008 was aimed at guarding against incipient inflationary pressures and thereby providing for a stable macroeconomic environment for implementation of projects under the Vision 2030 framework. The Government through the Central Bank of Kenya (CBK) sought to consolidate and sustain monetary policy reforms that would ensure that monetary expansion remained consistent with the principle objective of low and stable inflation. In order to deliver on this objective the CBK implemented monetary policy through the use of reserve money as an operational target and money supply as an intermediate target. Consequently, reserve money was projected to grow by 15.4 per cent while broad money supply, M3, was targeted to expand by 16.0 per cent by December 2008. The statutory minimum requirements for commercial banks' liquidity ratio remained at 20.0 per cent of their deposit liabilities. The Central Bank Rate (CBR) was revised upwards from 8.75 per cent to 9.00 per cent in June 2008 before being lowered to 8.5 per cent in December 2008. Similarly the cash ratio requirement was lowered from 6.0 per cent to 5.0 per cent to ease liquidity problems in the market.

Monetary Indicators and Aggregates

5.2. Table 5.1 presents monetary indicators for the period 2004 - 2008. Net Foreign Assets increased from KSh 256.7 billion in December 2007 to a peak of KSh 292.7 billion in June 2008 before closing the year at KSh 260.5 billion. Total domestic credit increased from KSh 670.8 billion in December 2007 to KSh 827.4 billion in December 2008. Credit advanced to private enterprises and Government increased by 24.5 per cent and 18.8 per cent respectively in December 2008. Broad money supply, M3, expanded from KSh 777.6 billion to KSh 901.1 billion over the same period. Liquidity in the commercial banks and advances to deposits ratio both fluctuated in 2008 standing at 39 per cent and 73 per cent in December 2008, respectively.

Table 5.1: Monetary Indicators+, 2004-2008

			DOMESTIC CREDIT KSh mn			Money[2]	Commercial	Advances/
As at end of		Net Foreign Assets KSh mn	Private[1]	Government	Total	Supply(M3) KSh mn	Bank Liquidity Ratio per cent	Deposits Ratio per cent
2004	Dec	141,973	379,617	121,543	501,160	511,425	42.3	83
2005	Dec	158,055	410,494	119,215	529,710	558,164	42.3	80
2006	Dec	209,528	465,289	134,728	600,017	653,036	45.3	77
2007	Dec	256,690	533,804	136,968	670,771	777,596	41.4	73
2008	Mar	250,975	546,274	168,499	714,774	811,214	41.2	71
	Jun	292,664	583,011	139,931	722,942	840,679	44.9	72
	Sep	264,047	636,215	155,350	791,565	859,328	41.1	72
	Dec	260,537	664,636	162,777	827,413	901,055	39.3	73

Source: Central Bank of Kenya

[1] Includes other public sectors

[2] See Table 5.2 for coverage

+Some figures have been revised

5.3. Money supply aggregates for the period 2004-2008 are presented in Table 5.2. Overall liquidity, comprising money supply M3 and non-bank holdings of government securities, increased to KSh 1,091.9 billion in December 2008 from KSh 971.6 billion in December 2007, while narrow money supply M1 and broad money supply M2 increased to KSh 392.8 billion and KSh 766.4 billion respectively over the same period. However, quasi-money supply in Non-Bank Financial Institutions (NBFIs) declined to KSh 13.5 billion in December 2008 from 14.3 billion in December 2007.

Table 5.2: Money and Quasi-Money Supply, 2004-2008

KSh million.

		Quasi-Money			Broad Money Supply		Overall liquidity
		Money[1] (M1)	Banks	NBFIs	M2	M3	L
2004	Dec	210,598	209,239	12,923	432,567	511,425	641,440
2005	Dec	231,156	231,402	13,264	474,883	558,164	706,598
2006	Dec	291,789	250,952	12,984	553,907	653,036	821,749
2007	Dec	373,310	281,635	14,321	666,875	777,596	971,628
2008	Jan	378,041	293,665	12,399	682,257	801,247	992,487
	Feb	378,872	303,175	12,659	692,362	810,206	1,001,394
	Mar	380,141	307,142	12,864	697,122	811,214	1,005,828
	Apr	436,622	302,408	12,978	744,492	864,105	1,051,517
	May	395,158	304,077	11,995	709,063	839,239	1,063,994
	Jun	391,824	314,762	12,724	715,968	840,679	1,028,559
	Jul	382,174	325,353	12,633	718,974	850,943	1,042,250
	Aug	383,425	328,254	12,678	723,695	854,952	1,045,564
	Sep	385,004	338,783	12,677	736,325	859,328	1,051,221
	Oct	398,533	342,978	12,489	753,842	883,456	1,075,560
	Nov	393,367	345,872	12,912	751,151	890,200	1,082,961
	Dec	392,778	360,300	13,531	766,393	901,055	1,091,929

Source: Central Bank of Kenya.

[1] Currency outside banks plus all demand deposits except; those of Central Government, Local Government, Commercial Banks, Non Residents and foreign currency denominated deposits See Table 5.3 for detailed coverage

Consolidated Accounts of the Banking System

5.4. Table 5.3 presents consolidated accounts of the banking system for the period 2004-2008. Total assets/liabilities grew by 17.3 per cent to KSh 1,088.0 billion in December 2008 from KSh 927.5 billion in December 2007. Quasi money deposits in commercial banks increased significantly rising by KSh 78.8 billion from KSh 281.6 billion in December 2007 while demand deposits grew by KSh 21.9 billion over the same period. Currency outside banks declined in 2008 to close at KSh 93.9 billion from KSh 96.1 billion in 2007. The holdings of Government securities by the non-bank public increased marginally during the first quarter of 2008 but declined to close the year at KSh 190.9 billion down from KSh 193.6 billion in December 2007. The growth in commercial banks assets is associated with increases in net foreign assets, credit to Central Government and credit to private sector.

Table 5.3: Consolidated Accounts of the Banking System, 2004-08

KSh million

	2004	2005	2006	2007	2008			
					1st	2nd	3rd	4th
	December	December	December	December	Quarter	Quarter	Quarter	Quarter
LIABILITIES-								
1. Money (M1):								
1.1 Demand Deposits	147,870	164,795	215,310	277,186	295,043	308,105	299,438	298,899
1.2 Currency outside banks ..	62,728	66,361	76,479	96,124	85,098	83,718	85,566	93,880
Sub-Total	**210,598**	**231,156**	**291,789**	**373,310**	**380,141**	**391,824**	**385,004**	**392,778**
2. Quasi-Money(MS):								
2.1Call + 7 days Notice Deposits..	21,756	30,544	36,474	45,959	55,503	52,350	53,087	51,753
2.2 Savings Deposits	89,190	76,214	88,266	83,660	84,794	88,842	88,112	94,493
2.3 Time Deposits	98,293	124,643	126,211	152,016	166,844	173,570	197,584	214,054
Sub-Total (quasi-money banks)	**209,239**	**231,402**	**250,952**	**281,635**	**307,142**	**314,762**	**338,783**	**360,300**
Money(M1) & MS(Banks)	419,837	462,557	542,741	654,944	687,283	706,585	723,787	753,078
3. Quasi-Money (NBFIs)	12,729	12,325	11,166	11,930	9,839	9,383	12,538	13,315
Broad Money Supply(M2)	432,567	474,883	553,907	666,875	697,122	715,968	736,325	766,393
4. Foreign Currency Deposits	78,858	83,281	99,129	110,721	114,092	124,711	123,003	134,662
Broad Money Supply(M3)	511,425	558,164	653,036	777,596	811,214	840,679	859,328	901,055
5. Government Securities	130,015	148,434	168,713	194,032	194,613	187,880	191,893	190,874
Broad Money Supply(L)	641,440	706,598	821,749	971,628	1,005,828	1,028,559	1,051,221	1,091,929
6. Other Items (Net)	131,708	129,600	156,508	149,866	154,534	174,927	196,284	186,895
TOTAL	**643,133**	**687,764**	**809,544**	**927,461**	**965,748**	**1,015,606**	**1,055,612**	**1,087,950**
ASSETS-								
7. Net Foreign Assets	141,973	158,055	209,528	256,690	250,975	292,664	264,047	260,537
8. Domestic Credit:								
8.1 Central Govt. (Net).. ..	121,543	119,215	134,728	136,968	168,499	139,931	155,350	162,777
8.2 Other Public Bodies	10,934	12,003	18,465	14,347	15,569	10,061	12,224	11,807
8.3 Private Sector	368,683	398,491	446,824	519,457	530,705	572,950	623,991	652,829
Sub-Total	**501,160**	**529,710**	**600,017**	**670,771**	**714,774**	**722,942**	**791,565**	**827,413**
TOTAL	**643,133**	**687,764**	**809,544**	**927,461**	**965,748**	**1,015,606**	**1,055,612**	**1,087,950**

Notes:

(a) Broad Money, M2, is money supplied by the Central Bank, Commercial Banks and NBFIs.

The items include currency outside banking institutions, deposits held by non-banking institutions with Central Bank, all deposits as well as certificates of deposits held by the private and other public sectors with banking institutions. Excluded are

(b) Broad Money, M3, comprises M2 and foreign currency holdings by residents.

(c) Broad Money, L, comprises M3 and Government Security holdings by the non-bank public.

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

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

Sources of Changes in M3 and Real Values of Selected Financial Aggregates

5.5. Changes in money supply and their sources are presented in Table 5.4. Quasi-money deposits with NBFIs expanded by KSh 1,385.0 million in 2008 compared to a change of KSh 764.0 million in 2007. The main source of change in the money supply was driven by domestic credit to private sector and Government. In 2008, credit to private sector increased by KSh 133.4 billion compared to KSh 72.6 billion in 2007 while those to Government increased by KSh 25.8 billion compared to an increase of KSh 2.4 billion in 2007. Overall domestic credit grew by KSh 156.6 billion in 2008 compared to a growth of KSh 70.8 billion in 2007. Net foreign assets increased marginally by KSh 3.8 billion in 2008 compared to an increase of KSh 47.2 billion in 2007.

Table 5.4: Changes in Money Supply and Sources of Changes[1], 2004 - 2008

KSh million

	2004	2005	2006	2007	2008
MONEY SUPPLY					
1. Currency plus demand deposits	16,743	20,557	60,634	81,520	19,469
2. Quasi-money(MS)	22,078	22,163	19,550	30,683	78,665
3. Quasi-money (NBFIs)	-1,370	-404	-1,159	764	1,385
4. Foreign Currency Deposits	22,802	4,422	15,848	11,592	23,941
5. Money supply (M3)	60,253	46,738	94,872	124,560	123,459
SOURCES OF CHANGES					
6. Net foreign assets	19,567	16,081	51,473	47,163	3,847
7. All Domestic Credit	58,003	28,550	70,307	70,755	156,642
(a) to Central Government(net)	-12,735	-2,327	15,513	2,240	25,810
(b) to other public sector	4,942	1,069	6,462	-4,118	-2,540
(c) to private sector	65,796	29,808	48,333	72,633	133,372
8. Other Items (Net)	-17,317	-2,107	26,908	-6,643	37,029
9. Total sources of changes	60,253	46,738	94,872	124,560	123,459

[1]Compare year-end values

5.6. Table 5.5 highlights the trends in the real value of selected financial aggregates between 2004 and 2008. The real value of highlighted aggregates declined by various proportions in 2008 compared to 2007. The real value of broad money supply M3, declined by 14.1 per cent to KSh 294.2 billion in 2008 from KSh 342.6 billion in 2007. Overall liquidity (L) declined by 16.7 per cent to KSh 356.5 billion in 2008 from KSh 427.9 billion in 2007. Similarly, total liabilities of the banking systems and non-bank financial institutions (NBFIs) declined by 13.1 per cent and 16.5 per cent, respectively during the period under review.

Table 5.5: Trends in the Real Value of Selected Financial Aggregates[1], 2004 – 2008 at Constant (1997) Prices

KSh million

		2004	2005	2006	2007	2008
1	Money Supply (M3)	289,818	262,730	266,673	342,553	294,219
2	Money Supply (L)	391,791	391,198	395,623	427,851	356,539
3	Commercial bank credit to private sector	169,248	163,728	162,549	168,905	162,797
4	Total commercial bank credit	239,032	216,984	211,463	225,013	209,541
5	Commercial Banks' Deposit Liabilities	268,371	273,112	285,811	302,769	270,165
6	Total liabilities of banking system	393,530	380,646	389,747	408,573	355,220
7	NBFIs credit to private sector	8,613	7,634	6,951	7,270	6,267
8	Total NBFIs Credit	8,613	7,634	6,951	7,270	6,267
9	Total liabilities of non-bank financial institutions (NBFIs)	13,651	12,014	10,661	12,052	10,064
	Memorandum Item:					
10	Line 5 as per cent of line 6	68	72	73	74	76
11	Line 9 as per cent of line 6	3	3	3	3	3

[1]Deflated by Consumer Price Index for the month of December

Nominal and Real Interest Rates

5.7. Table 5.6 presents principal interest rates for the period 2004 - 2008. In June 2008, all selected interest rates increased as compared to end of December 2007. In December 2008, the average interest rates for the 91-day treasury bills, loans and advances for commercial banks and overdraft, rose by 1.72, 1.40 and 1.55 percentage points, respectively from the 2007 levels. Central Bank Rate (CBR) was revised downwards to 8.5 per cent in December 2008 from 9.0 per cent maintained earlier. Declines in repo rate, interbank rate and interest on savings deposits for commercial banks were observed over the review period. Commercial banks interest rates on savings deposits declined from 1.67 per cent in December 2007 to 1.65 per cent in December 2008. Commercial bank lending rates for loans and advances increased from 13.32 per cent to 14.87 per cent over the same period. The spread between interest on loans and advances and average deposits increased from 9.00 percentage points in 2007 to 9.98 percentage points in December 2008.

Table 5.6: Principal Interest Rates, 2004-2008

Per cent

	2004	2005	2006	2007	2008	
					June	December
CENTRAL BANK OF KENYA						
Average Interest Rate for 91 day Treasury Bills ..	8.29	8.14	5.83	6.87	7.73	8.59
Central Bank Rate[1]			10.00	8.75	9.00	8.50
Repo rate	8.97	7.74	6.34	7.13	7.61	6.36
Inter-bank rate..	9.41	7.79	6.34	7.05	7.79	6.67
COMMERCIAL BANKS[2]						
Average deposits	2.77	4.52	4.11	4.32	4.48	4.89
Savings deposits	0.98	1.38	1.36	1.67	1.70	1.65
Loan and Advances	12.25	13.16	13.74	13.32	14.06	14.87
Overdraft	12.69	13.67	13.91	12.96	13.30	14.40

Source: Central Bank of Kenya.

[1]Bank Rate introduced in 2006

[2]Weighted average commercial bank interest rates

5.8. Due to high inflation experienced in 2008, negative real interest rates were recorded as shown in Table 5.7. The average real interest rate for 91-day treasury bills dropped from negative 5.1 per cent in 2007 to negative 19.1 per cent in 2008 while commercial banks savings deposit moved from negative 10.3 per cent to negative 26.1 per cent over the same period. Similarly, real interest for the interbank rate and commercial banks loans and advances worsened to negative 21.0 per cent and negative 12.9 per cent in 2008 from negative 5.0 per cent and 1.3 per cent, respectively in 2007.

Table 5.7: Trends in Real Interest Rates 2004 - 2008

Per cent

	Year	Nominal Interest	Inflation Rate	Real Interest[1]
1 Average Interest Rate for 91-dayTreasury Bills	2004	8.3	11.6	-3.3
	2005	8.1	10.3	-2.2
	2006	5.8	14.5	-8.7
	2007	6.9	12.0	-5.1
	2008	8.6	27.7	-19.1
3 Commercial bank savings deposits (ave) .. .	2004	1.0	11.6	-10.6
	2005	1.4	10.3	-8.9
	2006	1.4	14.5	-13.1
	2007	1.7	12.0	-10.3
	2008	1.6	27.7	-26.1
4 Commercial bank loans and advances (max)	2004	12.3	11.6	0.7
	2005	13.2	10.3	2.9
	2006	13.7	14.5	-0.8
	2007	13.3	12.0	1.3
	2008	14.8	27.7	-12.9
5 Inter-Bank Rate	2004	9.4	11.6	-2.2
	2005	7.8	10.3	-2.5
	2006	6.3	14.5	-8.2
	2007	7.1	12.0	-5.0
	2008	6.7	27.7	-21.0

[1]Nominal interest rate minus inflation rate, gives the appropriate measure

5.9. In 2008 assets/liabilities of CBK declined marginally from KSh 291.3 billion in 2007 to KSh 287.6 billion as indicated in Table 5.8. On the assets side, there were increases in special drawing rights, other investments, and direct advances and overdraft facility to the Kenya Government. Liabilities in terms of the capital and general reserve fund increased from KSh 9.3 billion in 2007 to KSh 14.3 billion in 2008. Open Market Operations (OMO) repo sales declined to KSh 4.0 billion from KSh 10.1 billion in 2007 while deposits of Kenya Government at the CBK declined from KSh 76.2 billion in 2007 to KSh 50.1 billion in 2008.

Table 5.8: Central Bank Balance Sheet, 2004-2008

KSh Million

					2008			
	2004	2005	2006	2007	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
ASSETS								
1. Foreign Exchange:-								
1.1 Balances with External Banks	115,712	128,568	165,907	227,627	213,231	220,892	228,687	221,335
1.2 Other Investments ..	397	650	1,078	1,003	2,759	2,303	2,724	1,976
1.3 Special Drawing Rights	46	30	61	47	44	206	38	238
TOTAL	**116,155**	**129,248**	**167,046**	**228,677**	**216,034**	**223,401**	**231,449**	**223,549**
2. Advances & Disc. to Banks ..	67	-	-	7,247	-	-	820	-
3. Direct Advances & Overdraft to Kenya Government.. ..	48,890	47,010	48,796	41,878	47,386	39,873	41,493	50,092
4. Other Assets including Kenya Treasury Bills & Bonds	18,602	12,545	13,982	13,460	13,340	20,220	12,954	13,922
TOTAL ASSETS	**183,714**	**188,804**	**229,825**	**291,262**	**276,760**	**283,494**	**286,716**	**287,562**
LIABILITIES :								
1. Capital and General Reserve Fund	11,033	6,898	9,645	9,259	9,259	9,259	18,254	14,254
2. Currency in Circulation-								
2.1 Notes	68,090	73,752	85,948	112,209	97,857	95,991	99,079	111,712
2.2 Coins	2,872	3,035	3,378	3,616	3,729	3,753	4,528	4,018
TOTAL CURRENCY	**70,962**	**76,787**	**89,326**	**115,924**	**101,586**	**99,744**	**103,607**	**115,731**
3 REPO SECURITIES[2]								
3.1 OMO-repo sales	7,019	5,251	4,913	10,119	27,589	1,810	829	3,972
3.2 Repo-tap sales	-	-	-	-	-	-	-	-
TOTAL	**7,019**	**5,251**	**4,913**	**10,119**	**27,589**	**1,810**	**829**	**3,972**
Deposits								
4.1 Kenya Government	28,868	43,281	55,904	76,246	44,961	67,507	56,639	50,091
4.2 Kenya Banks [1]	29,978	30,305	35,234	40,881	51,416	53,868	49,023	47,858
4.3 External Banks	10,337	13,571	12,729	19,519	19,529	19,697	21,127	22,063
4.4 Other	12,084	11,447	9,983	5,829	10,987	9,651	10,245	11,824
TOTAL	**81,267**	**98,604**	**113,850**	**142,474**	**126,893**	**150,723**	**137,034**	**131,837**
5. Other Liabilities	24,466	8,163	21,735	22,744	20,691	31,217	45,246	36,023
TOTAL LIABILITIES	**183,714**	**188,804**	**229,825**	**291,262**	**276,760**	**283,494**	**286,716**	**287,562**

Source: Central Bank of Kenya

[1] Deposits from commercial banks excluding non-bank financial institutions (NBFIs)

[2] Repo securities included in the breakdown from January 2001.

Central Bank's Balance Sheet

5.10. Table 5.9a presents commercial banks' bills, loans and advances for the period 2004-2008. Total bills, loans and advances by commercial banks grew by 25.6 per cent to KSh 641.8 billion in 2008 from KSh 510.8 billion in 2007. Notably, bills, loans and advances to the Central Government declined to KSh 332 million in 2008 from KSh 1,083 million in 2007 while those to Local Government increased from KSh 973 million in 2007 to KSh 1,478 million in 2008.

Table 5.9a: Commercial Banks - Bills, Loans and Advances[1], 2004 - 2008

KSh million

	2004	2005	2006	2007	2008
	Dec.	Dec.	Dec	Dec	Dec
PUBLIC SECTOR:					
Central Government	3,007	2,068	2,502	1,083	332
Local Government	338	630	1,089	973	1,478
Enterprises, Parastatal bodies and other Public entities	11,168	10,830	16,951	12,398	12,335
TOTAL PUBLIC SECTOR	14,513	13,529	20,542	14,454	14,144
PRIVATE ENTERPRISES:					
Agriculture	30,807	33,685	33,086	28,128	31,110
Mining and Quarrying	1,934	2,399	3,163	5,971	10,268
Manufacturing	63,004	62,701	69,390	65,103	90,224
Building and Construction	17,615	24,921	31,613	31,576	29,247
Transport, Storage and Communication ..	20,194	27,093	39,777	47,125	57,100
Trade	47,498	51,275	56,092	63,703	98,038
Financial Institutions	7,641	13,292	16,530	23,649	17,634
Other Business	60,184	84,127	96,401	118,160	164,992
TOTAL PRIVATE ENTERPRISES	248,877	299,493	346,052	383,415	498,613
COMMUNITY AND PERSONAL SERVICES (including non-profit making institutions) .	36,148	44,388	48,115	82,957	88,000
Other Activities (Nes)	63,589	34,463	32,080	29,955	41,026
TOTAL BILLS, LOANS AND ADVANCES	**363,126**	**391,873**	**446,789**	**510,780**	**641,783**

Source: Central Bank of Kenya.

[1] Excludes portfolio investment by private enterprises and bank deposits placed with non-bank financial institutions

Commercial Banks' credit and liquidity

5.11. Bills, loans and advances by commercial banks to private enterprises increased by 30.0 per cent from KSh 383.4 billion in 2007 to KSh 498.6 billion in 2008. Credit to enterprises in mining and quarrying, trade, other businesses and manufacturing increased significantly by 72.0 per cent, 53.9 per cent, 39.6 per cent and 38.6 per cent, respectively in 2008 compared to 2007. However, credit to financial institutions and; building and construction enterprises declined by 25.4 per cent and 7.4 per cent, respectively over the review period.

5.12. The trend of sectoral shares of bills, loans and advances by commercial banks for the period 2004-2008 is presented in Table 5.9b. Share of credit to public sector by commercial banks declined by 0.6 percentage points to 2.2 per cent in 2008 while that to private sector increased to 77.7 per cent from 75.1 per cent in 2007. Private enterprises which recorded increased share of credit in 2008 compared to 2007 included; mining and quarrying, manufacturing, trade and other business enterprises.

Table 5.9b: Sectoral Shares in Commercial Banks- bills, loans and advances

Per cent

	2004	2005	2006	2007	2008
	Dec.	Dec.	Dec	Dec	Dec
PUBLIC SECTOR:					
Central Government	0.8	0.5	0.6	0.2	0.1
Local Government	0.1	0.2	0.2	0.2	0.2
Enterprises, Parastatal bodies and other Public entities	3.1	2.8	3.8	2.4	1.9
TOTAL PUBLIC SECTOR	4	3.5	4.6	2.8	2.2
PRIVATE ENTERPRISES:					
Agriculture	8.5	8.6	7.4	5.5	4.8
Mining and Quarrying	0.5	0.6	0.7	1.2	1.6
Manufacturing	17.4	16	15.5	12.7	14.1
Building and Construction	4.9	6.4	7.1	6.2	4.6
Transport, Storage and Communication	5.6	6.9	8.9	9.2	8.9
Trade	13.1	13.1	12.6	12.5	15.3
Financial Institutions	2.1	3.4	3.7	4.6	2.7
Other Business	16.6	21.5	21.6	23.1	25.7
TOTAL PRIVATE ENTERPRISES	68.5	76.4	77.5	75.1	77.7
COMMUNITY AND PERSONAL SERVICES					
Including non-profit making institutions	10	11.3	10.8	16.2	13.7
Other Activities (nes)	17.5	8.8	7.2	5.9	6.4
TOTAL BILLS, LOANS AND ADVANCES	**100**	**100**	**100**	**100**	**100**

Source: Central Bank of Kenya

5.13. Deposit liabilities and liquid assets for commercial banks for the period 2004-2008 are presented in Table 5.10. Deposit liabilities held by commercial banks increased by 20.4 per cent from KSh 687.3 billion in December 2007 to KSh 827.5 billion in December 2008. The liquidity ratio fluctuated during the review period attaining a maximum of 45 per cent in June 2008 before declining to 39 per cent by December 2008.

Table 5.10: Commercial Banks - Deposit Liabilities and Liquid Assets[1], 2004 - 2008

		Deposit Liabilities KSh million	Liquid Assets[2] KSh million	Current Liquidity Ratio[3] per cent
2004	December	423,826	179,425	42.3
2005	December	482,877	204,320	42.3
2006	December	593,658	269,057	45.3
2007	December	687,286	284,281	41.4
2008	January	702,479	292,099	41.6
	February	726,401	299,185	41.2
	March	728,975	300,044	41.2
	April	754,057	310,523	41.2
	May	805,494	340,435	42.3
	June	792,141	355,827	44.9
	July	778,709	334,879	43.0
	August	785,121	326,100	41.5
	September	809,254	332,985	41.1
	October	822,481	335,822	40.8
	November	837,186	327,061	39.1
	December	827,461	324,997	39.3

Source: Central Bank of Kenya.

[1]Deposits and Liquid Assets are calculated as an average of three days balances.

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

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

Consolidated Balance Sheet for Non-Bank Financial Institutions

5.14. Table 5.11 presents assets and liabilities of Non-Bank Financial Institutions (NBFIs) for the period 2004-2008. Total assets and liabilities of NBFIs grew by 22.3 per cent from KSh 27.4 billion in 2007 to KSh 33.5 billion in 2008. Deposits by Central and Local Governments increased significantly from KSh 1.0 million in 2007 to KSh 542.0 million in 2008 mainly due to deposits accruing from the civil service housing scheme. NBFIs assets held by the private sector also increased to KSh 21.0 billion in 2008 from KSh 16.5 billion in 2007. The increase in assets and liabilities of NBFIs could be attributed to an increase in demand for housing and a consequent rise in demand for mortgage financing.

Table 5.11: Assets and Liabilities of Non Bank Financial Institutions, 2004 - 2008

KSh Million

	2004	2005	2006	2007	2008			
	Dec.	Dec.	Dec.	Dec.	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
LIABILITIES:								
Deposits-								
Central & Local Government..	15	1	1	1	1	1	343	542
Other Public Sector ..	2,725	2,821	2,756	3,091	3,092	3,105	2,677	1,994
Other Depositors ..	10,207	10,592	10,328	11,230	9,772	9,619	10,178	18,004
Other Liabilities	9,403	8,283	9,058	13,036	12,389	15,650	17,625	12,963
TOTAL LIABILITIES	**22,350**	**21,698**	**22,143**	**27,358**	**25,254**	**28,375**	**30,823**	**33,503**
ASSETS:								
Cash and Banks	1,598	2,785	2,438	3,234	2,580	3,483	3,993	4,468
Other Financial Institutions	-	-	-	-	-	-	-	-
Associated Companies	4,153	3,532	3,057	2,472	1,154	1,659	1,653	1,379
Investments, Bills,								
Loans & Advances:-								
Public Sector	-	-	-	-	-	-	-	-
Private Sector	14,101	13,787	14,438	16,503	16,177	17,470	19,194	20,976
Other Assets	2,497	1,594	2,210	5,149	4,915	5,762	5,983	6,681
TOTAL ASSETS..	**22,350**	**21,698**	**22,143**	**27,358**	**24,825**	**28,375**	**30,823**	**33,503**

Source: Central Bank of Kenya

Capital Market Indicators

5.15. Table 5.12 highlights the performance of the capital market for the period 2004-2008. The Nairobi Stock Exchange (NSE) experienced a downturn in 2008 with the NSE 20 share index losing 1,924 points by the end of 2008. It is however notable that capitalization in the equities market rose to over one trillion Kenya Shillings following the Initial Public Offer (IPO) of safaricom shares in the second quarter of 2008 but declined to KSh 854 billion at the end of the fourth quarter. The total bond turnover rose by 12.4 per cent to KSh 95.4 billion in 2008 compared to KSh 84.9 billion in 2007.

Table 5.12: Capital Markets: Nairobi Stock Exchange (NSE), 2004 - 2008

					2008				
	2004	2005	2006	2007	1st Qr	2nd Qr	3rd Qr	4th Qr	Total
Equities Market									
Total No. of Shares ('000)	625,329	874,200	1,454,666	1,938,202	576,615	2,464,698	1,959,840	855,387	5,856,541
Total No. of Deals	124,793	176,483	598,301	973,548	213,407	273,427	281,939	121,769	890,542
Total Value of Shares (KSh mn)	22,324	36,524	94,953	88,620	22,378	34,602	28,560	11,983	97,524
NSE 20 Share Index[1]- (Base Jan 1966=100)	2,946	3,973	5,646	5,445	4,843	5,186	4,180	3,521	
NSE All Share Index (Base Jan 2008=100)	..	..	..	..	94.6	112.1	87.8	73.4	
Market Capitalization (KSh bn)	306	462	792	851	782	1,231	972	854	
Fixed Income Securities Market									
Total bond Turnover (KSh bn)	34.1	13.6	48.6	84.9	23.5	10.1	54.3	7.5	95.4

Source: Nairobi Stock Exchange

[1]-as at end of period

Banking Subsector

Developments in the Financial Sector

5.16. The Kenyan banking system comprises of 43 commercial banks, two mortgage finance companies and 121 foreign exchange bureaus. Despite an increasingly challenging operating environment following the post election violence and the global credit crisis, the banking sector displayed unexpected resilience, reporting high levels of profit and asset growth during 2008. The banks continued to record growth in earnings spurred by robust loan book expansion and increased foreign exchange (FX) income albeit higher impairment charges.

5.17. As a cushion against the global recession, the CBK in December 2008 reduced both the CBR and the cash ratio from 9.0 per cent to 8.5 per cent and from 6.0 per cent to 5.0 per cent, respectively. This was intended to enhance liquidity in the banking system as well as foster growth during the recovery period. In addition, the CBK reduced the Treasury bill bid threshold to KSh 100 thousand from KSh 1 Million effective 1st January 2009. This was intended to enable the small savers/investors diversify their financial asset portfolio.

5.18. During the year under review, the total capital to total risk weighted asset ratio for the sector stood at 18.1 per cent above the statutory minimum requirement of 12.0 per cent. The proportion of gross non-performing loans to gross loans stood at 8.4 per cent in December 2008.

5.19. In the microfinance sub-sector, the regulatory framework was finalized and became operational in May 2008. Following the enactment of the Microfinance Act, the CBK approved thirteen business names in the microfinance subsector. Two other applications for deposit taking microfinance business were also being processed. These actions are considered a commendable step in improving access to financial services.

Developments in the Capital markets

5.20. The total number of licensed players in the capital markets increased from 87 in 2007 to 97 in 2008. During the year, some policy measures were instituted through the budget aimed at deepening the capital markets. Other measures were also introduced to strengthen Capital Markets Authority (CMA) supervisory capacity, enhance corporate governance among the financial market players and reduce costs for listed companies.

5.21. The bearish performance in the Nairobi Stock Exchange (NSE) market may be attributed to the effects of global financial turmoil in an integrated global economy. The financial turmoil that gripped major world economies created a slump in the NSE with most counters recording low stock prices. Some stocks were sold below their offering price causing panic selling among retail investors. This together with the exit of foreign investors had a negative effect on the bourse. Further to this, foreign participation which historically has been of net inflows, changed to net outflows. During the year, one listed company split its share at a ratio of two shares for every one held, while four other companies announced bonus issues.

Insurance Sub sector

5.22. Though there were proposed amendments to the Insurance Act as contained in the Finance Bill 2008, the legislation was not done during the review period. The sub sector was affected by both the post election violence and the global economic meltdown which impacted negatively on the cash flow of insurance companies. The insurance industry faced an estimated KSh 1.2 billion compensation claims arising from the post-election violence according to Association of Kenya Insurers (AKI). Some insurers compensated post election violence claims on ex-gratia basis impacting negatively on their cash flow as the claims were not backed by reserves. Over the same period, there was a rise in interest on micro insurance products. The main challenge for the insurance industry remained a stagnated growth in penetration.

Pensions Sub-sector

5.23. During the year under review, the Retirement Benefits Authority (RBA) licensed 16 fund managers, 6 custodians and 23 administrators to provide services to retirement schemes under the new 2007 regulations. The authority hosted the International Organization of Pensions Supervisors (IOPS) and, held both its annual meeting and a joint Global Forum on Private Pensions with the OECD in Mombasa. The conference focused on the challenges and opportunities for pension development in Africa; addressed key issues such as how to raise pension coverage for informal sector workers and encouraged the use of pension funds in infrastructure development. The IOPS Annual General Meeting witnessed the approval of a new set of guidelines for the supervisory assessment of pension funds.

5.24. In the 2008/2009 budget, requirements for the preparation of investment policy were tightened, while the maximum investment allowed under "other assets" was increased from 5 per cent to 10 per cent. Every pension scheme will now be required to have at least one member, particularly a director, who has been vetted by RBA to undertake trust services. Trustees will now be required to maintain up-to-date records of the bank accounts for their members for the purpose of payment of benefits among other requirements.

Chapter 6

Public Finance

Overview

During 2008/09 financial year, the Government continued to pursue fiscal policies that emphasize on efficient coordination of financial operations thereby ensuring that public resources are utilized for the intended purposes and in the most efficient and effective way. Development of infrastructure has been identified in the 2008-2012 Medium Term Plan as a critical component of reducing the cost of production and doing business among others, thereby improving the country's competitiveness. To finance rehabilitation and expansion of the road network, enhance energy and water supply capacities, and further roll out the Information, Communication and Technology (ICT) infrastructure, the Government issued the first 12-year maturity infrastructure bond with a face value of KSh 18.5 billion in 2008/09.

Overall Results

6.2. The Central Government expenditure for 2008/09 is expected to be KSh 773.0 billion comprising of KSh 565.5 billion and KSh 207.5 billion in recurrent and development expenditures respectively. Total receipts (including grants) are expected to increase from KSh 468.6 billion in 2007/08 to KSh 549.6 billion in 2008/09. The stock of outstanding debt as at end June 2008 was KSh 748.5 billion comprising of KSh 335.0 billion and KSh 413.5 billion in domestic and foreign debts respectively. The total budgeted expenditure for local authorities is expected to be KSh 27.6 billion in 2008/09, compared to KSh 22.8 billion in 2007/08. Their total revenue, including Local Authorities Transfer Fund (LATF) is expected to increase marginally to KSh 22.0 billion from KSh 21.7 billion in the same period. While their locally generated revenue is expected to decline by 5.2 per cent, receipts from Central Government through LATF is expected to increase by 12.1 per cent.

6.3. A statement of Central Government operations for the last five financial years is presented in Table 6.1. In 2008/09, current expenditure and capital transfers components of expense are expected to increase by 18.3 and 17.1 per cent respectively. The net borrowing is expected to worsen from KSh 48.5 billion to KSh 118.9 billion partly due to an anticipated slower increase in revenues compared to expenditure in the review period. Total financing in the review period is expected to be KSh 108.3 billion of which net incurrence of liabilities accounts for 91.4 per cent. Expenditure on public debt repayment is expected to drop marginally from KSh 91.8 billion in 2007/08 to KSh 91.7 billion in 2008/09; the external debt redemption component is however expected to record a 30.7 per cent increase while the domestic component is expected to decrease by 7.3 per cent.

Table 6.1: Statement of Central Government Operations 2004/05-2008/09

KSh Million

	2004/05	2005/06	2006/07	2007/08*	2008/09+
1. Revenue**	300,727.70	329,486.00	387,483.05	468,583.98	549,604.21
2. Expense (2.1+2.2)..	266,237.17	320,404.93	357,124.53	443,283.11	524,013.63
2.1 Current Expenditure	259,847.90	303,180.42	339,778.50	412,275.89	487,698.83
2.2 Capital Transfers	6,389.27	17,224.51	17,346.04	31,007.22	36,314.80
**3. Gross Operating Balance(G.O.B) (1-2) .. ..

Table 6.2: Analysis of Key Fiscal Ratios, 2004/05-2008/09

	2004/05	2005/06	2006/07	2007/08*	2008/09+
1. Gross operating balance as a % of Revenue	11.47	2.76	7.83	5.40	4.66
2. Gross operating balance as a % of Acquisition of Non-financial assets(net)	108.16	27.19	54.04	34.27	17.71
3. Ratio of Acquisition of Non-financial assets(net) to Current Expenditure	12.27	11.02	16.53	17.91	29.63
4. Net lending/Borrowing as % of Revenue	-2.34	-7.38	-6.66	-10.35	-21.63
5. Net lending/Borrowing as % of Total Expenditure	0.69	-5.65	-5.10	-7.41	-15.44
6. External Grants and Loans as % of Acquisition of Non-financial assets(net)	44.78	63.73	23.32	22.03	31.30
7. Net Short-Term Borrowing as % of Acquisition of non-financial assets(net)	-23.18	1.32	2.23	-59.77	21.68
8. Revenue as % of GDP at Current Market Prices[1]	23.60	23.27	23.88	25.66	22.32
9. Total Government Expenditure as % of GDP at Current Market Prices[1]	29.79	30.43	31.20	35.88	31.20
10. Net lending/Borrowing as % of GDP at Current Market Prices[1]	0.20	-1.72	-1.59	-2.66	-2.31

* Provisional

\+ Revised Estimates

[1] Data series revised

6.5. Table 6.3 provides comparison between the budgeted estimates and actual out-turns of revenue and expenditure for the period between 2005/06 and 2008/09. In the year under review, the revised estimates of recurrent revenue are expected to decrease from the original printed estimates by KSh 815.6 million. Actual recurrent expenditure is expected to marginally surpass the budgeted estimates by KSh 1.9 billion while development expenditure is expected to exceed the actual out-turns by KSh 11.3 billion in 2008/09. This can be explained by a general increase in allocation of funds towards infrastructure development especially expenditure on roads construction and geothermal exploration.

Table 6.3: Comparison of Central Government Budget Estimates with Actual Out-turns, 2005/06 -2008/09

KSh Million

	2005/06			2006/07		
	Budget	Actual	Difference	Budget	Actual	Difference
Recurrent Revenue	311,846.84	309,416.00	-2,430.84	373,521.51	371,989.05	-1,532.46
Recurrent Expenditure++	404,605.78	370,209.35	-34,396.43	432,423.23	402,248.42	-30,174.81
Recurrent Balance	-92,758.94	-60,793.35	31,965.59	-58,901.72	-30,259.37	28,642.35
Development Expenditure	104,112.09	62,381.93	-41,730.16	113,106.95	106,597.10	-6,509.85
External Financing (Net)**	56,841.54	21,286.00	-35,555.54	63,733.25	13,102.00	-50,631.25
Balance for Domestic Financing (Net)	-140,029.49	-101,889.28	38,140.21	-108,275.42	-123,754.47	-15,479.05
	2007/08*			2008/09+		
	Budget	Actual	Difference	Budget	Actual	Difference
Recurrent Revenue	441,466.55	443,084.98	1,618.43	516,627.50	515,811.91	-815.59
Recurrent Expenditure++	512,322.37	497,634.27	-14,688.10	563,589.32	565,495.86	1,906.54
Recurrent Balance	-70,855.82	-54,549.29	16,306.53	-46,961.82	-49,683.94	-2,722.13
Development Expenditure	201,676.06	160,446.11	-41,229.95	196,225.19	207,509.67	11,284.48
External Financing (Net)**	59,672.00	31,824.00	-27,848.00	59,013.50	59,013.50	0.00
Balance for Domestic Financing (Net)	-212,859.88	-183,171.40	29,688.48	-184,173.50	-198,180.11	-14,006.61

Source: MoF

* Provisional.

** Includes external grants.

\+ Revised Estimates

++ Recurrent expenditure consists of current expenditure , Acquisition of Non financial assets(net) and Consolidated Fund Service from the Reccurrent- Estimates

6.6. Details of Government receipts for the fiscal period between 2004/05 and 2008/09 are presented in Table 6.4. Reforms in tax administration instituted by the Government continue to yield benefits, with the total receipts expected to rise by 16.4 per cent from KSh 443.1 billion in 2007/08 to KSh 515.8 billion in 2008/09. All categories of tax revenue are expected to increase except taxes on "use of goods and on permission to use the goods or to perform services and activities", which is expected to decline by 6.8 per cent to KSh 3.0 billion during the review period. Income tax (PAYE), corporate tax, Value Added Tax (VAT) and excise duty are expected to rise by 18.1, 16.7, 16.4 and 13.4 per cent in 2008/09 respectively. Taxes on income, profits and capital gains, VAT, excise duty and taxes on international trade transactions accounted for 37.6, 26.0, 14.1 and 10.1 per cent of the total receipts in 2008/09.

Table 6.4: Central Government Gross Receipts on Reccurent Account[1], 2004/05-2008/09

KSh Million

	2004/05	2005/06	2006/07	2007/08*	2008/09+
Taxes on income, Profits and Capital gains	99,312.48	114,629.06	130,719.00	165,155.00	193,959.00
Income Tax from individuals(P.A.Y.E)	52,928.18	60,484.93	69,575.00	85,169.00	100,620.00
Income Tax from corporations(other income tax)	46,384.29	54,144.13	61,144.00	79,986.00	93,339.00
Taxes on property	192.34	189.59	253.06	301.59	351.33
Immovable property	6.55	10.59	27.06	25.28	29.46
Financial and capital transactions	185.79	179.00	226.00	276.32	321.88
Taxes from VAT	75,995.66	79,925.91	96,497.01	115,016.50	133,882.55
VAT on domestic goods and services	43,128.24	46,093.32	51,341.01	59,829.50	70,983.55
VAT on imported goods and services	32,867.42	33,832.59	45,156.00	55,187.00	62,899.00
Taxes on other goods and services	57,490.46	61,709.65	76,111.19	88,836.37	103,309.33
Excise taxes	44,151.22	46,645.62	56,123.00	64,289.00	72,925.00
Taxes on specific services	594.14	6.38	12.54	0.00	0.00
Taxes on use of goods and on permission to use the goods or to perform services and activities	1,618.82	2,122.30	1,099.35	3,214.78	2,997.74
Royalties	440.28	354.35	401.72	443.02	537.87
Taxes on goods and services collected as AIA	10,686.00	12,161.00	18,016.00	20,592.00	26,549.72
Other taxes on goods and services	0.00	420.01	458.59	297.57	299.00
Taxes on international Trade Transactions	30,831.72	29,861.43	40,235.00	46,949.00	52,051.00
Custom duties	23,531.72	20,511.43	27,927.00	33,403.00	36,459.00
Other taxes on international trade and transactions	7,300.00	9,350.00	12,308.00	13,546.00	15,592.00
Other taxes not elsewhere classified	940.00	2,353.23	2,747.87	4,288.62	4,995.73
Total tax evenue	**264,762.64**	**288,668.86**	**346,563.14**	**420,547.09**	**488,548.94**
Social security contributions	558.00	0.00	0.00	1,000.00	1,058.00
Property income	5,741.11	4,423.60	7,352.35	4,329.85	8,044.32
Sale of goods and services	5,907.92	6,868.70	9,635.68	8,851.09	10,898.49
Fines, penalties and forfeitures	200.00	140.00	360.00	141.00	164.50
Repayments from domestic lending and on-lending	1,596.58	915.99	663.20	628.00	651.29
Other receipts not elsewhere classified	7,056.45	8,398.84	7,414.68	7,587.95	6,446.37
Total non-tax evenue	**21,060.06**	**20,747.14**	**25,425.91**	**22,537.89**	**27,262.97**
TOTAL REVENUE	**285,822.70**	**309,416.00**	**371,989.05**	**443,084.98**	**515,811.91**

Source: Ministry of Finance

* Provisional

\+ Revised Estimates

[1] This account refers to current receipts as well as A in A which is distributed under various heads including

6.7. Table 6.5 presents import duty collection for selected commodities categorized by end use between 2004 and 2008. Receipts from import duty registered a 6.3 per cent increase in 2008 from KSh 27.6 billion in 2007. The highest increase in receipts was recorded in fuels at 32.6 per cent followed by chemicals at 20.8 per cent. On the other hand, metals, textiles, and food, drinks and tobacco recorded declines in receipts of 6.3, 2.7 and 2.4 per cent respectively.

Table 6.5: Central Government Import Duty Collections for Selected Items[1], 2004 - 2008[2]

KSh Million

END-USE CATEGORY	2004	2005	2006	2007	2008*
Food, drinks and tobacco	4,735.76	5,429.06	6,293.43	5,544.30	5,408.49
Basic materials	942.29	889.92	1,346.53	1,552.55	1,818.21
Fuels	508.31	551.58	548.86	523.65	694.34
Chemicals	1,012.91	2,183.40	1,084.09	1,062.84	1,283.50
Textiles	619.12	512.92	664.21	874.87	851.66
Semi-manufactures	1,551.77	1,384.42	1,499.40	1,783.89	1,882.74
Metals	1,240.82	1,177.85	1,317.05	2,105.84	1,972.63
Transport Equipment	5,621.52	3,787.79	5,049.44	7,009.68	7,904.23
Machinery	2,865.89	2,567.76	3,044.90	3,984.28	4,261.83
Miscellaneous commodities	2,082.83	1,907.19	2,328.25	3,172.18	3,283.60
**TOTAL .. ..

6.9. Details of Central Government financing on acquisition of non-financial assets during the period between 2004/05 and 2008/09 are presented in Table 6.7. Expenditure on acquisition of non financial assets is expected to increase from KSh 73.8 billion in 2007/08 to KSh 144.5 billion in 2008/09. After recording a decline in 2007/08, financing of non-financial assets is expected to increase more than three fold in 2008/09. External loans and grants which form part of long term financing are expected to increase significantly from KSh 6.3 billion and KSh 25.5 billion in 2007/08 to KSh 25.2 billion and KSh 33.8 billion in 2008/09 respectively.

Table 6.7: Central Government Financing of Non-financial Assets , 2004/05- 2008/09

KSh Million

	2004/05	2005/06	2006/07	2007/08*	2008/09+
EXPENDITURE:					
Acquisition of Non-financial Assets(net)	31,888.68	33,401.26	56,181.45	73,820.67	144,485.54
TOTAL	**31,888.68**	**33,401.26**	**56,181.45**	**73,820.67**	**144,485.54**
FINANCING:	7,608.00	49,537.28	67,763.00	27,963.00	96,856.50
LONG TERM FINANCING	14,999.00	49,096.51	66,510.00	72,088.00	65,538.50
External Loans (Net)	-625.00	1,216.00	-2,392.00	6,325.00	25,221.20
External Grants	14,905.00	20,070.00	15,494.00	25,499.00	33,792.30
Long-Term Domestic Borrowing (Net)	719.00	27,810.51	53,408.00	40,264.00	6,525.00
SHORT TERM BORROWING:	-7,391.00	440.77	1,253.00	-44,125.00	31,318.00
Treasury Bills (Net)	6,497.00	21,754.41	-625.00	-18,209.00	15,637.00
Other Short-Term Borrowing (Net) ..	-13,888.00	-21,313.64	1,878.00	-25,916.00	15,681.00
CHANGE IN CASH BALANCES[1]: Increase=(-)	24,280.68	-16,136.02	-11,581.55	45,857.67	47,629.04
TOTAL	**31,888.68**	**33,401.26**	**56,181.45**	**73,820.67**	**144,485.54**

Source: CBK and MoF

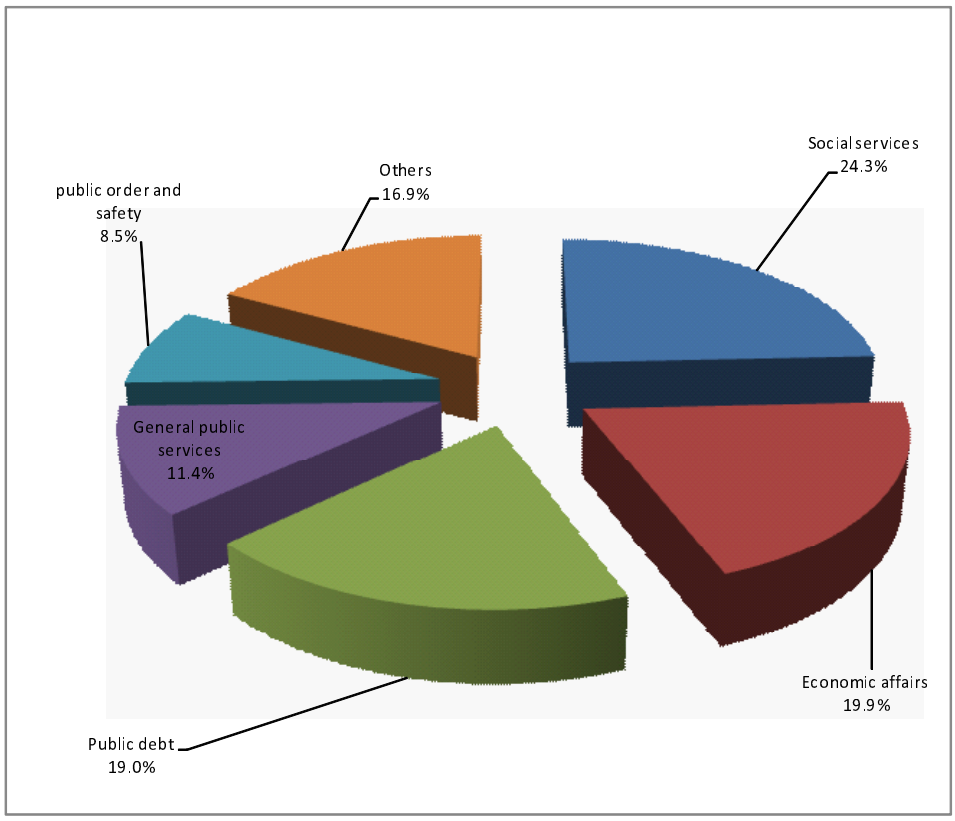
* Provisional.

\+ Estimates

[1] Balancing Item

6.10. Table 6.8 provides the Classification of Expenditure by Functions of Government (COFOG) for the fiscal period between 2005/06 and 2008/09. The total expenditure is expected to increase from KSh 658.1 billion in 2007/08 to KSh 773.0 billion in 2008/09. Recurrent expenditure is expected to increase from KSh 497.6 billion in 2007/08 to KSh 565.5 billion in 2008/09. Similarly, development expenditure is expected to increase from KSh 160.4 billion to KSh 207.5 billion over the same period. Allocation for economic affairs is expected to increase by 55.7 per cent predominantly due to increased allocation in agriculture and infrastructure development. Specifically, funding of the transport sector is expected to rise from KSh 45.7 billion to KSh 68.6 billion in the review period due to increased allocation for roads construction. In the energy sector, expenditure is expected to increase from KSh 13.6 billion in 2007/08 to KSh 36.0 billion in 2008/09 on account of expenditure on geothermal resource exploration, rural electrification program and expansion of the national grid. Development expenditure on agriculture more than doubled partly due to allocation for procurement of fertilizer to enhance agricultural productivity.

Figure 6.1: Proportion of Expenditure by Functions of Government (COFOG) 2008/09



6.11. Despite recording notable growth in absolute terms, the ratio of expenditure on the social services (which comprises education and health) to the total expenditure remained at 24.3 per cent as shown in Figure 6.1. In the education sector, expenditure is expected to increase by 21.4 per cent to KSh 151.7 billion in 2008/09. In this sector, tertiary institutions are expected to benefit greatly in the year under review with their funding expected to grow by 80.0 per cent to KSh 34.4 billion in 2008/09. Analogously, expenditure in the health sector is expected to rise by 19.3 per cent to KSh 36.1 billion in 2008/09 due to increased provision for hospital and public health services.

6.12. Expenditure on social protection is expected to increase by 50.3 per cent to KSh 45.0 billion in 2008/09. The increase is partly attributable to increased allocation for emergency food supplies in response to the prevailing drought, and expenditures towards relief, rehabilitation and resettlement of the Internally Displaced Persons (IDPs). The proportion of economic affairs, public debt, general public services and public order and safety sectors are 19.9, 19.0, 11.4 and 8.5 per cent in 2008/09, respectively.

Table 6.8: Classification of Government Expenditures by Functions of Government (COFOG), 2005/06-2008/09

KSh Million

	2005/06			2006/07			2007/08*			2008/09+		
	Recurrent Account	Development Account	Total	Recurrent Account	Development Account	Total	Recurrent Account	Development Account	Total	Recurrent Account	Development Account	Total
General public services	35,232.17	18,956.03	54,188.20	35,489.62	17,208.33	52,697.95	51,437.00	65,883.63	117,320.63	48,323.45	38,616.48	86,939.93
Public debt transactions	101,472.58	0.00	101,472.58	109,215.33	20,500.00	129,715.33	135,618.73	0.00	135,618.73	147,769.26	0.00	147,769.26
Transfers of general character between levels of Govt	5,507.24	0.00	5,507.24	6,865.85	0.00	6,865.85	9,329.67	0.00	9,329.67	10,271.57	0.00	10,271.57
Defense	25,608.64	0.00	25,608.64	25,122.90	0.00	25,122.90	36,741.86	0.00	36,741.86	41,209.46	0.00	41,209.46
Public order and safety	36,888.14	2,916.01	39,804.15	38,129.85	3,661.06	41,790.91	45,690.65	4,134.36	49,825.01	58,811.03	6,611.50	65,422.53
Economic affairs	25,311.95	24,176.69	49,488.64	32,044.75	39,376.01	71,420.75	43,586.28	55,451.56	99,037.84	49,800.58	104,402.80	154,203.38
General economic, commercial & labour affairs	8,050.81	1,961.84	10,012.65	10,654.94	3,539.25	14,194.19	7,862.51	9,225.56	17,088.06	11,380.55	5,448.20	16,828.75
Agriculture, forestry, fishing, and hunting	6,839.05	3,081.22	9,920.27	8,987.77	5,153.85	14,141.61	14,011.70	6,448.59	20,460.30	13,537.61	14,794.21	28,331.83
Fuel and energy	885.95	8,397.56	9,283.52	512.15	8,460.55	8,972.70	95.77	13,537.75	13,633.52	656.76	35,304.76	35,961.52
Mining, manufacturing, and construction	91.98	29.02	121.00	129.83	24.14	153.98	436.22	99.67	535.89	716.67	74.22	790.89
Transport	8,469.50	10,229.55	18,699.05	10,632.80	20,473.15	31,105.95	19,899.97	25,777.70	45,677.67	21,497.75	47,054.74	68,552.49
Communication	46.31	76.54	122.85	27.01	117.93	144.94	39.91	0.00	39.91	40.08	228.46	268.54
Other industries	928.36	400.95	1,329.31	1,100.25	1,607.15	2,707.39	1,240.20	362.29	1,602.49	1,971.17	1,498.20	3,469.37
Environmental protection	2,615.79	1,148.76	3,764.55	3,201.55	1,843.39	5,044.94	2,600.99	3,198.35	5,799.34	2,846.07	3,550.66	6,396.73
Housing and community amenities	2,851.53	3,256.44	6,107.97	3,161.06	5,139.80	8,300.86	3,923.77	9,700.59	13,624.36	5,609.77	16,055.04	21,664.81
Health	19,479.22	3,484.58	22,963.79	21,259.88	6,257.80	27,517.68	23,610.52	6,672.02	30,282.54	27,303.11	8,818.79	36,121.90
Outpatient services	3,230.55	916.90	4,147.45	3,181.37	1,358.53	4,539.90	2,960.38	1,356.19	4,316.57	2,224.26	700.45	2,924.71
Hospital services	13,523.05	702.78	14,225.83	15,077.69	2,118.96	17,196.65	16,633.24	440.11	17,073.35	20,796.56	2,456.41	23,252.97
Public health services	818.78	1,624.68	2,443.46	1,106.62	2,570.39	3,677.01	1,545.57	3,493.72	5,039.29	1,912.44	5,374.67	7,287.11
Health expenditure not elsewhere classified	1,906.84	240.22	2,147.06	1,894.20	209.93	2,104.12	2,471.32	1,382.01	3,853.33	2,369.85	287.26	2,657.12
Recreation, culture and religion	2,585.88	362.21	2,948.09	2,531.08	1,555.50	4,086.57	2,575.56	3,071.08	5,646.64	3,399.80	2,898.33	6,298.12
Education	89,204.84	6,822.59	96,027.43	100,490.76	8,748.15	109,238.90	114,014.46	10,894.13	124,908.59	130,572.13	21,104.72	151,676.86
Administration	63,690.32	3,806.15	67,496.47	71,543.74	1,596.03	73,139.78	79,292.88	1,945.14	81,238.02	83,976.78	1,868.35	85,845.13
Pre-primary and primary education	5,540.36	1,427.62	6,967.98	6,767.07	4,321.66	11,088.73	7,889.88	6,727.86	14,617.73	7,213.55	6,996.30	14,209.85
Secondary education	2,755.08	175.27	2,930.35	2,223.43	213.11	2,436.54	8,867.04	165.00	9,032.04	14,425.69	988.15	15,413.84
Tertiary education	16,477.31	1,287.36	17,764.67	18,874.05	1,608.34	20,482.39	17,353.93	1,756.53	19,110.46	24,349.99	10,056.41	34,406.40
Education expenditure not elsewhere classified	741.77	126.18	867.95	1,082.46	1,009.00	2,091.46	610.74	299.60	910.34	606.12	1,195.51	1,801.63
Social protection	23,451.36	1,258.61	24,709.97	24,735.81	2,307.06	27,042.87	28,504.78	1,440.38	29,945.16	39,579.63	5,451.36	45,030.98
TOTAL OUTLAYS[1]	**370,209.34**	**62,381.91**	**432,591.26**	**402,248.42**	**106,597.10**	**508,845.52**	**497,634.27**	**160,446.11**	**658,080.38**	**565,495.86**	**207,509.67**	**773,005.53**

Source: MoF

* Provisional

\+ Revised estimates

[1]Total in this Table vary with that in Table 6.9 by Disposal of Non financial Assets

Table 6.9: Central Government Economic Analysis of Expenditure, 2004/05-2008/09

KSh Million

	2004/05	2005/06	2006/07	2007/08*	2008/09+
EXPENSE					
CONSUMPTION EXPENDITURE ON GOODS AND SERVICES:					
Compensation of employees	116,541.60	135,924.33	145,590.39	168,667.87	186,568.73
Use of Goods and Services	56,229.73	66,864.41	64,965.67	89,804.51	104,959.45
TOTAL	172,771.33	202,788.75	210,556.06	258,472.38	291,528.18
SUBSIDIES	250.00	420.52	45.48	33.10	37.12
INTEREST:	26,767.17	31,453.19	38,997.39	43,839.39	56,105.77
Domestic	22,196.82	26,988.10	34,250.21	38,367.04	48,862.07
Foreign	4,570.35	4,465.09	4,747.17	5,472.36	7,243.70
GRANTS TO:					
International organisations	68.32	1,319.17	1,436.90	1,306.96	1,387.80
General Government units	46,027.18	51,148.25	55,558.17	75,486.74	86,983.86
Other Grants	97.67	0.00	4,886.46	6,927.31	8,475.39
TOTAL GRANTS	46,193.17	52,467.42	61,881.52	83,721.01	96,847.05
Social benefits	13,866.24	14,420.61	27,338.05	24,764.14	38,025.72
Other expense	0.00	1,629.94	960.00	1,445.86	5,155.00
Total current expenditure	259,847.90	303,180.42	339,778.50	412,275.89	487,698.83
Capital Grants(TRANSFERS)	6,389.27	17,224.51	17,427.04	31,007.22	36,314.80
1. Total Expense	266,237.17	320,404.93	357,205.53	443,283.11	524,013.63
2. Acquisition of Non-financial Assets(net)	31,888.68	33,401.26	56,181.45	73,820.67	144,485.54
Building and structures	22,181.22	19,271.09	36,125.11	52,160.86	94,493.60
Machinery and equipment	8,701.93	10,492.96	12,272.72	14,967.57	36,557.22
Inventories	0.00	1,710.04	2,306.60	4,564.09	7,639.00
Valuables	0.00	0.00			
Non- produced assets	1,170.14	3,773.08	8,067.38	5,081.38	8,704.55
Less Disposal of Non-financial assets	-164.62	-1,845.92	-2,590.36	-2,953.23	-2,908.83
Equity Partcipation and on-lending	..	1,392.38	1,915.18	46,244.04	9,933.90
3 PUBLIC DEBT REDEMPTION	81,539.76	75,546.78	90,952.99	91,779.34	91,663.49
4 Total Expenditure (1+2+3)	379,665.61	430,745.35	506,255.16	655,127.16	770,096.56

Source: MoF

* Provisional.

\+ Revised Estimates

Total Expenditure =Expense+Acquisition of Non Financial Assets(net)+ Public debt redemption

6.13. As shown in Table 6.9, total expense is expected to increase from KSh 443.3 billion in 2007/08 to 524.0 billion in 2008/09. The share of expenditure on consumption of goods and services to total expenditure is expected to decline from 39.5 per cent in 2007/08 to 37.9 per cent in 2008/09. Government spending on compensation of employees and use of goods and services is expected to increase by 10.6 and 16.9 per cent respectively. At the same time, the cost of acquisition of non-financial assets is expected to record significant growth from KSh 73.8 billion to KSh 144.5 billion. The anticipated increase in expenditure on acquisition of non-financial assets is largely as a result of higher allocation on infrastructure development such as buildings, structures and equipments. Outlays on interest payments are expected to increase from KSh 43.8 billion to KSh 56.1 billion in the period under review.

6.14. As shown in Table 6.10, the stock of outstanding public debt as at end June 2008 was KSh 748.5 billion, composed of KSh 335.0 billion owed domestically and KSh 413.5 billion owed to the rest of the world. Overall, public debt grew by 4.6 per cent in 2008 with external and domestic debt recording increases of 4.1 and 5.2 per cent respectively.

Table 6.10: Central Government Public Debt, 2004- 2008

KSh Million

As at 30th June	Public Debt[1]								
	Stocks			Other debt			Total		
	External	Internal	Total	External	Internal	Total	External	Internal	Total
2004	..	1,057.98	1,057.98	443,157.00	253,589.02	696,746.01	443,157.00	254,647.00	697,804.00
2005	..	1,057.98	1,057.98	434,453.00	252,443.02	686,896.01	434,453.00	253,501.00	687,954.00
2006	..	1,057.98	1,057.98	431,236.74	285,393.02	716,629.76	431,236.74	286,451.00	717,687.74
2007	..	754.68	754.68	397,138.75	317,647.44	714,786.19	397,138.75	318,402.12	715,540.87
2008*	..	754.68	754.68	413,460.29	334,241.45	747,701.73	413,460.29	334,996.13	748,456.41

Source: MoF/ Debt Management Dept and CBK

* Provisional

[1] Includes Short Term Borrowing.

6.15. The external debt increased from KSh 397.1 billion as at end-June 2007 to KSh 413.5 billion one year later as shown in Table 6.11. The outstanding external debt owed to multilateral and bilateral sources as at end June 2008 were KSh 286.8 billion and KSh 126.7 billion respectively. Japan, France and Germany remained the main creditors, jointly accounting for 67.8 per cent of the bilateral outstanding debt. Outstanding debt owed to Japan decreased significantly from KSh 67.0 billion as at June 2007 to KSh 47.3 billion as at June 2008. The leading source of credit among the international organizations continued to be IDA/IFAD accounting for 72.1 per cent of the multilateral outstanding debt. Credit owed to ADF/ADB and IMF respectively registered absolute increases of KSh 8.3 billion and KSh 10.1 billion in 2008. Domestic debt increased for the third year running, to stand at KSh 335.0 billion in 2008. Outstanding domestic debt acquired through Treasury bills recorded a decline of 18.6 per cent from KSh 94.4 billion in 2007 to KSh 76.8 billion in 2008. Credit through treasury bonds recorded 15.8 per cent increase from KSh 272.2 billion in 2007 to KSh 315.2 billion in 2008. Marginal decline was also recorded in non-interest bearing debt from KSh 35.5 billion in 2007 to KSh 34.4 billion in 2008. Figure 6.2 shows the proportion of outstanding public debt by source.

Figure 6.2: Proportion of Outstanding Public Debt as at end June 2008 by Source

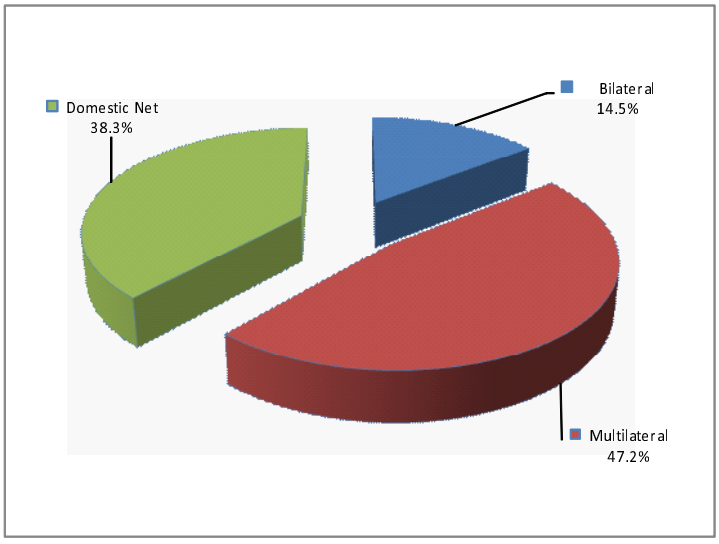


Table 6.11: Central Government Outstanding Debt by Source, 2004 - 2008

KSh Million

Outstanding as at 30th June	2004	2005	2006	2007	2008
EXTERNAL DEBT:					
Lending Countries:					
Germany	11,482.58	12,926.76	13,910.02	13,186.22	15,763.94
Japan	88,652.17	84,550.11	79,463.94	66,963.44	47,266.50
France	16,831.19	18,085.88	18,642.98	18,487.06	22,903.00
U.S.A.	6,241.99	6,050.72	5,842.30	4,719.11	4,461.31
Netherlands	4,420.05	2,205.39	2,752.03	2,369.54	2,317.83
Denmark	2,195.37	2,362.37	2,392.28	2,146.56	2,336.03
Finland	257.89	134.12	160.17	117.81	120.11
Other	36,791.95	31,353.27	31,713.48	29,900.79	31,524.81
Total	166,873.18	157,668.62	154,877.20	137,890.53	126,693.53
International Organisations:					
I.D.A / I.F.A.D	212,607.38	210,098.84	204,306.43	190,873.70	206,633.48
I.B.R.D	33.26	38.10	0.00	0.00	0.00
O.P.E.C.	82.24	76.27	411.51	589.06	587.17
E.E.C/ E.I.B.	9,199.34	8,458.82	13,334.94	10,011.30	11,234.75
I.M.F.	7,913.11	13,107.36	11,407.81	7,408.14	17,547.72
Badea	371.00	9.22	251.93	372.74	560.12
A.D.F/ A.D.B.	24,692.00	23,623.74	25,836.80	21,858.33	30,134.66
Others	21,385.49	21,372.03	20,810.12	28,134.95	20,068.86
Total	276,283.82	276,784.38	276,359.54	259,248.22	286,766.76
Total External	443,157.00	434,453.00	431,236.74	397,138.75	413,460.29
INTERNAL DEBT:					
Treasury Bills[1]	62,937.00	71,938.00	94,776.00	94,422.26	76,848.15
Treasury Bonds	188,626.00	193,367.00	218,357.33	272,199.74	315,189.66
Non Interest bearing debt	36,917.00	35,917.00	35,548.76	35,548.76	34,438.00
Others(includes stocks)	20,086.00	16,580.00	9,156.67	2,519.36	7,082.32
Less govt deposits & on-lending	-53,919.00	-64,301.00	-71,388.00	-86,288.00	-98,562.00
TOTAL INTERNAL(net)	254,647.00	253,501.00	286,450.76	318,402.12	334,996.13
TOTAL UNFUNDED DEBT	697,804.00	687,954.00	717,687.50	715,540.87	748,456.41

Source: MoF/ Debt Management Dept. and CBK

[1] Excludes Repo Bills

6.16. Table 6.12 presents the Government stocks at book value by holders as at 30th June for the period between 2004 and 2008. The total outstanding stocks stagnated at KSh 0.8 billion after dropping from KSh 1.1 billion in 2006. The stagnation is associated with non-maturity of the stocks during the period. The outstanding stocks owed to NSSF accounted for over 54.2 per cent of the total stocks as at end June 2008.

Table 6.12: Government Stocks at Book Value by Holders on Local Register as at 30th June, 2004-2008

KSh Million

	2004	2005	2006	2007	2008
PUBLIC BODIES:					
National Social Security Fund	408.80	408.80	408.80	408.80	408.80
Central Government	615.58	615.58	615.58	316.10	316.10
Local Government	1.00	1.00	1.00	1.00	1.00
Other Public Sector	2.20	2.20	2.20	2.00	2.00
OTHER INTERNAL:					
Commercial Banks	28.68	28.68	28.68	25.78	25.78
Insurance Companies	1.70	1.70	1.70	1.00	1.00
Private Individuals	0.03	0.03	0.03	0.00	0.00
TOTAL	1,057.98	1,057.98	1,057.98	754.68	754.68

Source: CBK

6.17. Debt servicing charges for the fiscal periods between 2003/04 and 2007/08 is presented in Table 6.13. The net debt servicing charges increased from KSh 128.3 billion in 2006/07 to KSh 134.4 billion in 2007/08. The net external debt servicing charges increased by 27.5 per cent to KSh 22.8 billion in 2007/08. Net domestic debt servicing charges increased by a paltry 1.0 per cent in the same period. Receipts from loan repayments dropped by 21.3 per cent to KSh 1.3 billion in 2007/08.

Table 6.13: Central Government Debt Servicing Charges, 2003/04 - 2007/08

KSh Million

Year ending	Annual Debt Servicing Charges[1]			Interest and Loan Repayment Receipts			Net Servicing Charges		
30th June	External	Internal	Total	External	Internal	Total	External	Internal	Total
2003/04	26,734.61	87,644.52	114,379.13	..	719.40	719.40	26,734.61	86,925.12	113,659.73
2004/05	15,922.28	92,384.65	108,306.93	..	1,596.58	1,596.58	15,922.28	90,788.07	106,710.35
2005/06	17,008.53	89,991.44	106,999.97	..	915.99	915.99	17,008.53	89,075.45	106,083.98
2006/07	17,894.09	112,056.29	129,950.38	..	1,606.20	1,606.20	17,894.09	110,450.09	128,344.18
2007/08*	22,822.89	112,795.85	135,618.73	..	1,264.25	1,264.25	22,822.89	111,531.59	134,354.48

Source: MoF

* Provisional

[1] Annual debt servicing Charges =Public debt redemption (Table 6. 1)+Interest(Table 6.9)

6.18. The relationship between Government debt service charges on external debt and exports of goods and services between 2004 and 2008 are presented in Table 6.14. The debt servicing charges on external debt rose from KSh 17.9 billion in 2007 to KSh 22.8 billion in 2008. Exports of goods and services increased by 20.6 per cent from KSh 475.5 billion to KSh 573.5 billion in the same period. Consequently, the debt servicing charges as a per cent of the exports of goods and services increased from 3.8 per cent in 2007 to 4.0 per cent in 2008.

Table 6.14: Central Government Debt Service Charges on External Debt related to Exports of Goods and Services, 2004-2008

	Debt Service Charges on External Debt[1] (Financial Year)	Exports of Goods and Services (Calendar Year)	External Debt Service Charges as a Percentage of Exports of Goods and Services
	KSh Million	KSh Million	
2004	26,734.61	339,061.00	7.88
2005	15,922.28	403,628.00	3.94
2006	17,008.53	428,695.00	3.97
2007	17,894.09	475,455.00	3.76
2008*	22,822.89	573,501.00	3.98

Source: MoF and KNBS

* Provisional.

[1] Including debt redemption, however, interest payments on drawing on IMF are excluded.

6.19. Local Authorities: The Central Government continued to transfer resources through the LATF mechanism to the local authorities. The fund aims at among others improving service delivery, financial management, and debt resolutions within the local authorities. As presented in Table 6.15, the Central Government is expected to transfer KSh 9.3 billion to local authorities in 2008/09 through LATF reflecting a 12.1 per cent rise. In 2008/09 the County Councils is expected to receive 46.5 per cent of the LATF funds while Municipal Councils, Nairobi City Council and Town Councils received 24.9, 18.7 and 9.9 per cent respectively. The share of funds to different categories of local authorities during the year under review was not significantly different from the levels of the previous years. Figure 6.3 presents trends of funds transferred to local authorities through LATF.

Table 6.15: Central Government Transfer through LATF to Local Authorities, 2004/05 - 2008/09

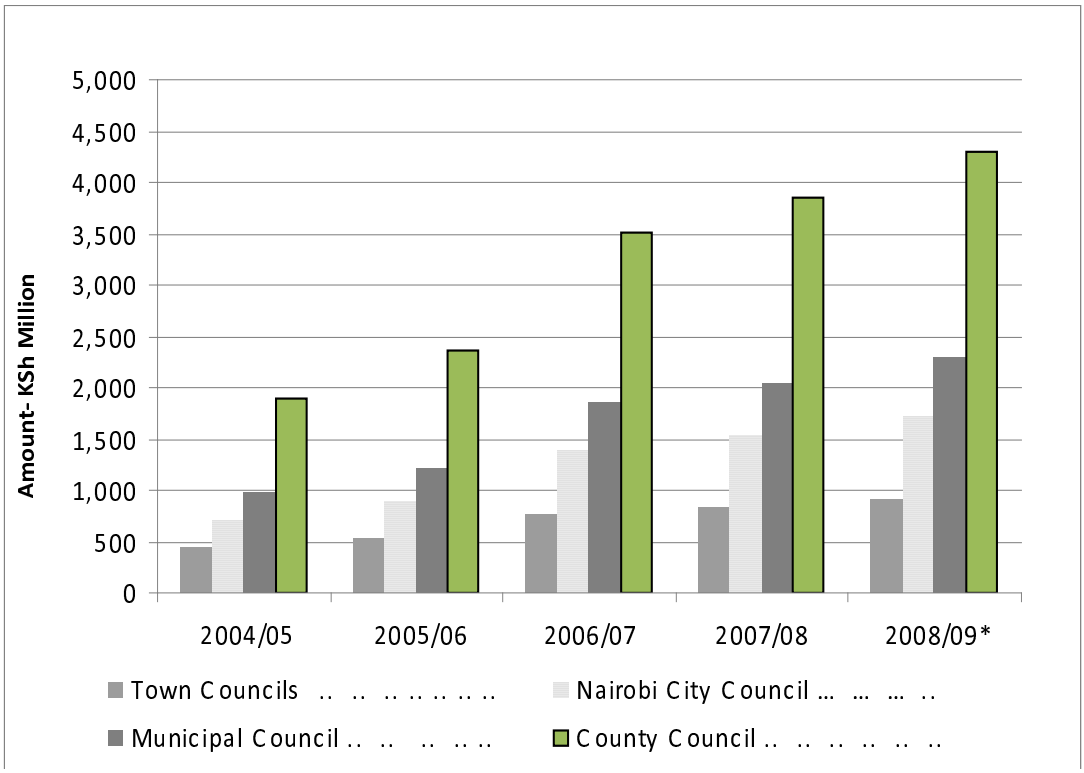
KSh Million

	2004/05	2005/06	2006/07	2007/08	2008/09*
Nairobi City Council	691.80	889.45	1,383.56	1,531.80	1,729.45
Municipal Councils	969.83	1,211.62	1,857.00	2,047.11	2,300.59
County Councils	1,900.28	2,356.68	3,503.13	3,846.60	4,304.56
Town Councils	438.09	527.95	756.30	824.49	915.41
TOTAL	4,000.00	4,985.69	7,500.00	8,250.00	9,250.00

Source: Ministry of Local Government /Kenya Local Government Reform Programme (KLGRP)

* Provisional

Figure 6.3: Trends of funds Transfered to Local Authorities through LATF 2004/05-2008/09



6.20. Expenditure by category of local authorities for the period between 2004/05 and 2008/09 is presented in Table 6.16. The total budgeted expenditure for all local authorities was KSh 27.6 billion in 2008/09, recording a 20.9 per cent increase from previous financial year. During the period, expenditure by the Nairobi City Council, other Cities and Municipal Councils, Towns and County Councils are expected to rise by 18.2, 21.6 and 23.0 per cent respectively. Towns and County Councils accounted for the highest proportion (35.4 per cent) closely followed by Nairobi City Council at 34.6 per cent as shown in Figure 6.4.

Table 6.16: Expenditure by Category of Local Authorities, 2004/05- 2008/09

KSh Million

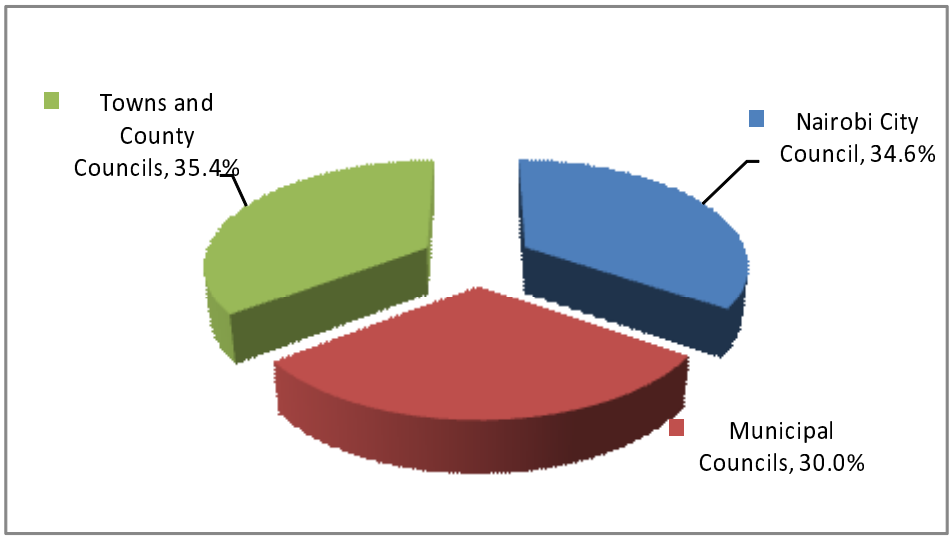
	Local Authorities				
	Nairobi City Council	Other Cities & Municipal Councils	Sub-Total	Town and County Councils	Total
2004/05	4,259.24	4,176.69	8,435.93	4,910.77	13,346.70
2005/06	4,981.81	4,699.58	9,681.39	5,841.19	15,522.58
2006/07	6,674.74	5,984.81	12,659.55	7,520.39	20,179.94
2007/08*	8,069.90	6,805.05	14,874.95	7,933.98	22,808.93
2008/09+	9,540.86	8,272.92	17,813.78	9,762.62	27,576.39

Source: Local Authorities

* Provisional

\+ Estimates

Figure 6.4: Proportion of Expenditure by Category of Local Authoritities 2008/09



6.21. Expenditure for Municipal Councils on main services for the period between 2004/05 and 2008/09 is shown in Table 6.17. The total expenditure increased by 19.8 per cent to KSh 17.8 billion in 2008/09. Expenditure on administration accounted for 23.7 and 23.3 per cent, in 2007/08 and 2008/09 respectively. Expenditure on economic services in 2008/09 accounted for 35.0 per cent as social services and community services accounted for 21.2 and 20.5 per cent respectively. The highest growth in expenditure was recorded on community services which recorded 30.4 per cent. Similarly, expenditure on social services, administration and economic services recorded growths of 20.5, 18.0 and 15.0 per cent respectively.

Table 6.17: Municipal[1] Councils-Current and Capital Expenditure on Main Services, 2004/05- 2008/09

KSh Million

		2004/05	2005/06	2006/07	2007/08*	2008/09+
ADMINISTRATION ……		2,466.10	2,447.79	3,100.77	3,520.22	4,153.75
COMMUNITY SERVICES:	Roads ……	826.16	866.81	1,114.22	1,431.89	1,915.22
	Sanitation ……	569.70	646.41	845.26	921.23	1,145.96
	Other ……	197.20	245.93	386.96	443.65	586.96
	Total ……	1,593.06	1,759.15	2,346.44	2,796.76	3,648.14
SOCIAL SERVICES	Education ……	569.30	685.66	981.20	1,061.83	1,347.52
	Health ……	917.80	1,105.64	1,314.98	1,481.88	1,779.62
	Other ……	247.80	362.63	474.18	597.49	657.95
	Total ……	1,734.90	2,153.93	2,770.36	3,141.19	3,785.09
ECONOMIC SERVICES:	General Administration ……	583.70	704.79	1,021.60	1,201.59	1,398.36
	Water Undertaking ……	1,143.90	1,592.14	2,081.91	2,760.96	3,109.36
	Housing Estates(including staff housing)……	492.32	513.84	671.91	752.16	892.69
	Other ……	421.95	509.75	666.56	702.07	826.40
	Total ……	2,641.87	3,320.52	4,441.98	5,416.78	6,226.80
TOTAL EXPENDITURE ……		8,435.93	9,681.39	12,659.55	14,874.95	17,813.78

Source: Local Authorities

* Provisional

\+ Estimates

[1] Includes Nairobi City Council

6.22. Table 6.18 depicts the economic analysis of expenditure for Municipal Councils, including Nairobi City Council from 2004/05 to 2008/09. The share of current to total expenditure is expected to decline marginally from 69.5 per cent in 2007/08 to 68.5 per cent in 2008/09. Current expenditure increased by 17.9 per cent to KSh 12.2 billion in 2008/09. Expenditure on compensation of employees remained the main expenditure item accounting for 62.1 per cent of the total current expenditure in the review period. In the same period, expenditure on use of goods and services is expected to increase by 25.8 per cent to KSh 4.4 billion. Expenditure on acquisition of non-financial assets are expected to increase by 24.0 per cent to stand at KSh 5.4 billion in 2008/09.

Table 6.18: Municipal Councils[1] - Economic Analysis of Expenditure, 2004/05 - 2008/09

KSh Million

	2004/05	2005/06	2006/07	2007/08*	2008/09+
CURRENT EXPENDITURE:					
Compensation of emplyees	4,517.67	5,356.53	5,403.24	6,638.33	7,577.20
Use of Goods and Services	2,651.85	3,029.01	3,034.23	3,488.07	4,389.52
Transfer to Households & Enterprises	65.40	70.40	83.39	85.69	92.48
Transfer to Funds (Current) ..	53.50	59.93	78.26	82.67	88.64
Interest	31.70	30.48	39.86	45.82	47.44
Total	7,320.12	8,546.35	8,638.98	10,340.58	12,195.27
CAPITAL EXPENDITURE:					
Acquisition of Non financial Assets ..	912.24	1,162.69	3,999.73	4,350.18	5,393.63
Loan Repayment[2]	203.57	172.35	20.84	184.20	224.87
Transfer to Funds (capital)	..	..	..	..	..
Total	1,115.81	1,335.04	4,020.57	4,534.38	5,618.50
TOTAL EXPENDITURE	8,435.93	9,881.39	12,659.55	14,874.96	17,813.77

Source: Local Authorities

* Provisional

\+ Estimates

[1] Includes Nairobi City Council

[2] Includes interest.

6.23. As shown on Table 6.19, the total revenue raised by Municipal Councils, including Nairobi City Council is expected to record a 5.2 per cent drop in 2007/08 to KSh 9.4 billion in 2008/09. The decline was reflected in both current and capital revenue. However, revenue collected from direct taxes and income from property is expected to record 4.0 and 3.3 per cent increases respectively in the review period. The increase in direct taxes is attributable to increased rates collection and contribution in lieu of rates in some local authorities. Receipts from sale of goods and services accounted for a large proportion (34.6 per cent) of current revenue for local authorities declined by 10.7 per cent.

Table 6.19: Municipal Councils[1]- Economic Analysis of Revenue, 2004/05- 2008/09

KSh Million

	2004/05	2005/06	2006/07	2007/08*	2008/09+
CURRENT REVENUE:	**6,224.70**	**7,208.66**	**8,303.03**	**9,407.40**	**8,908.59**
Direct Taxes (Rates[2])	1,674.27	1,696.26	2,050.21	2,365.28	2,459.89
Indirect Taxes (Licences and cesses)	411.97	769.12	853.48	993.68	952.36
Income from property	531.93	726.35	805.65	896.27	926.26
Current Transfers[3]	1,236.84	1,294.58	1,468.37	1,701.17	1,487.52
Sale of goods and services[4]	2,369.69	2,722.35	3,125.32	3,451.00	3,082.56
CAPITAL REVENUE:	**294.62**	**311.77**	**312.95**	**468.26**	**449.37**
Loans Raised	291.52	308.58	309.39	463.99	445.30
Loan Repayment	3.10	3.19	3.56	4.27	4.07
TOTAL REVENUE	**6,519.32**	**7,520.43**	**8,615.98**	**9,875.65**	**9,357.96**

Source: Local Authorities

* Provisional

\+ Estimates

[1] Includes Nairobi City Council

[2] Paid by households and enterprises

[3] Excludes LATF

[4] Includes services charge

6.24. Table 6.20 provides the economic analysis of expenditure and revenue for Towns and County Councils for the fiscal period between 2004/05 and 2008/09. The total expenditure by Town and County Councils is expected to record a 23.0 per cent increase to KSh 9.8 billion in 2008/09 compared to the previous financial year. Expenditure on compensation of employees and use of goods and services accounted for 48.0 and 43.8 per cent of the current expenditure over the same period. Expenditure on acquisition of non-financial assets is expected to register 18.3 per cent increase to KSh 2.8 billion in 2008/09. The share of expenditure on acquisition of non-financial assets to total expenditure however is expected to record a marginal drop from 30.2 per cent in 2007/08 to 29.0 per cent in 2008/09. The total revenue collection declined by 5.2 per cent to KSh 3.4 billion in the same period. Overall, decline in revenue is expected to be recorded in all major categories of receipts except for rates and income from property.

Table 6.20: Town and County Councils- Economic Analysis of Expenditure and Revenue, 2004/05-2008/09

KSh Million

	2004/05	2005/06	2006/07	2007/08*	2008/09+
CURRENT EXPENDITURE:					
Compensation of employees	1,790.07	1,956.87	2,381.53	2,436.50	3,323.52
Use of Goods and Services	1,352.25	1,569.62	2,340.55	2,646.25	3,033.58
Transfer to households & Enterprises	392.54	305.68	336.12	377.63	483.35
Transfer to Funds (Current)	82.09	67.40	70.01	75.26	84.18
Interest	..	..	..	..	..
Total	3,616.95	3,899.57	5,128.21	5,535.64	6,924.63
CAPITAL EXPENDITURE:					
Acquisition of non-finanical Assets	1,278.49	1,937.80	2,390.12	2,393.75	2,831.16
Loan Repayments[1]	15.33	3.82	2.06	4.59	6.83
Transfer to Funds (capital)	..	..	..	..	..
Total	1,293.82	1,941.62	2,392.18	2,398.34	2,837.99
TOTAL EXPENDITURE	4,910.77	5,841.19	7,520.39	7,933.98	9,762.62
CURRENT REVENUE:					
Direct Taxes (Rates[2])	224.11	285.69	502.22	388.72	400.38
Indirect Taxes (Licences and cesses)	305.38	498.17	789.31	765.90	685.91
Income from Property	25.83	39.89	43.58	178.31	200.81
Current Transfers[3]	658.02	798.34	994.78	797.79	681.51
Sale of Goods and Services[4]	761.59	862.78	1,235.45	1,323.88	1,304.27
Total	1,974.93	2,484.87	3,565.34	3,454.60	3,272.88
CAPITAL REVENUE:					
Loans Raised	0.92	106.70	108.01	112.37	109.57
Loans Repayments	0.00	0.00	0.00	0.00	0.00
Total	0.92	106.70	108.01	112.37	109.57
TOTAL REVENUE	1,975.85	2,591.57	3,673.35	3,566.97	3,382.45

Source: Local Authorities

* Provisional.

\+ Estimates

[1] Includes Interest.

[2] Paid by households and enterprises.

[3] Excludes LATF

[4] Includes service charge

Chapter 7

International Trade and Balance of Payments

Overview

Key international trade indicators include merchandise trade balance, terms of trade, volume of trade, current account balance and overall balance of payments position. In 2008, the trade balance widened to a deficit of KSh 425,705 million from a deficit of KSh 330,454 million in 2007, a deterioration of 28.8 per cent. The export-import ratio further deteriorated from 45.4 per cent in 2007 to 44.8 per cent in 2008. As a percentage of GDP, the current account deficit excluding current transfers was 14.2 per cent in 2008 against the 7.0 per cent projected in the first medium term plan of the Vision 2030. The Kenya Shilling weakened against the US dollar to record an average exchange rate of KSh 69.18 in 2008 compared to KSh 67.32 per US dollar in 2007. These developments in the international trade are a reflection of Kenya's slowed economic performance in 2008.

7.2. In 2008, the value of domestic exports rose by 23.3 per cent while imports grew relatively faster at the rate of 27.4 per cent. The leading export earners were horticulture, tea, articles of apparel and clothing accessories, and soda ash, collectively accounting for 51.3 per cent of the total domestic export earnings. Re-exports recorded an increase of 71.8 per cent in 2008 compared to a 43.1 per cent decline recorded in 2007. The volume of trade increased by 26.8 per cent in 2008 compared to a 13.9 per cent growth in 2007.

7.3. Balance of payments position recorded a deficit of KSh 33,161 million in 2008 compared to a surplus of KSh 63,250 million in 2007. The unfavourable balance of payments out-turn was on account of decreased net capital inflows and the widening merchandise trade deficit. The current account balance deteriorated to a deficit of KSh 136,851 million in 2008 from a deficit of KSh 69,638 million the previous year. The capital and financial account recorded a surplus of KSh 81,055 million compared to a surplus of KSh 150,090 million recorded in 2007 as result of decreased inflows of foreign direct investment and short term capital inflows.

Balance of Trade

7.4. Table 7.1 and Figure 7.1 present details on the balance of trade from 2004 to 2008. Total domestic exports increased by 23.3 per cent as compared to a 14.7 per cent increase in 2007. The re-exports increased by 71.8 per cent in 2008 compared to a decrease of 43.1 per cent the previous year. The re-export performance can be attributed to the petroleum products and fertilizers. Total imports increased by 27.4 per cent in the year under review compared to a 16.0 per cent increase in 2007. These developments caused the trade balance to widen further from a deficit of KSh 330,454 million in 2007 to KSh 425,705 million in 2008, an increase of 28.8 per cent. Total imports grew relatively faster than exports leading to deterioration in the export/ import cover ratio from 45.4 per cent in 2007 to 44.8 per cent in 2008.

Table 7.1: Balance of Trade[1], 2004-2008

KSh Million

DESCRIPTION	2004	2005	2006	2007	2008*
EXPORTS (f.o.b):					
Domestic Exports	159,048	209,918	228,181	261,685	322,660
Re-exports	55,745	50,505	22,813	12,973	22,287
Total	**214,793**	**260,423**	**250,994**	**274,658**	**344,947**
IMPORTS (c.i.f):					
Commercial	361,293	440,532	510,792	597,877	763,704
Government	3,264	2,561	10,691	7,235	6,947
Total	**364,557**	**443,093**	**521,483**	**605,112**	**770,651**
BALANCE OF TRADE	**(149,764)**	**(182,670)**	**(270,489)**	**(330,454)**	**(425,705)**
TOTAL TRADE	**579,350**	**703,516**	**772,477**	**879,769**	**1,115,598**
COVER RATIO [2] (in percentage)	**58.9**	**58.8**	**48.1**	**45.4**	**44.8**

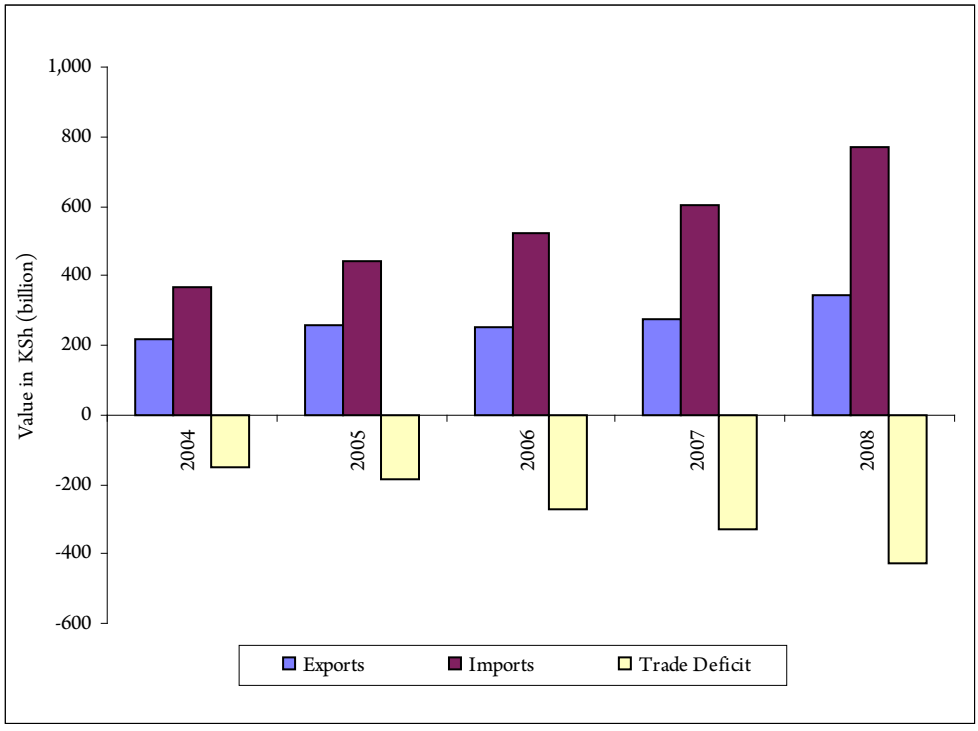
Source: Kenya National Bureau of Statistics /Kenya Revenue Authority

* Provisional

[1] Data from EPZ included as from 2005

[2] COVER RATIO =(Total Exports /Total Imports)* 100

Figure 7.1: Balance of Trade, 2004-2008



Price Changes

7.5. Presented in Table 7.2 are merchandise trade indices computed using unit prices. The overall export and import unit prices increased by 18.9 per cent and 7.6 per cent, respectively, in 2008. Export and import price indices for non-oil items rose by 15.8 per cent and 8.9 per cent, respectively, over the same period. Increases in the export unit prices were recorded in all the items except miscellaneous manufactured articles which declined by 21.1 per cent. The export price index for beverages and tobacco registered an increase of 1.2 per cent after a significant decline of 51.0 per cent in

2007.

Table 7.2: Price Indices, 2004-2008

EXPORTS					
Food and live animals	562	577	692	664	785
Beverages and tobacco	233	314	539	814	824
Crude materials, (inedible)	764	853	1,208	1,308	1,488
Mineral fuels	719	745	797	831	1,138
Animal and vegetable oils and fats	225	311	317	433	579
Chemicals	448	458	697	690	936
Manufactured goods	896	1,276	1,972	1,589	1,910
Machinery and transport equipment	638	674	739	734	784
Miscellaneous manufactured articles	939	892	1,576	2,087	1,646
All Exports	**638**	**676**	**869**	**866**	**1,030**
Non-oil Exports	**614**	**658**	**886**	**872**	**1,010**
IMPORTS					
Food and live animals	623	605	684	467	555
Beverages and tobacco	765	745	668	880	822
Crude materials, (inedible)	598	578	687	684	686
Mineral fuels	822	1,093	1,514	1,640	1,663
Animals and vegetable oils and fats	973	939	791	1,115	1,370
Chemicals	1,027	1,031	1,281	1,375	1,723
Manufactured goods	641	672	1,079	1,210	1,262
Machinery and transport equipment	977	1,040	1,400	1,368	1,431
Miscellaneous manufactured articles	662	823	642	843	965
All imports	**824**	**942**	**1,215**	**1,244**	**1,339**
Non-oil Imports	**730**	**780**	**980**	**991**	**1,079**

Source: Kenya National Bureau of Statistics
* Provisional

7.6. The import price indices for all the categories increased except for beverages and tobacco which deteriorated by 6.6 per cent against an increase of 31.7 per cent in 2007. The import price indices for chemicals, animals and vegetable oils and fats, and food and live animals rose by 25.3, 22.9 and 18.8 per cent, respectively. The import price indices for machinery and transport equipment, and manufactured goods increased slightly by 4.6 per cent and 4.3 per cent, respectively, in 2008.

Terms of Trade

7.7. Terms of trade refers to the ratio of export price index to import price index. Table 7.3 presents terms of trade for the period 2004 to 2008.Terms of trade for all items increased by 7 percentage points to stand at 77 per cent in 2008 compared to 70 per cent in 2007. Terms of trade for non-oil items increased by 6 percentage points up from 88 per cent in 2007. The improved favourable terms of trade in 2008 compared to the previous period suggest rise in the relative price of exportable to importable goods.

Table 7.3: Terms of Trade, 2004-2008

1982=100

DESCRIPTION	2004	2005	2006	2007	2008*
All Items	77	72	72	70	77
Non-oil Items	84	84	90	88	94

Source: Kenya National Bureau of Statistics

* Provisional

Volume Changes

7.8. Changes in the volume of trade are summarized in Table 7.4 as quantum indices. Overall, the export quantum indices for non-oil items and all items increased by 8.9 per cent and 5.4 per cent, respectively, in 2008. This is as a result of an increase in the quantum indices recorded in all the categories except mineral fuels which declined by 21.3 per cent. This decline is partly explained by a drop in the domestic export volume of mineral fuels.

Table 7.4: Quantum Indices, 2004-2008

1982 =100

	2004	2005	2006	2007	2008*
EXPORTS					
Food and live animals	240	271	242	275	284
Beverages and tobacco	3,484	4,536	4,418	3,435	3,726
Crude materials, (inedible)	419	340	282	290	346
Mineral fuels	214	211	76	47	37
Animal and vegetable oils and fats	11,679	8,543	8,325	8,588	8,797
Chemicals	572	1,189	662	882	1,068
Manufactured goods	348	272	200	277	285
Machinery and transport equipment	435	453	572	740	797
Miscellaneous manufactured articles	760	926	1,324	1,024	1,433
All Exports	**296**	**318**	**256**	**279**	**294**
Non-oil Exports	**328**	**358**	**317**	**361**	**393**
IMPORTS					
Food and live animals	476	489	501	987	1,067
Beverages and tobacco	874	882	868	933	1,308
Crude materials, (inedible)	452	451	493	657	662
Mineral fuels	167	139	124	118	189
Animals and vegetable oils and fats	158	285	409	399	479
Chemicals	295	313	289	290	300
Manufactured goods	390	417	345	379	418
Machinery and transport equipment	187	267	238	284	307
Miscellaneous manufactured articles	629	404	551	597	504
All imports	**246**	**254**	**238**	**270**	**320**
Non-oil Imports	**330**	**373**	**357**	**425**	**459**

Source: Kenya National Bureau of Statistics

* Provisional

7.9. The overall import quantum indices for all items and non-oil items increased by 18.5 per cent and 8.0 per cent, respectively. This was mainly due to substantial increases in import quantum indices for mineral fuels, beverages and tobacco and animal and vegetable oils and fats. The import quantum index for mineral fuels rose by 60.2 while that of beverages and tobacco increased by 40.2 per cent. The rise in mineral fuels index was as a result of volume increases in the heavy diesel oil and jet fuel.

Quantities of Principal Exports and Imports

7.10. Volumes of principal exports and imports from 2004 to 2008 are shown in Table 7.5. Notable decreases were recorded in export quantities of hides and skins; stone, sand and gravel, and wood manufactures which decreased by 65.2, 33.9 and 32.9 per cent, respectively. Export quantities of raw maize and unroasted coffee declined by 31.5 per cent and 24.8 per cent, respectively, partly due to the drought experienced in many parts of the country coupled with the post election violence which affected local production. Export of petroleum products which had recorded a significant increase in 2007, reduced by 67.1 per cent during the review period. This may be partly attributed to the increase of transit petroleum products to Uganda, Democratic Republic of Congo, Rwanda and Burundi. On the other hand, export quantities of horticulture and tea increased from 397,271 tonnes and 370,245 tonnes in 2007 to 414,703 tonnes and 390,003 tonnes, respectively, in 2008. Export quantities of wheat flour more than tripled, rising from 688 tonnes in 2007 to 2,286 tonnes in 2008. In the review period, export quantities of soda ash and fluorspar increased by 62.7 per cent and 47.5 per cent, respectively. This increased production was as a result of plant expansions and growing international demand.

7.11. Import quantities of unmilled maize more than doubled during the review period to supplement the local production. However, import quantities of wheat flour and unmilled wheat declined by 39.6 per cent and 4.6 per cent, respectively. Imports of crude petroleum increased by 10.9 per cent thus reversing the downward trend witnessed since 2005. Import quantities of paper and paper board, and medicinal and pharmaceutical products increased by 15.0 per cent and 11.8 per cent, respectively. The number of bicycles imported reduced significantly by 46.5 per cent in 2008. This could have been as a result of a shift in domestic demand from bicycles to motor cycles. Imports of motor cycles more than doubled during the review period.

Values of principal exports and imports

7.12. Table 7.6 indicates the values of principal exports and imports. During the period under review, horticulture, tea, articles of apparel and clothing accessories and soda ash were the leading export earners, collectively accounting for 51.3 per cent of the total domestic export. Export earnings from horticulture increased by 25.3 per cent from KSh 56,808 million in 2007 to KSh 71,182 million in 2008, the highest single commodity foreign exchange earner. Foreign exchange earnings from cement increased by 57.3 per cent while those from fluorspar more than doubled. On the other hand, export earnings from footwear and textile yarn reduced by 13.6 per cent and 7.2 per cent respectively. The value of petroleum products exports declined due to a drop in the export quantity of diesel and lubricating grease.

7.13. There was a general increase in the value of imported food items such as wheat, maize and rice. This may be attributed to high international food prices and prolonged drought experienced during the period under review. The value of maize imported increased by more than six times in 2008 compared to a drop of 29.4 per cent in 2007. Expenditure on refined and unrefined petroleum products accounted for 25.7 per cent of the total import bill in 2008. The expenditure on crude petroleum grew

by 65.4 per cent showing the increasing dependency on oil energy. Import value of chemical fertilizers increased by 92.5 per cent despite the decline of 6.9 per cent in the quantities imported. This is attributed to high import prices. Import value of non-ferrous metal and hand and machine tools decreased by 16.7 per cent and 19.7 per cent, respectively in 2008.

7.14. Tables 7.7 and 7.8 provide a summary of values, quantities and prices of selected exports and imports together with their percentage changes in 2007 and 2008. Despite improved export unit price of raw maize, there was a drop in the export quantities of maize leading to a decline of 16.0 per cent in its export earnings. The decline of 41.6 per cent in the export unit price of insecticides and fungicides was compensated by the significant increase in export volumes resulting into an increase of 92.3 per cent in export earnings in 2008. The 35.9 per cent increase in the export price of cement coupled with 15.8 per cent increase in export volume translated into a 57.3 per cent increase in its export earnings. The increase in the import unit price of unmilled wheat dampened the slight decline in its import quantities to register a 43.6 per cent increase in the total import expenditure. The slight increase in quantities of petroleum products imports together with a 53.6 per cent increase in its unit price caused a 59.8 per cent increase in its import value.

Table 7.5: Quantities of Principal Exports and Imports, 2004-2008

Commodity	Unit of Quantity	2004	2005	2006	2007	2008*
DOMESTIC EXPORTS						
Fish and fish preparations	Tonne	17,779	18,352	15,296	16,423	20,989
Maize(raw)	Tonne	24,078	10,854	22,344	27,750	19,002
Meals and flours of wheat	Tonne	38	139	622	688	2,286
Horticulture [1]	Tonne	274,186	298,464	301,007	397,271	414,703
Sugar confectionery	Tonne	23,971	31,114	29,130	30,873	27,876
Coffee, unroasted	Tonne	50,069	46,962	45,739	55,151	41,470
Tea	Tonne	275,307	341,171	318,896	370,245	390,003
Margarine and shortening	Tonne	13,602	19,834	29,045	33,241	26,807
Beer made from malt	000 Lt.	502	2,943	16,438	44,549	47,870
Tobacco and tobacco manufactures	Tonne	24,503	18,802	31,118	38,785	34,049
Hides and Skins	Tonne	18,542	15,683	11,875	2,416	841
Sisal	Tonne	20,895	21,079	22,095	22,031	20,693
Stone, sand and gravel	Tonne	40,878	58,956	97,231	151,172	99,990
Fluorspar	Tonne	85,054	102,719	98,126	71,736	105,805
Soda Ash	Tonne	318,550	321,429	317,258	437,035	710,928
Metal scrap	Tonne	2,853	4,035	4,344	9,155	7,303
Pyrethrum Extract	Tonne	133	124	122	18	-
Petroleum Products	Mn. Lt.	44	204	98	210	69
Animal and Vegetable oils	Tonne	40,297	44,362	44,152	50,297	50,516
Medicinal and pharmaceutical products	Tonne	4,910	8,370	7,943	10,244	9,166
Essential oils	Tonne	36,354	48,077	43,300	53,373	65,794
Insecticides and fungicides	Tonne	1,922	2,281	3,408	1,549	5,109
Leather	Tonne	8,646	10,083	16,062	20,049	19,529
Wood manufactures n.e.s	Tonne	2,587	2,394	1,488	1,447	971
Paper and paperboard	Tonne	21,112	19,699	16,092	20,611	21,990
Textile yarn	Tonne	1,380	3,027	3,560	2,769	2,248
Cement	Tonne	398,215	464,635	551,447	598,178	692,464
Iron and steel	Tonne	113,800	128,109	125,591	106,377	113,853
Metal containers	Tonne	1,288	1,482	2,348	3,761	3,632
Wire products: nails screws, nuts, etc.	Tonne	5,226	6,833	4,180	5,651	4,959
Footwear	' 000' Pairs	43,908	46,288	47,054	47,239	45,918
Articles of plastic [2]	-	-	-	-	-	-
IMPORTS						
Wheat, unmilled	Tonne	404,060	621,838	650,445	564,300	538,498
Rice	Tonne	223,190	228,206	259,154	259,428	259,780
Maize, unmilled	Tonne	241,757	49,621	73,017	100,405	243,656
Wheat flour	Tonne	8,441	2,727	2,015	37,288	22,514
Sugars, Mollases and Honey	Tonne	146,030	162,146	183,325	252,964	242,459
Textile fibres and their waste	Tonne	26,938	23,967	23,961	22,545	17,645
Second - hand clothing	Tonne	48,330	44,857	50,268	53,871	57,817
Crude Petroleum	Tonne	2,043,774	1,773,973	1,643,189	1,598,703	1,773,338
Petroleum products	Mn. Lt.	1,893	1,512	1,991	2,047	2,130
Animal/vegetable fats and oils	Tonne	183,928	399,201	475,004	448,821	438,514
Organic & inorganic chemicals	Tonne	110,202	139,605	141,053	183,789	175,047
Medicinal and pharmaceutical products	Tonne	22,748	10,019	9,948	11,243	12,573
Essential oils & pefumes	Tonne	16,747	18,795	21,646	20,394	19,486
Chemical fertilizers	Tonne	522,422	435,737	479,413	344,986	321,277
Plastics in primary & non-primary forms	Tonne	175,433	174,329	194,864	219,818	221,332
Paper and Paperboard	Tonne	104,443	104,928	134,021	152,982	175,981
Iron and steel	Tonne	478,660	436,593	472,558	534,440	466,225
Non-ferrous metals	Tonne	32,371	41,076	36,917	39,138	35,417
Hand & machine tools	" 000"No	5,806	5,625	6,357	7,993	6,102
Industrial Machinery [2]	-	-	-	-	-	-
Agricultural Machinery and Tractors [2]	-	-	-	-	-	-
Bicycles, assembled or partly assembled	" 000"No	722	300	240	241	129
Road Motor Vehicles	Nos.	182,207	85,212	46,769	65,128	65,638

Source: Kenya National Bureau of Statistics/Kenya Revenue Authority

* Provisional.

[1] Horticulture includes cut flowers, fruits and vegetables, both fresh and processed.

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

Table 7.6: Values of Principal Exports and Imports, 2004-2008

Commodity	2004	2005	2006	2007	2008*
DOMESTIC EXPORTS					
Fish and fish preparations	4,178	4,607	3,971	4,117	5,131
Maize(raw)	246	289	360	563	473
Meals and flours of wheat	1	3	17	19	95
Horticulture	39,541	44,707	48,813	56,808	71,182
Sugar confectionery	2,005	2,600	2,689	3,050	3,457
Coffee, unroasted	6,944	9,061	9,138	10,425	10,126
Tea	36,072	42,372	47,349	46,754	63,812
Margarine and shortening	1,017	1,374	2,014	2,714	2,923
Beer made from malt	37	106	980	1,782	2,065
Tobacco and tobacco manufactures	2,951	5,137	7,869	8,532	9,053
Hides and skins (undressed)	956	866	622	143	40
Sisal	1,119	1,182	1,248	1,389	1,495
Stone, sand and gravel	117	102	155	209	135
Fluorspar	882	1,210	1,139	963	2,191
Soda ash	3,166	3,858	3,976	5,419	13,185
Metal scrap	208	374	691	1,814	1,713
Pyrethrum extract	943	1,122	1,086	127	-
Petroleum products	1,104	6,465	4,299	7,720	4,223
Animal and Vegatable oils	2,505	2,559	2,453	3,453	4,851
Medicinal and pharmaceutical products	2,274	2,648	2,997	4,436	4,457
Essential oils	3,121	5,887	3,779	4,420	6,427
Insecticides and fungicides	425	445	707	854	1,642
Leather	1,115	1,611	1,971	3,036	3,313
Wood manufactures n.e.s	399	298	484	310	212
Paper and paperboard	1,026	1,052	911	1,039	1,354
Textile yarn	349	606	712	594	551
Cement	1,959	2,858	3,849	4,612	7,253
Iron and steel	7,532	8,852	9,025	8,224	10,824
Metal containers	256	200	335	348	402
Wire products: nails screws, nuts, etc.	360	381	325	411	478
Footwear	1,789	1,952	2,279	3,029	2,618
Articles of plastics	3,136	4,386	4,941	4,440	6,136
Articles of apparel and clothing accessories	1,276	14,869	16,561	16,165	17,452
All other Commodities	31,315	50,748	56,998	69,932	80,843
GRAND TOTAL	**159,048**	**209,918**	**228,181**	**261,685**	**322,660**
IMPORTS					
Wheat, unmilled	6,754	7,957	8,019	9,706	13,937
Rice	3,659	3,962	4,540	4,716	5,875
Maize	4,647	924	1,550	1,095	6,665
Wheat flour	200	71	35	1,451	668
Sugars, Mollases and Honey	3,545	4,050	5,248	7,694	7,410
Textile fibres and their waste	2,337	2,169	2,453	2,578	2,421
Second - hand clothing	2,440	2,173	2,827	3,232	3,663
Crude Petroleum	45,954	51,529	55,016	49,241	81,453
Petroleum Products	43,056	46,113	64,540	73,088	116,792
Animal/vegetable fats and oils	8,063	14,019	16,974	23,311	34,101
Organic & inorganic chemicals	6,618	7,827	8,803	11,166	13,231
Medicinal & Pharmaceauticals Products	11,607	12,436	15,443	15,948	20,776
Essential oils & perfumes	5,414	4,789	5,465	5,937	6,455
Chemical Fertilizers	11,079	10,653	10,434	8,057	15,507
Plastics in primary & non-primary forms	15,420	18,037	20,399	23,535	27,777
Paper and Paperboard	5,283	6,870	8,088	9,558	12,155
Iron and Steel	21,265	21,084	21,340	26,335	34,829
Non-ferrous metals	4,695	5,397	8,945	10,702	8,910
Hand & machine tools	773	764	1,247	1,383	1,110
Industrial Machinery	43,516	48,856	62,079	78,014	100,900
Agricultural Machinery and Tractors	2,756	2,273	2,261	3,105	3,321
Bicycles, assembled or partly assembled	651	313	456	441	271
Road Motor Vehicles	24,361	25,251	36,936	42,678	45,323
All other Commodities	90,114	145,576	158,385	192,143	207,101
GRAND TOTAL	**364,205**	**443,093**	**521,483**	**605,112**	**770,651**

Source: Kenya National Bureau of Statistics/Kenya Revenue Authority

* Provisional.

Table 7.7: Domestic Exports Change in Value, Quantity and Price[1], 2007-2008

Commodity	Value (KSh Million)				Quantity						Price per Unit (KSh)			
	2007	2008*	Changes	% Change	Unit	2006	2007	2008*	Changes	% Change	2007	2008*	Changes	%Change
Fish and fish preparations	4,117	5,131	1,014	24.6	Tonne	15,296	16,423	20,989	4,566	27.8	250,690	244,474	(6,216)	(2.5)
Maize(raw)	563	473	(90)	(15.9)	Tonne	22,344	27,750	19,002	(8,748)	(31.5)	20,284	24,899	4,615	22.8
Meals and flours of wheat	19	95	75	385.5	Tonne	622	688	2,286	1,599	232.4	28,335	41,381	13,046	46.0
Horticulture	56,808	71,182	14,374	25.3	Tonne	301,007	397,271	414,703	17,432	4.4	142,996	171,646	28,650	20.0
Sugar confectionery	3,050	3,457	408	13.4	Tonne	29,130	30,873	27,876	(2,997)	(9.7)	98,777	124,019	25,242	25.6
Coffee, unroasted	10,425	10,126	(299)	(2.9)	Tonnes	45,739	55,151	41,470	(13,681)	(24.8)	189,026	244,167	55,140	29.2
Tea	46,754	63,812	17,059	36.5	Tonne	318,896	370,245	390,003	19,758	5.3	126,278	163,620	37,342	29.6
Margarine and shortening	2,714	2,923	209	7.7	Tonne	29,045	33,241	26,807	(6,434)	(19.4)	81,652	109,039	27,387	33.5
Beer made from malt	1,782	2,065	283	15.9	000 Lt.	16,438	44,549	47,870	3,320	7.5	39,996	43,138	3,142	7.9
Tobacco and tobacco manufactures	8,532	9,053	521	6.1	Tonnes	31,118	38,785	34,049	(4,736)	(12.2)	219,969	265,882	45,912	20.9
Hides and skins (undressed)	143	40	(103)	(72.2)	Tonnes	11,875	2,416	841	(1,574)	(65.2)	59,303	47,291	(12,012)	(20.3)
Sisal	1,389	1,495	106	7.7	Tonnes	22,095	22,031	20,693	(1,338)	(6.1)	63,048	72,259	9,211	14.6
Stone, sand and gravel	209	135	(74)	(35.5)	Tonne	97,231	151,172	99,990	(51,182)	(33.9)	1,386	1,351	(34)	(2.5)
Fluorspar	963	2,191	1,228	127.5	Tonne	98,126	71,736	105,805	34,069	47.5	13,431	20,712	7,282	54.2
Soda ash	5,419	13,185	7,765	143.3	Tonne	317,258	437,035	710,928	273,893	62.7	12,400	18,546	6,146	49.6
Metal scrap	1,814	1,713	(101)	(5.6)	Tonne	4,344	9,155	7,303	(1,852)	(20.2)	198,151	234,545	36,394	18.4
Pyrethrum extract	127	-	(127)	(100.0)	Tonne	122	18	-	(18)	(100.0)	7,130,101	-	(7,130,101)	(100.0)
Petroleum products	7,720	4,223	(3,497)	(45.3)	Mn. Lt.	98	210	69	(141)	(67.3)	36,833,846	61,540,519	24,706,673	67.1
Animal and Vegatable oils	3,453	4,851	1,398	40.5	Tonne	44,152	50,297	50,516	219	0.4	68,653	96,036	27,383	39.9
Medicinal and pharmaceutical products	4,436	4,457	21	0.5	Tonne	7,943	10,244	9,166	(1,078)	(10.5)	433,055	486,278	53,223	12.3
Essential oils	4,420	6,427	2,007	45.4	Tonne	43,300	53,373	65,794	12,421	23.3	82,818	97,680	14,862	17.9
Insecticides and fungicides	854	1,642	788	92.4	Tonne	3,408	1,549	5,109	3,560	229.8	550,890	321,357	(229,534)	(41.7)
Leather	3,036	3,313	277	9.1	Tonne	16,062	20,049	19,529	(521)	(2.6)	151,439	169,645	18,205	12.0
Wood manufactures n.e.s	310	212	(98)	(31.7)	Tonne	1,488	1,447	971	(476)	(32.9)	214,158	218,049	3,891	1.8
Paper and paperboard	1,039	1,354	315	30.4	Tonne	16,092	20,611	21,990	1,379	6.7	50,394	61,571	11,178	22.2
Textile yarn	594	551	(43)	(7.2)	Tonne	3,560	2,769	2,248	(520)	(18.8)	214,620	245,161	30,541	14.2
Cement	4,612	7,253	2,641	57.3	Tonne	551,447	598,178	692,464	94,286	15.8	7,710	10,475	2,765	35.9
Iron and steel	8,224	10,824	2,600	31.6	Tonne	125,591	106,377	113,853	7,476	7.0	77,309	95,069	17,761	23.0
Metal containers	348	402	55	15.7	Tonne	2,348	3,761	3,632	(129)	(3.4)	92,413	110,745	18,332	19.8
Wire products: nails screws, nuts, etc.	411	478	67	16.3	Tonne	4,180	5,651	4,959	(692)	(12.2)	72,756	96,385	23,629	32.5
Footwear	3,029	2,618	(412)	(13.6)	'000' Pairs	47,054	47,239	45,918	(1,321)	(2.8)	64,130	57,005	(7,125)	(11.1)
Articles of plastics	4,440	6,136	1,696	38.2	-	-	-	-	-	-	-		-	-
Articles of apparel and clothing accessories	16,165	17,452	1,287	8.0	-	-	-	-	-	-	-		-	-
All other Commodities	69,932	80,843	10,911	15.6	-	-	-	-	-	-	-		-	-
TOTAL	**261,685**	**322,660**	**60,975**	**23.3**					-		-		-	-

Source: Kenya National Bureau of Statistics /Kenya Revenue Authority

* Provisional.

[1]Excluding Re-exports

Table 7.8: Import Change in Value, Quantity and Price, 2007-2008

Commodity	Value in (KSh Million)				Quantity					Price Per Unit (KSh)			
	2007	2008*	Changes	%Changes	Unit	2007	2008*	Changes	%Changes	2007	2008*	Changes	%Changes
Wheat, unmilled	9,706	13,937	4,231	43.6	Tonne	564,300	538,498	(25,801)	(4.6)	17,200	25,881	8,681	50.5
Rice	4,716	5,875	1,159	24.6	Tonne	259,428	259,780	352	0.1	18,177	22,615	4,438	24.4
Maize	1,095	6,665	5,570	508.7	Tonne	100,405	243,656	143,251	142.7	10,904	27,353	16,448	150.8
Wheat flour	1,451	668	(783)	(53.9)	Tonne	37,288	22,514	(14,774)	(39.6)	38,904	29,675	(9,229)	(23.7)
Sugars, Mollases and Honey	7,694	7,410	(284)	(3.7)	Tonne	252,964	242,459	(10,505)	(4.2)	30,415	30,563	148	0.5
Textile fibres and their waste	2,578	2,421	(157)	(6.1)	Tonne	22,545	17,645	(4,900)	(21.7)	114,332	137,211	22,879	20.0
Second - hand clothing	3,232	3,663	430	13.3	Tonne	53,871	57,817	3,946	7.3	59,999	63,347	3,349	5.6
Crude Petroleum	49,241	81,453	32,212	65.4	Tonne	1,598,703	1,773,338	174,635	10.9	30,800	45,932	15,131	49.1
Petroleum Products	73,088	116,792	43,704	59.8	Mn. Lt.	2,047	2,130	83	4.0	35,698,661	54,826,188	19,127,528	53.6
Animal/vegetable fats and oils	23,311	34,101	10,790	46.3	Tonne	448,821	438,514	(10,308)	(2.3)	51,938	77,766	25,828	49.7
Organic & inorganic chemicals	11,166	13,231	2,065	18.5	Tonne	183,789	175,047	(8,742)	(4.8)	60,753	75,583	14,830	24.4
Medicinal & Pharmaceauticals Products	15,948	20,776	4,828	30.3	Tonne	11,243	12,573	1,331	11.8	1,418,558	1,652,405	233,847	16.5
Essential oils & pefumes	5,937	6,455	518	8.7	Tonne	20,394	19,486	(907)	(4.4)	291,117	331,251	40,133	13.8
Chemical Fertilizers	8,057	15,507	7,450	92.5	Tonne	344,986	321,277	(23,709)	(6.9)	23,356	48,267	24,912	106.7
Plastics in primary & non-primary forms	23,535	27,777	4,242	18.0	Tonne	219,818	221,332	1,515	0.7	107,065	125,500	18,435	17.2
Paper and Paperboard	9,558	12,155	2,597	27.2	Tonne	152,982	175,981	22,999	15.0	62,477	69,069	6,592	10.6
Iron and Steel	26,335	34,829	8,494	32.3	Tonne	534,440	466,225	(68,215)	(12.8)	49,275	74,705	25,429	51.6
Non-ferrous metals	10,702	8,910	(1,792)	(16.7)	Tonne	39,138	35,417	(3,721)	(9.5)	273,427	251,569	(21,858)	(8.0)
Hand & machine tools	1,383	1,110	(273)	(19.8)	"000"No	7,993	6,102	(1,891)	(23.7)	173,005	181,851	8,846	5.1
Industrial Machinery	78,014	100,900	22,886	29.3	-	-	-	-	-	-	-	-	-
Agricultural Machinery and Tractors	3,105	3,321	216	7.0	-	-	-	-	-	-	-	-	-
Bicycles, assembled or partly assembled	441	271	(169)	(38.5)	"000"No	241	129	(112)	(46.4)	1,829,221	2,100,337	271,115	14.8
Road Motor Vehicles	42,678	45,323	2,645	6.2	Nos.	65,128	65,638	510	0.8	655,298	690,505	35,207	5.4
All other Commodities	192,143	207,101	14,958	7.8	-	-		-	-	-	-	-	-
GRAND TOTAL	**605,112**	**770,651**	**165,539**	**27.4**	-	-		-	-	-		-	-

Source: Kenya National Bureau of Statistics/Kenya Revenue Authority

* Provisional.

Prices of principal Imports and Domestic Exports

7.15. Unit prices of principal exports and imports are summarized in Table 7.9. Most of the commodities recorded increases in export unit prices. Export prices of coffee and tea which had posted declines in the previous year, registered growths of 29.1 per cent and 30.2 per cent, respectively, in 2008. Similarly, export unit prices of fluorspar and soda ash increased by 54.2 and 49.6 per cent respectively, during the year under review. However, export prices of insecticides and fungicides which had recorded significant growth in 2007 declined by 41.7 per cent in 2008.

7.16. Import price of petroleum products was on an upward trend, increasing by 52.8 per cent in 2008. The unit price of crude petroleum which had declined by 8.0 per cent the previous year increased by 49.1 per cent in 2008. Import unit price of chemical fertilizers more than doubled during the review period. The only commodities which registered decreases in import unit prices were wheat flour and non-ferrous metals during the review period.

Table 7.9: Prices of Principal Exports and Imports, 2004-2008

KSh/Unit

Commodity	Unit	2004	2005	2006	2007	2008*
DOMESTIC EXPORTS						
Fish and fish preparations	Kg	235	251	260	251	244
Maize(raw)	Tonne	10,219	26,626	16,112	20,284	24,899
Meals and flours of wheat	Tonne	34,601	21,583	27,093	28,335	41,381
Horticulture	Kg	144	140	155	137	172
Sugar confectionery	Kg	84	84	92	99	124
Coffee, unroasted	Kg	139	193	200	189	244
Tea	Kg	131	124	148	126	164
Margarine and shortening	Kg	75	69	69	82	109
Beer made from malt	Lt.	74	36	60	40	43
Tobacco and tobacco manufactures	Kg	120	273	253	220	266
Hides and Skins (undressed)	Kg	52	55	52	59	47
Sisal	Tonne	53,572	56,075	56,484	63,048	72,259
Stone, sand and gravel	Tonne	2,866	1,730	1,589	1,386	1,351
Fluorspar	Tonne	10,367	11,780	11,605	13,431	20,712
Soda Ash	Tonne	9,939	12,003	12,531	12,400	18,546
Metal scrap	Tonne	72,869	92,689	159,066	198,151	234,545
Pyrethrum Extract	Kg	7,076	9,048	8,911	7,130	-
Petroleum Products	Lt.	25	32	44	37	62
Animal and Vegetable oils	Kg	62	58	56	69	96
Medicinal and pharmaceutical products	Kg	463	316	377	433	486
Essential oils	Kg	86	122	87	83	98
Insecticides and fungicides	Kg	221	195	207	551	321
Leather	Kg	129	160	123	151	170
Wood manufactures n.e.s	Tonne	154,093	124,494	325,374	214,158	218,049
Paper and paperboard	Tonne	48,595	53,403	56,614	50,394	61,571
Textile yarn	Kg	253	200	200	215	245
Cement	Tonne	4,920	6,151	6,980	7,710	10,475
Iron and steel	Tonne	66,189	69,098	71,860	77,309	95,069
Metal containers	Tonne	199,068	134,934	142,645	92,413	110,745
Wire products: nails screws, nuts, etc.	Tonne	68,823	55,759	77,765	72,756	96,385
Footwear	Pair	41	42	48	64	57
Articles of plastics[1]	-	-	-	-	-	-
IMPORTS						
Wheat, unmilled	Tonne	16,717	12,796	12,329	17,200	25,881
Rice	Tonne	16,396	17,362	17,518	18,177	22,615
Maize, unmilled	Tonne	19,222	18,621	21,231	10,904	27,353
Wheat flour	Tonne	23,722	26,036	17,428	38,904	29,675
Sugars, Mollases and Honey	Tonne	24,276	24,977	28,625	30,415	30,563
Textile fibres and their waste	Tonne	86,739	90,501	102,374	114,332	137,211
Second - hand clothing	Tonne	50,482	48,442	56,239	59,999	63,347
Crude Petroleum	Tonne	22,485	29,047	33,481	30,800	45,932
Petroleum products	Lt.	23	30	32	36	55
Animal/vegetable fats and oils	Kg	44	35	36	52	78
Organic & inorganic chemicals	Kg	60	56	62	61	76
Medicinal & Pharmaceauticals Products	Kg	510	1,241	1,552	1,419	1,652
Essential oils & pefumes	Kg	323	255	252	291	331
Chemical fertilizers	Tonne	21,208	24,448	21,764	23,356	48,267
Plastics in primary & non-primary forms	Tonne	87,898	103,466	104,683	107,065	125,500
Paper and Paper Products	Tonne	50,582	65,474	60,350	62,477	69,069
Iron and steel	Tonne	44,426	48,292	45,158	49,275	74,705
Non-ferrous metals	Tonne	145,022	131,390	242,298	273,427	251,569
Hand & machine tools	Mn. No.	133	136	196	173	182
Industrial Machinery	-	-	-	-	-	-
Agricultural Machinery and Tractors[1]	-	-	-	-	-	-
Bicycles, assembled or partly assembled[1]	No.	901	1,044	1,901	1,829	2,100
Road Motor Vehicles	No.	133,700	296,332	789,754	655,298	690,505

Source: Kenya National Bureau of Statistics /Kenya Revenue Authority

* Provisional.

[1] Some of the items under this heading have either varying unit of quantity or none at all, hence the blank.

Composition of Exports

7.17 A summary of composition of Kenya's domestic exports by Broad Economic Category (BEC) is presented in Table 7.10. Export earnings from food and beverages accounted for 40.4 per cent of the total domestic export earnings in 2008, almost the share recorded in 2007. During the period under review, the earnings from non-food industrial supplies, and fuel and lubricants accounted for 28.7 per cent and 1.4 per cent, respectively, of the total earnings from domestic exports. Export earnings from machinery and other capital equipment accounted for a paltry 1.7 per cent, while the share of transport equipment in total export revenue declined marginally to stand at 1.1 per cent in 2008.

7.18. Earnings from commodities in the non-food industrial supplies increased substantially by 38.7 per cent from KSh 66,678 million in 2007 to KSh 92,500 million in 2008. This could be attributed to the increase in the earnings from processed non-food industrial supplies which rose from KSh 53,133 million in 2007 to KSh 74,037 million in 2008. Export earnings from food and beverages increased by 23.4 per cent from KSh 105,549 million in 2007 to KSh 130,273 million in 2008. This was on account of a 24.7 per cent increase in earnings from primary food and beverages for household consumption. The export earnings from machinery and other capital equipment sub-sector increased notably by 25.8 per cent from KSh 4,426 million in 2007 to KSh 5,566 million in 2008. The value of export earnings from fuel and lubricants category declined by 48.6 per cent. This could be partly explained by a reduction of a 49.0 per cent in the earnings from other processed fuel and lubricants. Earnings from the exports of transport equipment rose marginally by 5.7 per cent in 2008 as compared to a 25.8 per cent increase recorded in 2007. This was mainly due to a slow growth in the export earnings from other industrial transport equipment which rose by 17.0 per cent in 2008 compared to 32.7 per cent in 2007.

Table 7.10: Domestic Exports by Broad Economic Category, 2004-2008

KSh Million

DESCRIPTION	2004	2005	2006	2007	2008*
1 FOOD AND BEVERAGES	**75,071**	**91,127**	**97,801**	**105,549**	**130,273**
Primary	60,062	70,049	76,330	78,558	97,994
For Industry	7,317	10,506	11,151	11,689	11,381
For Household Consumption	52,745	59,543	65,179	66,869	86,613
Processed	15,009	21,078	21,471	26,991	32,279
For Industry	1,172	3,670	3,176	3,543	4,036
For Household Consumption	13,837	17,408	18,295	23,448	28,243
2. INDUSTRIAL SUPPLIES (Non-Food)	**39,479**	**51,219**	**53,715**	**66,678**	**92,500**
Primary	15,147	11,237	11,999	13,545	18,463
Processed	24,332	39,982	41,716	53,133	74,037
3. FUEL AND LUBRICANTS	**1,182**	**6,894**	**6,882**	**8,931**	**4,589**
Primary	5	7	15	12	12
Processed	1,177	6,887	6,867	8,919	4,577
Motor Spirit	31	2	199	417	238
Other	1,146	6,885	6,668	8,502	4,339
4. MACHINERY & OTHER CAPITAL EQUIPMENT	**1,904**	**2,252**	**3,529**	**4,426**	**5,566**
Machinery & Other Capital Equipment (Complete)	1,254	1,551	2,932	3,518	4,787
Parts and Accessories	650	701	597	908	779
5. TRANSPORT EQUIPMENT	**1,716**	**2,206**	**2,762**	**3,475**	**3,672**
Passenger Motor Vehicles	147	75	68	115	69
Other	362	1,109	1,441	1,888	2,168
For Industry	349	1,060	1,368	1,815	2,124
Non-Industrial	13	49	73	73	44
Parts and Accessories	1,207	1,022	1,253	1,473	1,435
6. CONSUMER GOODS NOT ELSEWHERE SPECIFIED	**33,648**	**56,072**	**63,436**	**72,623**	**86,036**
Durable	381	540	629	2,211	2,560
Semi-Durable	6,525	20,512	22,939	22,278	24,091
Non-Durable	26,742	35,020	39,868	48,134	59,385
7. GOODS NOT ELSEWHERE SPECIFIED	**6,061**	**148**	**56**	**3**	**24**
TOTAL	**159,061**	**209,918**	**228,181**	**261,685**	**322,660**
PERCENTAGE SHARES:					
1. Food and Beverages	47.2	43.4	42.9	40.3	40.4
2. Industrial Supplies (Non-Food)	24.8	24.4	23.5	25.5	28.7
3. Fuel and Lubricants	0.7	3.3	3.0	3.4	1.4
4. Machinery and other Capital Equipment	1.2	1.1	1.5	1.7	1.7
5. Transport Equipment	1.1	1.1	1.2	1.3	1.1
6. Consumer Goods not elsewhere specified	21.2	26.7	27.8	27.8	26.7
7. Goods not elsewhere specified	3.8	0.1	0.0	0.0	0.0
TOTAL	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Kenya National Bureau of Statistics /Kenya Revenue Authority

* Provisional

Table 7.11: Imports by Broad Economic Category, 2004-2008

KSh. Million

DESCRIPTION	2004	2005	2006	2007	2008*
1 FOOD AND BEVERAGES	**20,862**	**26,421**	**31,985**	**42,126**	**53,614**
Primary	8,655	11,433	12,910	18,510	26,207
For Industry	7,152	9,518	10,269	14,157	23,142
For Household Consumption	1,503	1,915	2,641	4,353	3,065
Processed	12,207	14,988	19,075	23,616	27,407
For Industry	3,321	4,259	5,561	5,755	7,875
For Household Consumption	8,886	10,729	13,514	17,861	19,532
2. INDUSTRIAL SUPPLIES (Non-Food)	**113,976**	**144,781**	**160,883**	**194,190**	**238,926**
Primary	6,393	8,538	10,318	13,878	15,489
Processed	107,583	136,243	150,565	180,312	223,437
3. FUEL AND LUBRICANTS	**91,416**	**100,581**	**124,647**	**126,760**	**206,642**
Primary	47,040	52,262	55,842	50,183	82,945
Processed	44,376	48,319	68,805	76,577	123,697
Motor Spirit	5,003	122	14,552	9,212	14,252
Other	39,373	48,197	54,253	67,365	109,445
4. MACHINERY AND OTHER CAPITAL EQUIPMENT	**51,555**	**56,317**	**71,677**	**97,258**	**127,872**
Machinery and Other Capital Equipment (Complete)	39,489	43,919	56,333	76,515	106,133
Parts and Accessories	12,066	12,398	15,344	20,743	21,739
5. TRANSPORT EQUIPMENT	**40,425**	**83,635**	**95,718**	**97,385**	**89,103**
Passenger Motor Vehicles	13,018	12,297	15,890	20,630	22,485
Other	21,046	58,961	64,056	58,556	41,587
Industrial	19,095	57,873	62,203	54,771	38,267
Non-Industrial	1,951	1,088	1,853	3,785	3,320
Parts and Accessories	6,361	12,377	15,772	18,199	25,031
6. CONSUMER GOODS NOT ELSEWHERE SPECIFIED	**26,174**	**30,071**	**36,137**	**45,134**	**53,715**
Durable	4,561	4,727	5,239	7,936	10,064
Semi-Durable	6,165	7,797	9,595	12,945	14,699
Non-Durable	15,448	17,547	21,303	24,253	28,952
7. GOODS NOT ELSEWHERE SPECIFIED	**19,796**	**1,295**	**436**	**2,259**	**779**
TOTAL	**364,205**	**443,101**	**521,483**	**605,112**	**770,651**
PERCENTAGE SHARES:					
1. Food and Beverages	5.7	6.0	6.1	7.0	7.0
2. Industrial Supplies (Non-Food)	31.3	32.7	30.9	32.1	31.0
3. Fuel and Lubricants	25.1	22.7	23.9	20.9	26.8
4. Machinery and other Capital Equipment	14.2	12.7	13.7	16.1	16.6
5. Transport Equipment	11.1	18.9	18.4	16.1	11.6
6. Consumer Goods not elsewhere specified	7.2	6.8	6.9	7.5	7.0
7. Goods not elsewhere specified	5.4	0.3	0.1	0.4	0.1
TOTAL	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Kenya National Bureau of Statistics/Kenya Revenue Authority

* Provisional

Composition of Imports

7.19. Imports by Broad Economic Category (BEC) are presented in Table 7.11. Total expenditure on non-food industrial supplies rose by 23.0 per cent from KSh 194,190 million in 2007 to KSh 238,926 million in 2008 mainly due to a notable increase of 23.9 per cent in the expenditure on processed non-food industrial supplies. Expenditure on fuel and lubricants increased substantially by 63.0 per cent from KSh 126,760 million in 2007 to KSh 206,642 million in 2008 on account of a 62.5 per cent increase in the imports of other processed fuel and lubricants. The expenditure on transport equipment declined by 8.5 per cent from KSh 97,385 million in 2007 to KSh 89,103 million in 2008.

7.20. During the review period, expenditure on non-food industrial supplies and, fuel and lubricants contributed the biggest share of the total import bill accounting for

31.0 and 26.8 per cent, respectively. On the other hand, 16.6 per cent of the total import expenditure was on machinery and other capital equipment. This can be attributed to a 38.7 per cent increase in the value of imports of complete machinery and other capital equipment. The share of expenditure on transport equipment declined from 16.1 per cent in 2007 to 11.6 per cent in 2008 mainly due to a 30.1 per cent reduction in the value of imports of industrial transport equipment.

Direction of Trade

7.21. Kenya's exports and imports markets are presented in Tables 7.12, 7.13 and 7.14. In 2008, the share of exports to the African continent was 47.1 per cent, an increase of 2.0 percentage points from the previous year. The total value of exports to the region grew by 31.1 per cent in 2008 compared to a growth of 14.5 per cent in 2007. This could be partly due to a large increase in exports of tea to Egypt which rose from KSh 8,577 million in 2007 to KSh 14,695 million in 2008. Exports to South Africa increased by 55.2 per cent occasioned by increases in exports of soda ash. Total exports to the European Union expanded by 22.8 per cent in 2008 compared to 10.9 per cent increase in 2007. Export earnings from Finland increased by 37.6 per cent in 2008 compared to 1.7 per cent increase in 2007. Similarly exports to Netherlands increased by 19.4 per cent mainly due to exports of cut flowers valued at KSh 14,402 million.

7.22. The value of exports to Saudi Arabia grew by 93.5 per cent in 2008 compared to a growth of 11.9 per cent in 2007. Export earnings from Iran which had plummeted in 2007 more than doubled during the review period mainly due to improved diplomatic relations which boosted tea exports. On the other hand, the value of exports to Jordan and United Arab Emirates declined by 25.7 per cent and 12.4 per cent, respectively. In terms of bilateral trade in goods, the main destinations of Kenya's exports continued to be Uganda, United Kingdom, Tanzania, Netherlands, United States of America, Sudan, Somalia, Egypt and Pakistan.

7.23. Asia continued to be the dominant source of Kenya's imports in 2008 with Far East Asia contributing a significant change in trade pattern as depicted in Table 7.13. The value of imports from Singapore increased almost three times recovering from a decline of 63.4 per cent in 2007. The increase in imports was partially caused by increased importation of palm oil which grew from KSh3, 840 million in 2007 to KSh 8,774 million in 2008. Imports from Israel increased by 86.6 per cent whereas imports from India increased from KSh 56.8 billion in 2007 to KSh 90.5 billion in 2008. The value of imports from South Korea declined by 4.2 per cent in 2008.

7.24. The value of imports from Sweden increased by 65.8 per cent recovering from the marginal decline registered in 2007 partly as a result of importation of base stations valued at 1,140 million. Imports from Belgium increased from KSh 6.2 billion in 2007 to KSh 8.2 billion in 2008, reversing the downward trend since 2005. Imports from Romania increased from KSh 665 million to 2,006 million in 2008 partly as a result of importation of chemical fertilizers where none was imported the previous year. Conversely, imports from Spain and United Kingdom declined by 20.7 per cent and 4.9

per cent, respectively, in 2008. Imports from Spain declined partly due to a reduction in imports of measuring instruments and apparatus.

7.25. Imports from the African continent increased by 19.4 per cent compared to 13.2 per cent increase in 2007. The value of imports from South Africa in 2008 increased by 32.1 per cent, occasioned by the rise in the unmilled maize imports. Imports from American continent declined by 21.4 per cent on account of a 38.1 per cent decrease in imports from United States of America. Imports from Canada which had declined the previous year increased almost two fold to stand at KSh 4.5 billion in 2008.

Table 7.12: Total Exports by Destination, 2004-2008

KSh Million

DESCRIPTION	2004	2005	2006	2007	2008*
EUROPE					
WESTERN EUROPE					
European Union[1]					
Belgium	2,474	2,945	2,126	2,596	2,814
Finland	514	626	879	894	1,230
France	3,592	5,086	3,837	3,952	4,829
Germany	4,574	5,254	4,633	5,952	6,114
Italy	1,764	2,233	1,986	2,580	2,987
Netherlands	17,094	18,343	19,656	21,919	26,167
Spain	1,164	1,070	1,181	1,633	2,151
Sweden	1,083	1,058	1,106	1,591	1,575
United Kingdom	22,404	23,673	27,237	28,789	37,912
Other	2,111	2,276	2,839	2,706	3,404
Total	**56,773**	**62,564**	**65,480**	**72,612**	**89,183**
Other Western Europe	2,208	2,287	3,897	4,234	5,502
Total Western Europe	**58,982**	**64,851**	**69,377**	**76,846**	**94,685**
EASTERN EUROPE					
Russia Federation	1,031	1,362	1,580	1,923	3,410
Romania	1	27	62	50	112
Other	920	211	396	457	307
Total	**1,951**	**1,600**	**2,038**	**2,431**	**3,828**
TOTAL, EUROPE	**60,933**	**66,451**	**71,415**	**79,277**	**98,513**
AMERICA					
U.S.A	4,502	12,053	20,326	19,218	20,512
Canada	461	492	606	659	745
Other	1,103	714	555	643	798
TOTAL AMERICA	**6,066**	**13,259**	**21,487**	**20,520**	**22,054**
AFRICA					
South Africa	1,650	2,144	2,258	2,347	3,641
Rwanda	6,190	7,282	4,765	5,801	8,953
Egypt	6,918	8,848	9,871	9,111	15,490
Tanzania	17,921	19,954	18,288	22,326	29,224
Uganda	37,059	42,679	27,812	33,571	42,285
Other[2]	32,115	39,883	45,312	50,873	62,947
TOTAL AFRICA	**101,853**	**120,790**	**108,306**	**124,029**	**162,541**
ASIA					
MIDDLE EAST					
Iran	126	351	468	246	504
Israel	885	1,481	907	1,096	1,516
Jordan	36	116	121	202	150
Saudi Arabia	1,492	1,121	657	735	1,423
United Arab Emirates	2,396	4,063	4,968	8,627	7,560
Other .	2,530	1,884	2,593	2,829	4,779
Total	**7,465**	**9,016**	**9,714**	**13,734**	**15,932**
FAR EAST					
China(Mainland)	903	1,278	1,555	1,471	2,030
India	4,147	4,006	3,749	5,824	6,769
Indonesia	475	768	318	420	672
Japan	1,593	1,860	1,255	1,302	2,340
Korea South	92	217	399	318	210
Pakistan	11,359	14,073	14,547	13,531	13,935
Singapore	192	203	168	1,723	1,491
Other	6,813	7,271	6,210	7,905	13,862
Total	**25,574**	**29,676**	**28,201**	**32,493**	**41,310**
TOTAL, ASIA	**33,038**	**38,692**	**37,915**	**46,227**	**57,241**
AUSTRALIA & OCEANIC					
Australia	526	701	550	1,100	462
Other	92	193	173	132	219
TOTAL	**618**	**894**	**723**	**1,232**	**680**
All Other Countries	5,223	13,271	1,860	89	206
Aircraft and Ships Stores	7,106	7,065	9,287	3,251	3,077
TOTAL	**12,329**	**20,336**	**11,147**	**3,340**	**3,284**
TOTAL EXPORTS	**214,793**	**260,422**	**250,993**	**274,658**	**344,947**

Source: Kenya National Bureau of Statistics /Kenya Revenue Authority

* Provisional

[1] Figures as from 2004 includes the 25 EU members

[2] See Table 7.14 for details

Table 7.13: Imports by Country of Origin, 2004-2008

KSh Million

DESCRIPTION	2004	2005	2006	2007	2008*
EUROPE					
WESTERN EUROPE					
European Union[1].					
Belgium	9,689	8,063	6,799	6,230	8,188
Finland	1,770	1,645	1,848	5,027	5,343
France	12,209	13,948	10,608	16,491	16,390
Germany	13,183	15,834	18,924	22,166	26,946
Italy	7,154	7,878	12,111	13,223	12,538
Netherlands	7,310	9,687	9,099	9,304	13,218
Spain	1,989	2,985	2,707	4,270	3,385
Sweden	2,007	2,437	3,988	3,980	6,597
United Kingdom	27,124	25,372	27,042	29,419	27,976
Other	4,724	5,327	21,611	10,995	12,614
Total	**87,159**	**93,176**	**114,737**	**121,107**	**133,195**
Other Western Europe	5,722	7,801	10,392	9,309	13,652
Total Western Europe	**92,881**	**100,977**	**125,129**	**130,416**	**146,847**
EASTERN EUROPE					
Russian Federation	2,538	2,985	3,001	6,561	11,507
Romania	1,362	52	1,614	665	2,006
Other	1,775	2,056	5,790	3,466	6,098
Total	**5,675**	**5,093**	**10,405**	**10,692**	**19,612**
TOTAL EUROPE	**98,555**	**106,070**	**135,534**	**141,095**	**166,459**
AMERICA					
U.S.A	14,425	42,558	24,731	44,523	27,549
Canada	2,202	2,298	3,107	2,901	4,532
Other	7,832	6,972	4,489	8,024	11,496
TOTAL AMERICA	**24,458**	**51,828**	**32,327**	**55,448**	**43,577**
AFRICA					
South Africa	34,654	42,648	33,933	35,355	46,691
Tanzania	2,009	3,099	4,514	6,678	7,265
Uganda	1,009	1,396	1,002	5,979	5,221
Other[2]	14,763	15,555	24,164	24,027	26,814
TOTAL AFRICA	**52,435**	**62,698**	**63,613**	**72,039**	**85,991**
ASIA					
MIDDLE EAST					
Iran	2,073	645	574	3,360	6,578
Israel	1,990	2,560	2,861	4,385	8,182
Jordan	1,186	93	655	812	450
Saudi Arabia	31,368	27,710	26,455	17,597	25,879
United Arab Emirates	45,044	62,791	77,529	89,466	113,810
Other	18,566	13,943	11,703	14,235	29,002
Total	**100,228**	**107,742**	**119,777**	**129,853**	**183,900**
FAR EAST					
China	12,795	22,967	29,721	45,672	63,474
India .	22,660	24,621	37,781	56,817	90,531
Indonesia	7,691	9,922	13,757	18,764	22,928
Japan	24,151	23,067	29,407	41,129	44,840
Korea South	3,289	3,672	9,146	8,599	8,242
Pakistan	3,247	3,316	4,436	5,006	5,620
Singapore	4,452	7,673	25,526	9,352	24,958
Other	7,534	15,921	16,741	18,916	24,277
Total	**85,818**	**111,159**	**166,515**	**204,256**	**284,870**
TOTAL, ASIA	**186,046**	**218,901**	**286,292**	**334,108**	**468,770**
AUSTRALIA & OCEANIC					
Australia	1,205	1,416	2,826	1,527	1,394
Other	257	231	266	344	398
TOTAL	**1,462**	**1,647**	**3,092**	**1,871**	**1,792**
All Other Countries N.E.S.	1,600	1,948	626	569	155
TOTAL	**1,600**	**1,948**	**626**	**569**	**155**
GRAND TOTAL	**364,557**	**443,092**	**521,484**	**605,112**	**770,651**

Source: Kenya National Bureau of Statistics/Kenya Revenue Authority

* Provisional

[1] Figures as from 2004 includes the 25 EU members

[2] See Table 7.14 for details

Table 7.14: Trade with African Countries, 2004-2008

KSh '000

ZONES/COUNTRIES	Total Exports					Total Imports				
	2004	2005	2006	2007	2008*	2004	2005	2006	2007	2008*
EAST AFRICAN COMMUNITY (EAC)										
Tanzania	17,920,984	19,953,695	18,288,422	22,325,810	29,223,947	2,009,133	3,099,493	4,514,229	6,677,909	7,265,089
Uganda	37,059,413	42,679,280	27,812,308	33,570,946	42,285,352	1,008,619	1,395,853	1,001,829	5,978,919	5,221,189
Rwanda[1]	6,189,939	7,282,450	4,765,033	5,801,234	8,953,198	16,342	115,489	210,230	88,696	25,327
Burundi[1]	2,971,904	3,714,366	2,184,269	2,423,978	3,479,476	2,877	19,859	338,764	152,770	78,159
Total, EAC	**64,142,241**	**73,629,791**	**53,050,032**	**64,121,968**	**83,941,972**	**3,036,971**	**4,630,694**	**6,065,052**	**12,898,294**	**12,589,764**
COMESA										
Angola	119,914	124,953	311,890	290,132	157,650	28	10,198	89,354	829	297
Comoros	365,084	51,400	384,249	224,138	391,642	-	-	-	7,070	-
Congo, D.R	7,831,500	10,170,730	7,626,944	8,307,968	9,852,453	414,168	906,410	923,241	1,526,791	985,009
Djibouti	524,075	675,631	851,451	2,264,322	799,248	726	112,883	713	1,797,904	1,525,001
Egypt	6,917,554	8,847,771	9,871,273	9,110,514	15,489,896	6,426,351	6,267,749	8,212,279	11,170,046	10,850,664
Eritrea	204,537	1,033,583	573,921	295,996	260,179	1,062	908,176	30,885	708	175,005
Ethiopia	2,217,791	2,529,949	3,670,951	3,434,281	4,362,771	102,693	64,051	119,300	141,605	201,348
Kenya										
Madagascar	280,735	414,295	521,842	627,347	418,646	732	7,707	61,244	60,662	29,271
Malawi	1,133,382	1,437,465	1,807,669	2,112,795	3,992,151	647,154	443,048	256,470	381,672	74,879
Mauritius	607,780	510,803	490,567	637,912	824,094	1,248,546	968,914	413,663	1,279,143	1,533,141
Namibia	20,000	9,258	11,293	31,186	106,462	23,391	15,869	22,388	23,870	19,433
Seychelles	197,261	281,341	281,784	286,667	238,964	3,383	236	320,897	214,869	385,765
Sudan	5,574,397	6,796,743	10,099,845	11,589,457	14,073,437	234,192	216,852	86,089	11,277	162,979
Swaziland	3,478	9,438	8,457	3,554	1,726	3,340,218	2,869,154	3,842,109	3,297,527	4,987,810
Zambia	2,352,385	2,726,356	4,042,931	4,989,945	5,496,235	644,692	808,523	1,430,964	2,028,439	1,853,541
Zimbabwe	177,647	268,047	119,558	219,364	179,077	478,284	324,055	204,968	434,644	156,030
Sub-Total	**28,527,519**	**35,887,763**	**40,674,625**	**44,425,578**	**56,644,632**	**13,565,620**	**13,923,826**	**16,014,565**	**22,377,056**	**22,940,175**
Total, COMESA[2]	**74,748,775**	**89,563,859**	**75,436,235**	**86,221,736**	**111,362,657**	**14,593,458**	**15,455,026**	**17,565,387**	**28,597,441**	**28,264,850**
OTHER COUNTRIES										
Algeria & Libya	23,565	9,909	7,203	618,442	38,872	49,326	-	100,017	4,948	393,494
Ghana & Nigeria	1,419,006	1,955,021	2,501,073	2,050,136	3,598,819	164,271	142,547	158,353	195,118	179,675
Lesotho	1,642	51	11,911	51,921	1,311	-	541,792	608,137	628,043	939
Mozambique	571,176	585,939	421,721	681,267	869,507	96,867	330,270	183,090	195,284	279,906
Reunion	715,709	413,352	720,094	295,645	122,629	3,462	-	-	-	-
Somalia	3,275,373	4,925,484	7,596,888	8,330,378	12,848,237	89,795	18,699	13,516	12,103	30,161
South Africa	1,649,856	2,144,158	2,411,118	2,346,677	3,641,006	34,653,691	42,648,274	33,933,051	35,355,424	46,690,926
All Other African Countries	1,482,524	803,911	911,658	1,106,620	833,857	774,826	466,793	6,537,506	372,317	2,885,967
Sub-Total	**9,138,851**	**10,837,825**	**14,581,666**	**15,481,006**	**21,954,236**	**35,832,238**	**44,148,375**	**41,533,670**	**36,763,237**	**50,461,068**
TOTAL AFRICA[3]	**101,853,460**	**120,790,000**	**108,306,323**	**124,028,632**	**162,540,840**	**52,434,830**	**62,698,016**	**63,613,281**	**72,038,587**	**85,991,007**
Percentage of all Exports/Imports	**47.4**	**46.4**	**43.2**	**45.2**	**47.4**	**14.4**	**14.2**	**12.2**	**11.9**	**11.2**

Source: Kenya National Bureau of Statistics/Kenya Revenue Authority

* Provisional

[1]Rwanda and Burundi joined EAC in July 2007

[2]COMESA includes Uganda, Burundi and Rwanda

[3]TOTAL AFRICA=COMESA+Tanzania+Other African Countries

7.26. Exports to the Common Market for Eastern and Southern Africa (COMESA) increased relatively faster by 29.2 per cent remaining the dominant destination of Kenya's exports. The share of exports to COMESA was 68.5 per cent of the total exports to the African region. Exports to Namibia more than tripled to stand at KSh 106 million during the review period on account of increased exports of carbonates and peroxocarbonates. The value of exports to Malawi increased by 89.0 per cent whereas exports to Comoros increased by 74.7 per cent in 2008. On the other hand, exports to Swaziland continued on the downward trend since 2006. Exports to the East African Community (EAC) continued to grow accounting for 51.6 per cent of the total exports to Africa in 2008. Exports to Rwanda, Burundi and Uganda increased by 54.3, 43.5 and 26.0 per cent, respectively, in 2008. The sharp rise in exports to Burundi was as a result of exports of flat-rolled products of iron and non-alloy steel.

7.27. Exports to Somalia increased by 54.2 per cent from KSh 8,330 million in 2007 to KSh 12,848 million in 2008 mainly due to exports of foliage, branches and other parts of plants suitable for bouquets or ornamental purposes worth KSh 3,392 million. Exports to Lesotho which had recorded a significant increase in 2007, decreased by 97.5 per cent in 2008. Exports to Reunion also declined by 58.5 per cent to stand at KSh 122.6 million in 2008 partly as a result of reduced exports of cement.

7.28. Total imports from COMESA declined marginally by 1.2 per cent. Imports from Zimbabwe, Djibouti, and Uganda which had registered significant increases in 2007 declined by 64.1, 15.2 and 12.7 per cent respectively, in 2008. The decline in imports from Zimbabwe was mainly due to non-importation of cane or beet sugar and chemically pure sucrose. Imports from Eritrea and Sudan which had decreased by 97.7 per cent and 86.9 per cent, respectively, in 2007 increased tremendously during the review period. Imports from South Africa continued to increase after the slump in 2006, recording 32.1 per cent increase in 2008. The value of imports from Algeria and Libya increased from KSh 4.9 million in 2007 to KSh 393.5 million in 2008. The increase in imports from Algeria was caused by imports of cement clinkers valued at KSh 370 million during the review period.

Balance of Payments

7.29. Kenya's balance of payments (BoP) is generally characterized by a persistent current account deficit. Compounded with the recent world economic slowdown, the significance of such perpetual current account deficit may pose a threat to long term economic growth. In 2008, the balance of payments position declined on account of decreased foreign direct investment inflows and the ever widening merchandise trade deficit. Net official reserves decreased by KSh 33,161 million in 2008 compared to an increase of KSh 63,250 million in 2007. The depletion of reserves was occasioned by the growth in import bill and unmatched growth in exports of goods and services and net capital inflows. The current account balance deteriorated to a deficit of KSh 136,851 million in 2008 from a deficit of KSh 69,638 million, the previous year. The capital and financial account recorded a surplus of KSh 81,055 million in

2008 compared to a surplus of KSh 150,090 million recorded in 2007. This can be explained by decreased foreign direct investment and short term capital inflows. The invisible trade registered a surplus of KSh 253,933 million in 2008 up from a surplus of KSh 216,868 million registered in 2007. This is attributable to the increase in current transfers which recorded a surplus of KSh 161,561 million and an increase in earnings from government services, during the period under review. Generally, the Kenya Shilling weakened against the US dollar at an average of KSh 69.18 in 2008 compared to KSh 67.32 per US dollar in 2007.

7.30. The deficit on current account to be financed by capital and financial account is estimated at KSh 136,851 million in 2008, against a deficit of KSh 69,638 million of the previous year. This was mainly due to the visible trade balance deficit widening to KSh 390,784 million in 2008 from a deficit of KSh 286,506 million in 2007, reflecting a deterioration of 36.4 per cent. This deterioration reflected a growth in merchandise imports bill that surpassed earnings from export of goods and services. However, the invisible trade registered a surplus of KSh 253,933 million in 2008 up from a surplus of KSh 216,868 million registered in 2007. This is attributable to the increase in private current transfers which recorded a surplus of KSh 147,656 million.

7.31. The capital and financial account recorded a surplus of KSh 81,055 million in 2008 down from a surplus of KSh 150,090 million recorded in 2007. This drop was occasioned by the decreased inflows from short term and foreign direct investments. Foreign direct investments inflows decreased to KSh 3,585 million in 2008 from KSh 46,652 million in 2007. The net deficit in the portfolio investment account widened marginally from a deficit of KSh 1,665 million in 2007 to a deficit of KSh 1,805 million in 2008. Other changes in capital and financial account included increased net foreign loan repayments and capital repatriation mainly at the stock market after huge foreign investor participation at Nairobi Stock Exchange. This came with the listing of Safaricom, the region's biggest listed company in terms of market capitalization and profitability.

Table 7.15: Kenya Balance of Payments, 2004-2008

KSh Million

	2005			2006+			2007+			2008*		
	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	261,578	423,229	-161,651	253,524	488,086	-234,562	278,174	564,680	-286,506	348,628	739,412	-390,784
2. Transportation	55,645	32,206	23,439	71,378	48,336	23,042	76,056	52,294	23,762	88,882	59,478	29,404
3. Foreign Travel	43,756	9,359	34,398	49,569	12,820	36,748	61,709	17,808	43,902	52,032	18,375	33,658
4. Other Services - Private	15,648	30,558	-14,910	21,763	27,869	-6,106	24,379	29,479	-5,099	33,396	37,183	-3,787
5. Government Services, n.i.e.	27,001	13,792	13,209	32,462	12,028	20,435	35,137	12,895	22,242	50,562	14,338	36,224
6. Income	5,536	13,730	-8,194	7,168	12,221	-5,053	10,812	20,518	-9,706	12,190	15,317	-3,127
7. Current Transfers	99,675	5,028	94,646	132,145	3,452	128,693	144,653	2,885	141,769	167,356	5,796	161,561
Government	7,579	767	6,813	8,928	1,621	7,307	14,819	1,783	13,036	15,239	1,334	13,905
Private	92,095	4,262	87,833	123,217	1,831	121,386	129,834	1,102	128,733	152,117	4,461	147,656
TOTAL CURRENT ACCOUNT	**508,839**	**527,902**	**-19,064**	**568,009**	**604,811**	**-36,803**	**630,921**	**700,558**	**-69,638**	**753,047**	**889,898**	**-136,851**
of which:												
Visible Balance	261,578	423,229	-161,651	253,524	488,086	-234,562	278,174	564,680	-286,506	348,628	739,412	-390,784
Invisible Balance	247,260	104,673	142,588	314,485	116,726	197,759	352,747	135,878	216,868	404,419	150,486	253,933
B. - CAPITAL & FINANCIAL ACCOUNT												
8.Capital Account	7,807	-	7,807	12,142	-	12,142	10,558	-	10,558	6,535	-	6,535
9.Direct Investment	1,603	732	871	3,654	1,727	1,926	49,078	2,426	46,652	6,612	3,028	3,585
10.Portfolio Investment	1,165	3,466	-2,302	214	1,702	-1,487	53	1,717	-1,665	681	2,486	-1,805
11.Other Investment	82,622	31,128	51,494	82,946	31,747	51,199	140,549	46,005	94,544	146,118	73,378	72,740
Long Term	27,809	22,290	5,519	25,575	18,713	6,862	71,013	26,743	44,271	83,476	34,349	49,127
Short Term	54,813	8,839	45,975	57,371	13,034	44,337	69,536	19,262	50,274	62,642	39,029	23,613
TOTAL CAPITAL& FINANCIAL ACCOU	**93,197**	**35,327**	**57,870**	**98,956**	**35,176**	**63,780**	**200,237**	**50,148**	**150,090**	**159,947**	**78,892**	**81,055**
C. -ERRORS AND OMISSIONS			**-17,645**			**17,469**			**-17,202**			**22,635**
D. RESERVE ASSETS [1]												
12.Special Drawing Rights	-	-	-	-	-	-	-	-	-	-	-	-
13.Reserve Position in the Fund	115	-	115	-73	-	-73	-68	-	-68	32	-	32
14.Foreign Exhange.	-21,257	-	-21,257	-44,368	-	-44,368	-63,161	-	-63,161	33,127	-	33,127
15.Other claims	-20	-	-20	-6	-	-6	-21	-	-21	3	-	3
TOTAL MONETARY MOVEMENTS	**-21,161**		**-21,161**	**-44,446**		**-44,446**	**-63,250**		**-63,250**	**33,161**		**33,161**

Source: Kenya National Bureau of Statistics /Kenya Revenue Authority

* Provisional

+ Revised

[1] Official reserves are now defined to exclude Commercial Banks' foreign assets

7.32. Table 7.16 presents level of change in balance of payments accounts. In 2008, exports of goods earnings expanded by KSh 70,454 million while imports of goods bill increased by KSh 174,732 million. Services and income net increased by KSh 17,273 million in 2008. The increase was on account of the rise in the net earnings from government services and other services. However, tourism net earnings dropped by KSh 10,244 million in 2008. These developments in the current account resulted in a deficit of KSh 67,214 million in 2008 from a deficit of KSh 32,835 million in 2007. The deficit in the basic balance indicates a deterioration of Kenya's overall balance of payments position and the depletion of international reserves.

Table 7.16: Changes in Kenya Balance of Payments, 2004-2008

KSh Million

	2004	2005	2006+	2007+	2008*
1. Exports Goods	+31,606	+45,753	-8,054	+24,650	+70,454
2 Imports Goods	-73,475	-78,772	-64,857	-76,594	-174,732
3. Services & Income (net)	+7,089	+9,078	+21,125	+6,033	+17,273
Transportation	+1,889	+3,468	-397	+719	+5,643
Travel	+13,216	+4,452	+2,351	+7,153	-10,244
Other Services	-4,360	+1,421	+8,804	+1,007	+1,313
Government services n.e.s.	-367	-2,085	+7,226	+1,807	+13,982
Income	-3,289	+1,823	+3,141	-4,653	+6,579
4. Current Transfers (net)	+13,283	+15,272	+34,047	+13,076	+19,792
5. Changes on current account	-21,496	-8,668	-17,739	-32,835	-67,214
6. Capital account	-886	-3,688	+4,335	-1,584	-4,023
7. Direct investment	-2,752	-2,427	+1,056	+44,726	-43,067
8. Portfolio investment	-2,380	+2,948	+3,789	+3,152	+3,470
9. Other investment - Long term	-9,777	+22,975	+1,343	+37,408	+4,857
10. Change on basic balance (net balance on lines 5-9)	-37,291	+11,142	-7,217	+50,867	-105,977
11. Other investment - Short term	-+6,072	+19,098	-1,638	+5,937	-26,661
12. Errors and ommision (net)	+15,053	-12,153	+35,114	-34,671	+39,836
13. Net change on all above items (5 - 10) (Net changes on Reserves assets) ..	+28,310	-18,086	-23,285	-18,804	+96,412

Source: Kenya National Bureau of Statistics /Kenya Revenue Authority

* Provisional.

+Revised

Notes:

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

(ii) Exports and imports of goods are derived from Goods Account

International Liquidity

7.33. Table 7.17 presents foreign assets of the Monetary Authorities which includes international reserves. The international reserve assets consist of external assets available to and controlled by the monetary authorities for financing external obligations and regulating the BoP imbalances. Net foreign assets of Central Bank deteriorated from KSh 204,995 million as at December 2007 to KSh 200,145 million as at December 2008. The reserve position in the Fund increased notably by 19.3 per cent to stand

at KSh 1,512 million as at December 2008 from KSh 1,267 million as at December 2007. On the other hand, the Special Drawing Rights (SDRs) increased substantially to stand at KSh 238 million as at December 2008 up from KSh 47 million as at December 2007.

7.34. The foreign liabilities of the Central Bank consisting of External banks' deposits and Use of Fund Credit declined by 6.4 per cent to stand at KSh 21,890 million as at December 2008 compared to a total of KSh 23,398 million as at December 2007. The foreign exchange holdings of the Central Bank declined marginally by 2.1 per cent to stand at KSh 219,757 million in December 2008 from KSh 224,467 million as at the end of 2007. These developments resulted in the marginal decline of the international reserves from KSh 225,845 million as at December 2007 to KSh 221,548 million as at December 2008, reflecting a decrease of 1.9 per cent. The decline in the official foreign reserves holdings in 2008 can be attributed to inadequate purchase of foreign exchange reserves from the domestic interbank foreign exchange reserves market by Central Bank of Kenya in a bid to support reserve build up, as the bank continued to meet Government external obligations. The stock of official reserves was also subjected to exchange rate revaluation losses due to the appreciation of the US dollar (the reporting currency) against the Sterling Pound and the Euro given that a significant portion of reserves are held in the two currencies.

Table 7.17: Central Monetary Authorities – Foreign Exchange Reserves, 2004-2008

KSh Million

As at end of	Official Foreign Assets and Liabilities								
	Central Bank Of Kenya					Central Government			Foreign
	S.D.R.'s	Foreign Exchange (cash + gold)	External Banks' Deposits	Use of Fund Credit	Total Net Foreign Assets of Central Bank	Reserve Position in IMF	Other Holdings	Total Reserves of Central Government	Reserves [1] of Central Monetary Authorities
2004..	46	109,627	28	10,337	99,364	1,506	40	1,546	111,219
2005..	30	125,130	4,159	13,571	107,430	1,300	35	1,335	126,495
2006..	61	166,985	934	12,729	154,317	1,357	36	1,393	168,439
2007..									
January ..	203	167,821	1,325	12,841	154,209	1,323	35	1,358	169,382
February ..	21	168,930	974	12,670	154,828	1,320	35	1,355	170,306
March	21	172,972	1,453	12,562	158,932	1,309	35	1,344	174,337
April	73	178,277	1,499	16,275	160,606	1,311	35	1,346	179,696
May	34	172,877	1,469	15,800	155,636	1,292	63	1,355	174,266
June	5	176,393	1,475	15,742	159,411	1,290	59	1,349	177,747
July	263	183,803	1,245	16,128	167,121	1,321	76	1,397	185,463
August ..	83	181,368	817	15,867	163,933	1,312	70	1,382	182,833
September ..	84	183,398	1,651	16,113	165,480	1,332	67	1,399	184,881
October ..	85	186,764	1,889	16,077	169,365	1,348	62	1,410	188,259
November ..	47	185,607	1,407	19,482	162,293	1,310	75	1,385	187,039
December ..	47	224,467	3,879	19,519	204,995	1,267	64	1,331	225,845
2008..									
January ..	236	244,268	1,799	19,124	224,307	1,439	88	1,527	246,031
February ..	47	234,948	1,073	18,704	214,834	1,420	82	1,502	236,497
March	44	210,068	1,458	17,419	191,351	1,322	88	1,411	211,523
April	43	205,895	1,343	16,806	187,691	1,291	81	1,372	207,310
May	18	209,580	1,441	16,747	191,706	1,291	81	1,372	210,970
June	206	220,061	1,145	17,603	201,260	1,291	81	1,372	221,639
July	213	226,993	1,404	18,182	207,695	1,291	81	1,372	228,578
August ..	36	220,748	1,330	17,830	201,348	1,359	36	1,395	222,179
September ..	38	227,589	1,607	18,832	207,048	1,433	38	1,471	229,098
October ..	315	229,870	1,746	19,350	208,758	1,506	40	1,546	231,731
November ..	46	218,917	2,076	18,908	197,700	1,463	39	1,502	220,465
December ..	238	219,757	2,355	19,535	200,145	1,512	40	1,553	221,548

Source: Central Bank of Kenya

[1] Reserves constitute foreign assets which are readily available for meeting external financial needs

7.35. Table 7.18 shows the nominal value of the Kenyan Shilling at the close of the review period against the selected world currencies. Overall, the Kenyan Shilling depreciated against most of the selected currencies as reflected in the trade weighted exchange rate index, which increased notably by 18.0 per cent from 604.0 in 2007 to 712.9 in 2008. It appreciated against Sterling Pound, South African Rand, Norwegian Kroner and Australian Dollar by 9.6, 7.6, 1.6 and 1.3 per cent, respectively as at December 2008. Within the East African Community, the Kenyan Shilling lost against the Uganda Shilling and Tanzania Shilling by 7.7 and 7.2 per cent, respectively. The weakening of the Kenyan Shilling against the major world currencies during the period under review can be partly attributed to the global economic meltdown coupled with the financial crisis, albeit positive growth in remittances. In addition, the earnings from tourism sector deteriorated in 2008.

Table 7.18: Foreign Exchange Rates of Kenya Shilling for Selected Currencies, 2004-2008

	31st Dec. 2004	31st Dec. 2005	31st Dec. 2006	31st Dec. 2007	31st Dec. 2008
1 US Dollar	77.3444	72.3667	69.3967	62.6750	77.7111
1 Pound Sterling	149.0018	124.9838	136.3157	124.3218	112.3472
Euro[3]	105.3307	85.9110	91.3873	90.1673	109.4822
1 Swedish Kroner	11.6480	9.1222	10.1074	9.4719	10.0317
1 Norwegian Kroner	12.7889	10.6994	11.0768	11.2411	11.0602
1 Zambian Kwacha[2]	0.0163	0.0163	0.0163	0.0000	0.0161
1 Danish Kroner	14.1628	11.5100	12.2609	12.0852	14.6826
1 Canadian Dollar	64.2344	62.2114	59.8229	63.1648	63.7463
1 Australian Dollar	60.2862	53.1208	53.7581	54.4865	53.7800
100 Japanese Yen	75.3835	61.6768	58.3452	54.9412	86.0654
1 Indian Rupee	1.7767	1.6089	1.5695	1.5880	1.6091
1 Pakistan Rupee[2]	1.2966	1.2240	1.2240	0.9973	1.0666
100 Burundi Francs[2]	7.2931	7.1239	7.1239	7.7566	6.9917
100 Rwanda Francs[2]	13.8971	13.5821	13.5821	8.6983	7.2000
1 SA Rand	13.6671	11.3844	9.9432	8.9502	8.2679
TSh/KSh	13.4847	16.1194	18.8945	17.9977	16.7931
USh/KSh	22.4775	25.0808	26.1541	27.0604	25.1252
Overall Weighted Index[1] 1982=100	754.24	623.71	639.61	604.01	712.85

Source: Central Bank of Kenya

[1] Trade Weighted Fisher's Ideal Index (The SA Rand, TSh, USh and other unavailable exchange rates are excluded from index computation).

[2] Via US $ Exchange Rates (Austrialian, Pakistan, Zambia, Rwanda and Burundi).

[3] Countries in the Euro area included in the computation of Trade Weighted Fisher's Ideal Index are: Germany, France, Switzerland, Netherlands, Austria,Belgium, Finland and Italy.

Developments in Trade

Export Market Development

7.36. Under the export market development component, the EPC's goal is to identify market opportunities and formulate appropriate export entry strategies for market consolidation and expansion in traditional markets, and diversification into emerging export markets. These opportunities are passed on to the Kenyan business community to take advantage. During the year under review, the Council carried out various activities such as market research and investigations, trade fairs and exhibitions, and conduct promotion. Some of the promotional activities for Kenyan exporters were done in Tanzania, Spain, Uganda, DRC, Rwanda, Zambia, Sudan, and Germany, among others.

Promotion of Export of Services

7.37. Trade in services has emerged to be an important component in export trade. In this regard, the Council facilitated the participation of nine Kenyan companies in the Business Process Outsourcing (BPO) and Information Technology Outsourcing (ITO) workshop held in Abuja, Nigeria. The event was intended to promote networking for service industry associations and companies exporting services in order to boost partnership and exchange of market information in the Information Technology (IT) services.

Product Development and Adaptation

Commonwealth Secretariat (COMSEC) Technical Assistance

7.38. During 2008, the Commonwealth Secretariat/Export Promotion Council project on Product Design and Development for the Commercial Crafts sector was fully implemented with the participation of the Kenyan producers in the Tendence 2008 Frankfurt Fair to test-market the new products. Seven companies participated at the Fair while products of six other companies who could not travel for the fair were show-cased. The objective of participating at the international trade fair was to gauge the acceptability of the newly developed products, make business contacts and to get sale orders.

The Business Sector Programme Support (BSPS)

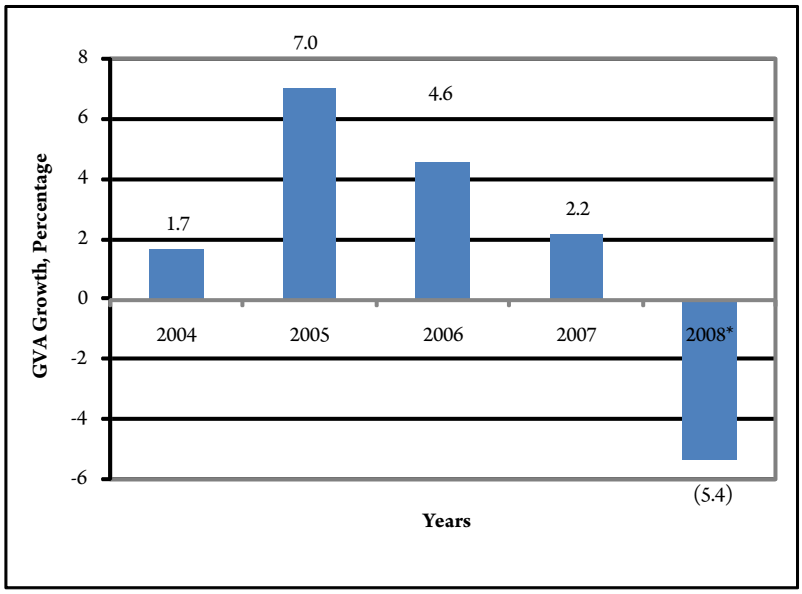
7.39. The technical assistance on Product Design and Development for the commercial crafts sector in the North Rift and Eastern regions of Kenya (Turkana, Marsabit, Wajir, Garissa, Lamu, Malindi and Mombasa) was provided. The main objective of this project was to assist Micro Small and Medium Scale Enterprises (MSMEs) producer groups (clusters) of commercial craft products in the North Rift and Eastern regions of the country to improve their export product offerings and competitiveness. The project assisted in improving the designs and quality of commercial crafts produced by these communities in order to meet current international market preferences, resulting in market-led products. It further assisted in the introduction of new products to the export market. The project is in line with the Council's strategies to enlarge Kenya's export supply base by assisting new export enterprises, including MSMEs, and promoting new products for export.

Chapter 8
Agriculture

Overview

The inadequate rainfall in various parts of the country, high agricultural input prices coupled with disruptions due to the post election skirmishes resulted in the contraction of agricultural sector growth from a revised rate of 2.2 per cent registered in 2007 to negative 5.4 per cent in 2008 as shown in Figure 8.1. In the year under review, the country witnessed a substantial reduction in the production of food crops which led to widespread food shortages and the resultant increases in food prices. The total value of marketed production at current prices increased by 0.1 per cent from KSh 178,643.9 million in 2007 to KSh 178,856.6 million in 2008. The aggregate value of marketed crops decreased by 0.5 per cent from KSh 148,952.5 million in 2007 to KSh 148,227.5 million in 2008. The value of livestock and products increased by 3.2 per cent from KSh 29,691.4 million in 2007 to KSh 30,629.1 million in 2008. The value of marketed cereals declined by 8.3 per cent from KSh 14,617.6 million in 2007 to KSh 13,398.4 million in 2008 on account of a reduction in marketed cereals. The value of marketed horticultural produce declined by 13.8 per cent from a revised KSh 67,253.7 million in 2007 to KSh 57,965.8 million in 2008 mainly due lower prices in the export market resulting from the global financial crisis. However, the quantity of horticulture exports increased marginally from 192.2 thousand tonnes in 2007 to 193.1 thousand tonnes in 2008.

Figure 8.1: Agriculture Gross Value Added (GVA) Growth Rate, 2004-2008



8.2. In general, agricultural produce declined during the year under review compared to 2007. Maize production declined by 20.0 per cent from 32.5 million bags in 2007 to an estimated 26.0 million bags recorded in 2008. Consequently, the quantity of maize imports increased from 100 thousand tonnes valued at KSh 1,094.9 million in 2007 to 243 thousand tonnes valued at KSh 6,664.7 million in 2008. Wheat production declined by 23.6 per cent from 112.9 thousand tonnes in 2007 to 86.2 thousand tonnes

in 2008. Coffee production dropped by 21.3 per cent from 53.4 thousand tonnes in 2006/07 to 42.0 thousand tonnes in 2007/08 crop year. Production of tea declined by 6.4 per cent from 369.6 thousand tonnes in 2007 to 345.8 thousand tonnes in 2008. The reduced production of tea was caused by adverse weather conditions that affected tea growing areas in the first half of the year. The volume of marketed milk decreased by 6.4 per cent from 423 million litres in 2007 to 396 million litres in 2008. The value of dairy produce also decreased from KSh 8,462.2 million in 2007 to KSh 8,368.7 million in 2008. This decrease was attributed to death of some stocks coupled with lower milk delivery.

8.3. Table 8.1 provides agriculture value added at both current and constant prices. Agriculture output at current prices increased by 20.3 per cent to KSh 598.5 billion in 2008. Agriculture input at current prices increased by 3.7 per cent to KSh 123.3 billion. However, agriculture output and input at constant prices decreased by 5.1 and 4.1 per cent to KSh 378.4 billion and KSh 86.7 billion respectively in 2008. As a result, agriculture value added at constant prices declined by 5.4 per cent from KSh 308.2 billion in 2007 to KSh 291.7 billion in 2008.

Table 8.1: Agricultural Output and Input+, 2004– 2008

KSh Million

	2004	2005	2006	2007	2008*
PRODUCTION AT CURRENT PRICES					
Output at basic prices	380,060	420,491	472,334	497,654	598,525
Intermediate consumption	83,006	99,018	109,308	118,909	123,258
Value added at basic prices, gross	297,054	321,473	363,026	378,745	475,266
PRODUCTION CONSTANT PRICES					
Output	348,067	372,526	389,768	398,624	378,375
Intermediate consumption	78,492	84,011	88,063	90,407	86,670
VALUE ADDED, GROSS	**269,575**	**288,515**	**301,705**	**308,217**	**291,705**

+Revised

* Provisional

Marketed Production

8.4. Table 8.2 shows the value of marketed production in the agricultural sector for the period 2004 to 2008. The total value of marketed production at current prices increased marginally from KSh 178,643.9 million in 2007 to KSh 178,856.6 million in 2008. Tea, maize, fruits and sugarcane contributed to the marginal increase in the value of marketed output. The aggregate value of marketed crops decreased by 0.5 per cent to KSh 148,227.5 million in 2008. The value of livestock and products marketed increased by 3.2 per cent from KSh 29,691.4 million in 2007 to KSh 30,629.1 million in 2008. The value of marketed cereals declined by 8.3 per cent from KSh 14,617.6 million in 2007 to KSh 13,398.4 million in 2008.

Table 8.2: Recorded Marketed Production at Current Prices, 2004 - 2008

KSh million

	2004	2005	2006	2007	2008*
CEREALS-					
Maize	6,880.5	6,342.4	7,170.2	7,969.2	8,326.6
Wheat	1,864.0	2,232.3	2,073.4	3,074.1	2,613.8
Others	2,055.3	3,329.5	3,843.2	3,574.3	2,458.1
Total	10,799.8	11,904.2	13,086.8	14,617.6	13,398.4
HORTICULTURE-**					
Cut flowers	18,720.0	22,896.8	23,560.6	43,101.5	39,765.9
Vegetables	12,068.0	13,891.4	17,822.9	22,354.3	16,128.7
Fruits	1,803.0	2,049.9	1,737.3	1,797.9	2,071.2
Total	32,591.0	38,838.1	43,120.8	67,253.7	57,965.8
TEMPORARY INDUSTRIAL CROPS-					
Sugar-cane	8,389.8	9,169.6	9,998.9	11,704.3	12,291.1
Pyrethrum	305.7	158.1	74.1	98.6	91.9
Others	644.6	859.0	602.5	808.5	786.5
Total	9,340.1	10,186.7	10,675.5	12,611.4	13,169.5
PERMANENT CROPS-					
Coffee	7,284.5	8,999.1	10,023.6	9,089.9	6,859.3
Tea	41,212.2	38,829.9	45,162.0	43,887.0	55,383.1
Sisal	1,275.4	1,289.2	1,228.2	1,492.9	1,451.4
Total	49,772.0	47,948.2	56,413.8	54,469.8	63,693.8
TOTAL CROPS	**102,502.9**	**108,877.2**	**123,296.9**	**148,952.5**	**148,227.5**
LIVESTOCK AND PRODUCTS-					
Cattle and Calves ..	11,284.8	13,063.5	13,403.2	13,451.6	13,494.1
Dairy Produce ..	4,385.0	5,313.2	6,494.4	8,462.2	8,368.7
Chicken and eggs	1,705.7	1,901.5	2,186.7	2,575.5	2,788.8
Others	3,391.2	3,980.7	4,291.5	5,202.1	5,977.6
Total	20,766.7	24,258.9	26,375.8	29,691.4	30,629.1
GRAND TOTAL	**123,269.6**	**133,136.1**	**149,672.7**	**178,643.9**	**178,856.6**

* Provisional.

** Data refers to fresh Horticultural exports only

8.5. The value of marketed maize increased by 4.5 per cent from KSh 7,969.2 million in 2007 to KSh 8,326.6 million in 2008, as a result of high prices offered in the market. The value of marketed horticultural produce declined by 13.8 per cent from KSh 67,253.7 million in 2007 to KSh 57,965.8 million in 2008 mainly due to lower unit prices for horticulture in the export market. The decline in horticultural export earnings in the year under review is attributed to a 27.8 per cent slump in the value of vegetables. The high tea prices resulted in the value of marketed tea increasing by 26.2 per cent to KSh 55,383.1 million in 2008. The value of marketed dairy produce decreased by 1.1 per cent to KSh 8,368.7 million in 2008 as a result of reduced milk production.

8.6. The overall price index as shown in Table 8.3 rose from 124.2 in 2007 to 130.2 in 2008 in response to higher prices paid for the agricultural commodities. The price indices for cereals, temporary and permanent crops registered significant increases while the price indices for horticulture, livestock and products declined during the year under review. The reduction in local production for most of the commodities resulted in a decline in the overall quantum index from 149.1 in 2007 to 144.9 in 2008. However, the marginal increase in horticultural exports resulted in an increase in the quantum index for horticulture in 2008. The quantum index for livestock and its products

increased from 169.7 in 2007 to 171.0 in 2008. The reduction in the magnitude of growth in the quantum index has been on the decline since 2004 but was made worse by adverse weather conditions during the year under review.

Table 8.3: Volume and Price Indices of Sales to Marketing Boards, 2004 -2008

Base: 2001=100

	2004	2005	2006	2007	2008*
QUANTUM INDICES					
Cereals	97	105.9	115.6	117.8	81.0
Temporary Industrial Crops	120.8	123.3	125.6	129.4	126.5
Horticulture	155.8	179.2	182.4	213.2	214.1
Permanent Crops	107.6	105.2	103.7	120.9	110.4
TOTAL CROPS	78.7	78.5	78.9	88.6	79.2
Livestock and Products	130.8	150.3	162.3	169.7	171.0
TOTAL GROSS MARKETED PRODUCTION	**123**	**131**	**137**	**149.1**	**144.9**
PRICE INDICES					
Cereals	114.3	109.1	108.9	126.6	174.9
Temporary Industrial Crops	87.5	94.7	97.4	108.2	115.1
Horticulture	88.6	92.8	101.9	133.1	115.4
Permanent Crops	101.2	100.9	119.2	99.9	127.0
TOTAL CROPS	73.6	73.7	83.6	76.2	96.0
Livestock and Products**	123	128.1	135.4	144.8	140.0
TOTAL GROSS MARKETED PRODUCTION	**111**	**111**	**121**	**124.2**	**130.2**

* Provisional.

**Data on livestock is from slaughter houses

8.7. Table 8.4 shows the average gross commodity prices paid to farmers for various commodities. The prices of all commodities except pyrethrum registered an upward trend on account of soaring demand coupled with a reduction in production during the year under review. The prices of pyrethrum remained virtually stagnant for the last three years.

Table 8.4: Average Gross Commodity Prices⁺ to Farmers, 2004 -2008

KSh per stated unit

	UNIT	2004	2005	2006	2007	2008*
Coffee	100 Kg	14,590.60	18,885.80	19,837.76	17,391.00	17,721.96
Tea	„	12,696.00	11,824.20	14,541.27	11,874.01	16,015.17
Sisal	„	4,821.30	5,168.30	4,812.50	6,068.11	6,539.59
Sugar-cane	Tonne	1,800.00	1,910.00	2,027.00	2,249.00	2,404.34
Pyrethrum (Pyrethrin equivalent)	Kg	7,297.20	9,658.70	7,349.84	7,373.29	7,372.27
Seed Cotton	100 Kg	2,243.20	1,910.60	2,191.70	2,045.20	2,440.43
Maize	„	1,534.20	1,523.70	1,535.35	1,566.35	2,445.37
Wheat	„	2,216.70	1,821.10	1,949.55	2,858.90	3,183.24
Beef (third grade)	„	11,351.20	11,938.60	12,101.20	14,546.28	15,334.80
Pig meat	„	8,715.50	9,145.10	9,785.44	11,317.80	12,900.85
Milk	100 litres	1,600.00	1,600.00	1,800.00	2,000.00	2,100.00

* Provisional.

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

8.8. As shown in Table 8.5, the share of sales to marketing boards by small farms declined from 75.9 per cent in 2007 to 73.1 per cent in 2008 in line with lower production from the smallholder farmers. The share of large farms sale to marketing boards increased

by 11.8 per cent from KSh 43,053 million in 2007 to KSh 48,148 million in 2008. In spite of the decline in the share of small farms sale to marketing boards by 3.6 per cent from KSh 135,591 million in 2007 to KSh 130,709 million in 2008, the aggregate value of sales by the small farmers remained more than double, the value sold by the large farms.

Table 8.5: Sale to Marketing Boards from Large and Small Farms, 2004 -2008

	LARGE FARMS		SMALL FARMS		TOTAL		PERCENTAGE
YEAR	KSh mn.	Annual Percentage change	KSh mn.	Annual Percentage change	KSh mn.	Annual Percentage change	SHARE OF SMALL FARMS
2004	33,086	21.59	90,184	16.20	123,270	17.60	73.16
2005	34,828	5.27	98,308	9.00	133,136	8.00	73.84
2006	38,860	11.58	110,813	12.72	149,673	12.42	74.04
2007	43,053	10.79	135,591	22.36	178,644	19.36	75.90
2008*	48,148	11.83	130,709	-3.60	178,857	0.12	73.08

* Provisional.

8.9. The agricultural input indices are shown in Table 8.6. The overall quantum and price indices increased from 147.1 and 128.3 in 2007 to 269.5 and 165.7 in 2008, respectively. The increase in the inputs quantum index is mainly attributed to increased sales in purchased seeds, manufactured feeds and, fuel and power. The increase in prices of most inputs such as fertilizer, fuel and power, manufactured feeds, service inputs and bags contributed to the observed increase in the inputs price index.

Table 8.6: Agricultural Input Indices, 2004 - 2008

Base: 2001=100

	2004	2005	2006	2007	2008*
QUANTUM INDICES-					
Fertilizers	164.8	173.7	181.7	216.6	189.5
Fuel and Power	73.1	67	60.8	70.7	71.8
Bags	71.7	67.5	82.8	66.9	52.1
Manufactured Feeds	170.8	181	194.8	296.3	341.9
Purchased Seeds	127	143	149.7	171.6	192.5
Other Material Inputs	102.5	108.6	112.9	129.5	145.3
TOTAL MATERIAL INPUT	115.4	118.1	107.8	155.0	278.3
SERVICE INPUTS	104.4	112.3	118.7	147.5	264.9
TOTAL INPUTS	**115**	**124**	**145.1**	**147.1**	**269.5**
PRICE INDICES-					
Fertilizers	110.1	127.6	123.8	120.3	235.7
Fuel and Power	85.5	117.4	122.4	131.4	178.9
Bags	125.8	129.3	127.9	155.1	193.9
Manufactured Feeds	105.4	121.7	123.5	142.9	167.4
Purchased Seeds	90.9	97.9	74.6	96.5	92.3
Other Material Inputs	127.8	137.7	131.6	170.3	162.9
TOTAL MATERIAL INPUT	102.2	120.4	119.7	129.4	167.1
SERVICE INPUTS	113.7	124.5	128.2	145.2	187.5
TOTAL INPUTS	**102**	**119**	**118.7**	**128.3**	**165.7**

* Provisional.

8.10. Table 8.7 presents the value of purchased agricultural inputs for the last five years. The value of total inputs purchased in the agricultural sector rose by 48.1 per cent from KSh 17,649 million in 2007 to KSh 26,135 million in 2008. This is largely attributed to significant increases in the price of fertilizer, fuel and power and manufactured feeds in the year under review. The global surge in fuel oil prices in the first half of the year under review resulted in higher local fuel pump prices as well as an increase in the unit price of electricity. This culminated into a 34.5 per cent increase in the value of fuel and power consumed in the agricultural sector. The value of purchased seeds increased by 43.7 per cent from KSh 2,548 million in 2007 to KSh 3,661 million in 2008.

Table 8.7: Value of Purchased Agricultural Inputs+, 2004 - 2008

KSh Million

	2004	2005	2006	2007	2008*
MATERIAL INPUTS-					
Fertilizers	3,321	3,727	3,560	3,595	6,160
Other Agricultural Chemicals	991	1,044	1,204	1,389	1,258
Livestock Drugs and Medicines	1,077	1,313	1,439	942	857
Fuel and Power	4,910	4,861	3,497	5,400	7,262
Bags	442	427	544	604	429
Manufactured Feeds	2,341	2,638	2,242	2,038	4,849
Purchased Seeds	2,541	2,694	2,528	2,548	3,661
Other Material Inputs	378	390	405	453	651
Total	16,001	17,094	15,418	16,968	25,128
SERVICE INPUTS	571	583	608	681	1,008
TOTAL INPUTS	**16,572**	**17,677**	**16,026**	**17,649**	**26,136**

* Provisional.

+ Except labour.

8.11. As shown in Table 8.8, agriculture terms of trade continued to deteriorate for the second consecutive year, with the index moving down by 13.2 percentage points from 74.4 points in 2007 to 61.2 points in 2008, the lowest level realized in the last five years. This was driven by a modest rise in agriculture output price index and a comparatively large increase in the price index of agricultural inputs and consumer goods. While the price index of output prices rose by 5.5 percentage points between 2007 and 2008, the price index of inputs and consumer goods rose by 40.3 percentage points during the same period, leading to the observed worsening of terms of trade in the agriculture sector.

Table 8.8: Price and Terms of Trade Indices for Agriculture, 2004 - 2008

Base: 2001=100

	2004	2005	2006	2007	2008*
General Index of Agricultural Output Prices	100.6	100.8	105.9	108.0	113.5
PRICE PAID					
Purchased Inputs	101.5	119.2	118.7	128.3	165.7
Index of Purchased Consumer Goods-Rural Areas	124.1	136	147.8	162.2	205.3
INDICES OF PRICES PAID	112.8	127.9	133.2	145.3	185.5
Agricultural Sector terms of Trade	89.2	78.8	79.5	74.4	61.2

* Provisional.

8.12. Estimates on production of major food security crops are given in Table 8.9. In 2008, there was a widespread shortage of food due to the substantial reduction in the production of food crops. As reflected in the table, this resulted into an acceleration of prices for most food commodities. For the second year running, the country recorded a decline in the production of maize from 32.5 million bags in 2007 to 26.0 million bags in 2008. Similarly, the production of beans declined by 15.9 per cent, falling from 3.5 million bags in 2007 to 2.9 million bags in 2008. Production of Irish potatoes, sorghum and millet dropped by 20.0 per cent, 66.6 per cent and 53.6 per cent, respectively. This decline in production of food crops was mainly occasioned by delayed planting after the post election violence and unfavourable weather conditions as witnessed in the inadequate long and short rains received in most parts of the country. The inadequate rainfall led to crop failure in several regions, notably the eastern and coastal parts of the country.

Table 8.9: Estimated Production of Selected Agricultural Commodities, 2004 - 2008

CROP	Unit	2004	2005	2006	2007	2008*
Maize	million bags	29	32.3	34.6	32.5	26.0
Beans	"	3.2	4.3	5.9	3.5	2.9
Potatoes	million tonnes	1.1	1.0	0.8	1.0	0.8
Sorghum	million bags	0.8	1.7	1.6	1.8	0.6
Millet	"	0.7	0.6	0.8	0.9	0.4

Source: Ministry of Agriculture

* Provisional.

8.13. Average retail prices for selected food crops are presented in Table 8.10. At national level, the country witnessed uncharacteristically high price increase for all the reported crops between 2007 and 2008. At the regional level, all provinces recorded price increases for all the crops except sorghum whose average price in Eastern Province declined from KSh 21.00 per kilogramme in March 2007 to KSh 20.50 per kilogramme in March 2008. The food supply constraints experienced in the country in 2008 are clearly depicted by the high prices, relative to the previous year, of the major food staples of maize, beans and potatoes.

8.14. Nationally, the highest absolute price jump was observed for beans, rising from KSh 38.40 per kilogramme in September 2007 to KSh 66.5 per kilogramme same month in 2008. The price of the same commodity rose from KSh 36.9 per kilogramme in March 2007 to KSh 56.1 per kilogramme in March 2008, representing a price change of KSh 19.2 per kilogramme. Between March 2007 and March 2008, the national average price of maize registered a difference of KSh 4.2 per kilogramme, rising from KSh 15.6 per kilogramme to KSh 19.8 per kilogramme in the respective months. However, the national average price of maize in the month of September reflects a large shift from KSh 15.4 per kilogramme in 2007 to KSh 28.0 per kilogramme in 2008, a difference of KSh 12.6 per kilogramme. The high prices of maize were driven by lower domestic production coupled with a reduced global supply of the grain. At provincial level, the highest prices for maize in the month of September 2008 were observed in Central Province while the highest prices for potatoes, sorghum and millet were all recorded in Western Province in the same period.

Table 8.10: Retail Market Prices for Selected Food Crops, 2004-2008

KSh per Kg.

CROP	Province	2004		2005		2006		2007		2008	
		March	Sept	March	Sept	March	Sept	March	Sept	March	Sept
Maize	Coast	20.9	20.8	21.5	20.4	21.8	21.2	21.4	20.0	24.2	28.3
	Eastern	15.8	20.2	13.8	16.5	18.2	16.3	12.2	12.1	17.1	29.9
	Central	17.4	20.9	20.7	17.7	19.3	18.4	17.4	15.4	18.7	31.3
	Rift Valley	19.4	23.1	20.5	17	16.4	17.1	16.0	18.1	19.7	26.8
	Nyanza	16.7	17.6	16.2	14.3	17.4	14.8	13.0	12.0	19.3	26.0
	Western	17.9	17.7	16	14.4	16.8	16.5	13.9	14.6	19.6	25.5
	National	18	20.1	18.1	16.7	18.3	17.4	15.6	15.4	19.8	28.0
Beans	Coast	33.1	38.1	42.8	38.9	46.7	40.5	43.0	41.0	61.2	73.3
	Eastern	25.5	37.5	32.6	30.8	44.9	35.5	32.3	35.8	53.4	66.7
	Central	30.8	37.5	40.1	34.4	46.7	37.9	39.7	41.0	52.9	74.5
	Rift Valley	30.7	42.9	38.5	34.6	40.2	34.1	37.0	36.4	59.4	56.0
	Nyanza	33.2	35.9	42.5	35.2	42.9	34.7	33.0	37.0	59.8	67.1
	Western	31.3	35.4	35.9	33.9	44.0	29.0	36.2	39.4	50.0	61.1
	National	30.8	37.9	38.7	34.6	44.2	35.3	36.9	38.4	56.1	66.5
Potatoes	Coast	23.3	21.5	21.1	24.9	36.7	25.5	28.7	30.0	37.3	34.6
	Eastern	17.4	17.9	15.6	12.3	23.6	15.6	18.4	17.3	23.9	24.8
	Central	10.4	7.8	9.5	8.5	15.9	10.2	11.1	11.7	20.8	15.8
	Rift Valley	16.1	13.9	23.9	12.4	18.5	12.0	18.8	18.1	31.4	26.5
	Nyanza	13.5	11.7	12.2	9.6	14.1	11.0	13.0	14.0	21.5	20.0
	Western	10.7	9.4	11.7	8.5	14.4	7.3	11.0	9.0	23.9	40.0
	National	15.2	13.7	15.7	12.7	20.5	13.6	16.8	16.7	26.5	27.0
Sorghum	Eastern	18.7	22.3	27.8	22	30.5	21.7	21.0	14.0	20.5	28.3
	Nyanza	16.5	20	20.9	12.8	20.5	15.6	15.0	17.0	27.0	28.3
	Western	21.4	23.8	21.1	25.1	20.9	18.2	22.9	23.5	32.0	35.7
	National	18.9	22	23.2	20	24.0	18.5	19.6	18.2	26.5	30.8
Millet	Eastern	35.6	41.7	32.8	39.2	44.4	42.1	37.0	39.6	38.9	45.2
	Rift Valley	27.4	30.2	32.6	41	35.2	33.6	35.3	35.0	43.2	46.8
	Nyanza	30.7	32	35.3	31.9	33.3	31.7	32.0	32.0	52.5	57.4
	Western	28.7	29.5	28.6	29.6	34.9	23.6	34.1	35.8	57.5	62.2
	National	30.6	33.4	32.3	35.4	37.0	32.8	34.6	35.6	48.0	52.9

8.15. Data on sales of agricultural produce to various marketing boards is given in Table 8.11. In 2008, the agricultural sector registered a substantial decline as indicated by the reduced volume of sales of all commodities reported. Deliveries of maize grain to the National Cereals and Produce Board (NCPB) and millers registered the highest decline, from 508.8 thousand tonnes in 2007 to 340.5 thousand tonnes in 2008, a drop of 33.1 per cent. This huge decline is attributed to low maize production in the year under review. The decline is also partly attributed to disagreements between farmers and NCPB on the price of the grain, leading to farmers withholding significant amounts from the long rains harvested crop. The quantity of sales of tea and coffee dropped by 6.4 per cent and 26.0 per cent respectively, a direct result of the reduced production of the two crops during the year. Both cotton and sugar-cane registered a reversal in the trends of their sales, each recording declines in 2008. Sales of sisal continued on the downward trend while the sale of wheat grain recorded a 23.6 per cent decline compared to an increase of 9.1 per cent in 2007. For the second consecutive year, the quantity of marketed rice paddy declined significantly, from 32.3 thousand tonnes in 2007 to 24.3 thousand tonnes in 2008. The pyrethrum sub-sector continued to post the mixed performance over the recent past, registering a reduction in sales in 2008 compared to an increase in 2008.

Table 8.11: Sale of Selected Crops to Marketing Boards, 2004 – 2008

CROP	UNIT	2004	2005	2006	2007	2008*
Maize[2]	'000 tonnes	448.5	416.2	470.7	508.8	340.5
Wheat[1]	"	84.1	122.6	98.6	107.5	82.1
Coffee	"	49.9	47.7	50.5	52.3	38.7
Tea	"	324.6	328.5	310.6	369.6	345.8
Cotton[1].	"	2.2	2.7	3.2	3.3	2.7
Sugar-cane[1]..	mn. tonnes	4.7	4.8	4.9	5.2	5.1
Pyrethrum (extract equivalent)	tonnes	41.9	16.4	10.1	13.4	12.5
Sisal	'000 tonnes	26.5	25.6	25.5	24.6	22.2
Rice Paddy [1]	"	26.4	34.7	38.3	32.3	24.3

* Provisional.

[1]No purchases by boards.

[2]Includes purchases by NCPB and millers.

8.16**. Wheat:** Domestic production of wheat went down substantially during the year under review, declining to 86.2 thousand tonnes from 112.9 thousand tonnes in 2007 as shown in Table 8.12. This reduced production was mainly attributed to inadequate rainfall in Rift Valley and Central Province wheat growing areas during the long rains. At the same time, imports of wheat declined for the second year running, by 13.2 per cent from 564.3 thousand tonnes in 2007 to 538.5 thousand tonnes in 2008. Despite this decline in wheat imports, the country continues to rely heavily on foreign supply of this food commodity. Out of a total of 624.7 thousand tonnes wheat supply during the year, only 13.8 per cent was sourced locally.

Table 8.12: Production and Imports of Wheat, 2004 - 2008

'000 Tonnes

YEAR	PRODUCTION**	IMPORTS	TOTAL
2004	88.3	404.1	492.4
2005	128.7	621.8	750.6
2006	106.1	650.4	756.5
2007	112.9	564.3	677.2
2008*	86.2	538.5	624.7

** Includes retention for seed.

* Provisional.

8.17. **Coffee:** The coffee sub-sector registered a 21.3 per cent decline in production from 53.4 thousand tonnes in 2006/07 to 42.0 thousand tonnes in 2007/08 crop year as shown in Table 8.13. The reduced coffee production is attributable to unfavourable weather comprising of a prolonged dry spell within coffee growing areas. The prevailing dry weather conditions also led to a high incidence of coffee berry disease, further impacting negatively on the year's crop.

Table 8.13: Production, Area, and Average Yield of Coffee by Type of Grower, 2003/04 - 2008/09

	2003/04	2004/05	2005/06	2006/07	2007/08*
AREA (Ha) '000-					
Co-operatives	128	128	128	121	118
Estates	42	42	42	42	37
TOTAL	170	170	170	163	155
PRODUCTION (Tonnes) '000-					
Co-operatives	30.0	25.5	27.0	28.4	22.3
Estates	18.5	19.7	21.3	25.0	19.7
TOTAL	48.4	45.2	48.3	53.4	42.0
AVERAGE YIELD (Kg/Ha.)-					
Co-operatives	234	199	211	235	189
Estates	440	469	506	595	532

Source: Coffee Board of Kenya

* Provisional.

8.18. During the 2007/08 crop year, the area planted with coffee trees reduced further to 155.0 thousand hectares from 163.0 thousand hectares recorded in the previous crop year, with the Estates sub-sector recording a greater percentage change than the cooperatives. Owing to the higher decline in production compared to area under crop, the average yield for cooperatives fell by 19.6 per cent while that of the estates fell by 10.6 per cent during the year under review. This was a reversal of trend following notable increases in average yield of coffee over the past three crop years.

8.19**. Tea:** Table 8.14 presents production, area and average yield of tea by type of grower for the period 2004 to 2008. Production of tea declined by 6.4 per cent from 369.6 thousand tonnes in 2007 to 345.8 thousand tonnes in 2008, with the smallholder sub-sector recording a greater percentage drop than the estates sub-sector. During the year, production from the small scale farmers constituted 61.0 per cent of total tea production. The area planted with tea bushes increased by 5.7 per cent between 2007 and 2008, rising from 149.2 thousand hectares to 157.7 thousand hectares. Both small scale and large scale tea farms recorded significant declines in the average yield of tea per hectare. The reduced production of tea was caused by adverse weather conditions and the tea pluckers strike that affected tea growing areas in the first half of the year.

Table 8.14: Production, Area and Average Yield of Tea by Type of Grower, 2004- 2008

	2004	2005	2006	2007	2008*
AREA (Ha) '000					
Smallholder	88	92.7	95.8	98.2	107.1
Estates	48.8	48.6	51.3	51.0	50.6
TOTAL	136.7	141.3	147.1	149.2	157.7
PRODUCTION (Tonnes) '000					
Smallholder	192.6	197.7	191.2	229.6	210.9
Estates	132.1	130.8	119.4	140.0	135.0
TOTAL	324.6	328.5	310.6	369.6	345.8
AVERAGE YIELD (Kg/Ha)**					
Smallholder	2,263.0	2,312.0	2,225.0	2,658.0	2,397.0
Estates	3,739.0	3,372.0	2,689.0	3,105.0	2,768.0

Source: Tea Board of Kenya

* Provisional

** Obtained by dividing current production by the area four years ago

8.20**. Tea Exports:** The volume of tea exports rose substantially from 370.2 thousand tonnes in 2007 to 390.0 thousand tonnes in 2008. At the same time, the value of tea exports rose from KSh 46.8 billion to KSh 63.8 billion, an increase of 36.3 per cent. This proportionately high value of tea exports was a result of good international tea prices that were driven by reduced global production of tea. The weakening Kenya shilling in most part of the year further supported higher returns for the tea. Due to the reduced production, the average auction price of tea rose from KSh 118.74 per kilogramme to KSh 160.15 per kilogramme.

8.21. **Sugarcane:** Table 8.15 presents sugarcane statistics for the last five years. The area under sugarcane increased by 6.9 per cent from 158.6 thousand hectares in 2007 to 169.4 thousand hectares in 2008. The area harvested decreased from 59,201 hectares in 2007 to 54,465 hectares in 2008 while production decreased by 1.8 per cent over the same period. However, average yield increased by 2.9 per cent over the review period.

Table 8.15: Area Under Sugar Cane, Area Harvested, Production, and Average Yield, 2004 – 2008

	2004	2005	2006	2007	2008*
Area under cane (Ha)	131,507	144,765	147,730	158,568	169,421
Area harvested (Ha)**	54,191	56,537	54,621	59,201	54,465
Production ('000 Tonnes)	4,661.0	4,800.8	4,932.8	5,204.2	5,112.0
Average yield (Tonnes/Ha)	73.81	71.46	70.89	70.87	72.94

Source: Kenya Sugar Board

* Provisional

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

8.22. Table 8.16 provides details on production, imports, consumption and exports of sugar. The production of sugar decreased slightly from 520.4 thousand tonnes in 2007 to 517.7 thousand tonnes in 2008 while consumption went up by 1.4 per cent from 741.2 thousand tonnes in 2007 to 751.5 thousand tonnes in 2008. Sugar imports decreased by 5.0 per cent to 218.6 thousand tonnes over the same period, while sugar exports increased by 23.5 thousand tonnes in 2008.

Table 8.16: Production, Imports and Consumption of Sugar, 2004 – 2008

'000 Tonnes

YEAR	PRODUCTION	IMPORTS	CONSUMPTION	EXPORTS
2004	516.8	164.0	669.9	11.6
2005	488.9	167.2	695.6	21.8
2006	475.7	166.3	718.4	13.5
2007	520.4	230.0	741.2	20.8
2008*	517.7	218.6	751.5	27.9

Source: Kenya Sugar Board/ Kenya National Bureau of Statistics

* Provisional

8.23. **Horticulture:** Exports of fresh horticultural produce for the period 2004 to 2008 are shown in Table 8.17. The horticulture sub-sector continued to play an important role in the domestic economy, earning the country a substantial amount of foreign exchange from the exports of flowers, vegetables and fruits. In 2008, the volume of exports increased marginally to 193.1 thousand tonnes from 192.2 thousand tonnes exported in 2007. During the same period, the value of fresh horticultural exports decreased by 13.8 per cent to KSh 58.0 billion in 2007. The decrease in export values could be attributed to lower prices paid in the international market.

Table 8.17: Exports of Fresh Horticultural Produce[1], 2004 – 2008

YEAR	VOLUME ('000 Tonnes)	VALUE (KSh billion)
2004	145.6	32.6
2005	163.2	38.8
2006	163.2	43.1
2007	192.2	67.3
2008*	193.1	58.0

Source: Horticultural Crops Development Authority (HCDA)

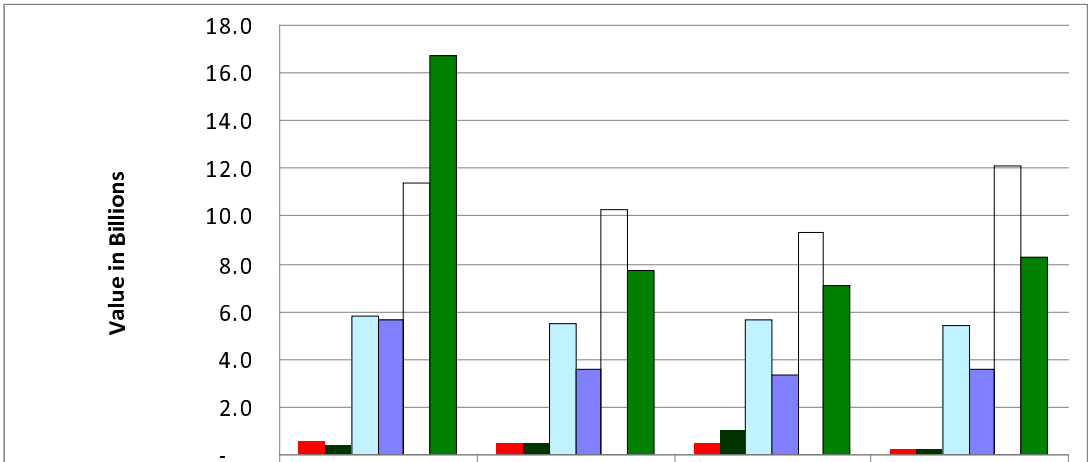
* Provisional.

[1]Excludes exports of processed horticultural produce.

8.24. The volume of fruits exported increased by 9.3 per cent to 17,123 metric tonnes in 2008. Over the same period, the volume of flowers exported increased by 2.6 per cent from 91,193 metric tonnes to 93,639 metric tonnes while the volume of vegetables exported decreased by 3.5 per cent from 85,323 metric tonnes to 82,358 metric tonnes.

8.25. Figure 8.2 below provides a comparison of the quarterly exports of fresh horticultural produce between 2007 and 2008. Earnings from the exports of flowers increased in the first quarter of 2008 compared to 2007. However, the flower export values declined in the subsequent quarters of 2008. Exports of fresh vegetables declined from an average quarterly value of KSh 5.6 billion in 2007 to average quarterly value of KSh 4.1 billion in 2008. Export earnings from fresh fruits declined in the first half of 2008 but increased in the third quarter, remaining at the 2007 level in the fourth quarter of 2008.

Figure 8.2: Quarterly Exports of Fresh Horticultural Produce, 2007-2008



	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
FRUITS 2007	0.6	1	0.5	0.2
FRUITS 2008	0.4	0.5	1.0	0.2
VEGETABLES 2007	5.8	5.5	5.7	5.4
VEGETABLES 2008	5.6	3.6	3.3	3.6
FLOWERS 2007	11	10	9	12
FLOWERS 2008	16.7	7.7	7.1	8

8.26. **Irrigation:** The area cropped in Mwea Irrigation scheme in 2007/08 reduced to 7,806 hectares from 8,325 hectares in 2006/07, as shown in Table 8.18. However, the gross value of output increased from KSh 1,544 million in 2006/07 to KSh 2,121 million in 2007/08 due to the favourable prices for the commodity. The number of plot-holders in the scheme slightly decreased from the 7,267 in 2006/07 to 7,257 in 2007/08 while their payments increased by 57.8 per cent from KSh 919 million in 2006/07 to KSh 1,450 million in 2007/08. Overall, total area irrigated for all the schemes dropped from 9,626 hectares in 2006/07 to 8,307 hectares during 2007/08 crop year. The reduction in crop area was partly attributed to low level of irrigation water. Gross value of output from the seven irrigation schemes increased to KSh 2,160 million from KSh 1,604 million and plot holders payments increased to KSh 1,457 million from KSh 941 million during the 2007/08. Total rice paddy production decreased to 40,065 tonnes in 2007/08 from 53,113 tonnes in 2006/07. The drop in paddy rice production was mainly attributed to reduced production in Mwea, Ahero and Bunyala Irrigation schemes during the year. There was no production in Ahero irrigation scheme in 2006/07.

Table 8.18: Progress and Production at Seven Irrigation Scheme Areas, 2003/04 - 2007/08

	2003/04	2004/05	2005/06	2006/07	2007/08*
MWEA-					
Area cropped-Hectares	10,000	10,000	10,332	8,325	7,806
Plot-holders-Number[1]	3,400	5,400	5,400	7,267	7,257
Gross value of output-KSh million ..	1,250	1,786	1,775	1,544	2,121
Payments to plot-holders-KSh million ..		1,066	1,009	919	1,450
ALL (7) SCHEME AREAS-					
Area cropped-Hectares	10,580	10,832	12,501	9,626	8,307
Plot-holders-Number	5,014	6,660	7,329	8,766	8,716
Gross value of output-KSh million ..	1,312	1,880	2,037	1,604	2,160
Payments to plot-holders-KSh million ..	881	1,115	1,131	941	1,457
CROPS PRODUCED - Tonnes					
Mwea-Paddy	46,875	59,520	57,422	51,458	38,560
Ahero-Paddy	750	741	3,779	851	-
W.Kano-Paddy	-	1,348	774	124	938
Bunyala-Paddy	-	1,068	1,010	682	567
TOTAL PADDY	**47,625**	**62,677**	**62,986**	**53,113**	**40,065**

Source: National Irrigation Board

[1]Includes farmers outside Mwea Scheme

* Provisional

8.27. **Dairy Produce:** Table 8.19 shows production and sales of livestock and dairy produce. In 2008, the volume of marketed milk decreased by 6.1 per cent from 423 million litres in 2007 to 399 million litres in 2008. This decrease was attributed to lower milk delivery as a result of reduction in milk production during the year under review. The volume of whole milk and cream processed dropped by 7.1 per cent from 282 million litres in 2007 to 262 million litres in 2008. Similarly, production of butter and ghee decreased to 1,218 tonnes in 2008 from 1,752 tonnes in 2007. The production of cheese continued to decrease partly due to high costs of production and low demand.

8.28**. Livestock products:** The number of cattle and calves slaughtered increased by 10.0 per cent from 1,720 thousand head in 2007 to 1,892 thousand head in 2008 while the number of sheep and goats slaughtered increased by 8.2 per cent during the same period. The number of pigs slaughtered increased by 18.6 per cent from 167 thousand in 2007 to 198 thousand in 2008. The increased number of animals slaughtered may be attributed to higher livestock disposals occasioned by the adverse weather resulting in lack of pasture and water coupled with high cost of manufactured feeds.

Table 8.19: Production and Sale of Livestock and Dairy Products, 2004 – 2008

	UNIT	2004	2005	2006	2007	2008*
RECORDED MILK PRODUCTION	Mn. Litres	274	340	361	423	399
MILK PROCESSED:						
Whole milk and Cream	Mn. Litres	178	191	225	282	262
Butter and Ghee	Tonnes	563	1261	1549	1,752	1,218
Cheese	"	328	270	243	215	155
LIVESTOCK SLAUGHTERED						
Cattle and Calves..	'000 Head	1,641	1,786	1,911	1,720	1,892
Sheep and Goats	"	3,851	4,220	4,775	5,014	5,425
Pigs	"	172	180	176	167	198

* Provisional.

8.29. **Agriculture Training:** Table 8.20 shows the enrolment for various agricultural and livestock related courses at various levels. Enrolment for degree courses slightly increased by 1.8 per cent from 6,001 students in 2007 to 6,110 students in 2008. In 2008, enrolment for diploma courses at Egerton University and Bukura Institute of Agriculture decreased by 7.2 per cent and 25.5 per cent to 1,844 and 301 students respectively. Certificate level courses enrolment at Naivasha Dairy Training Institute dropped by 68.6 per cent and this was attributed to post election violence that was experienced in the beginning of 2008. The number of trainees at the three Animal Health Training Institutes remained almost constant in 2008 compared to 2007 while enrolment in Short-Term Vocational courses decreased by 18.6 per cent over the same period.

Table 8.20: Enrolment in Agricultural Training Institutions, 2004 - 2008

Number

	2004			2005			2006			2007			2008*		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
DEGREE LEVEL -Public Universities															
Nairobi	1,032	325	1,357	980	276	1,256	780	325	1,105	990	324	1,314	850	354	1,204
Moi	116	67	183	256	119	375	435	234	669	994	362	1,356	998	385	1,383
Jomo Kenyatta (JKUAT)	580	167	747	610	172	782	439	172	611	417	202	619	489	245	734
Egerton	2,187	828	3,015	1,743	816	2,559	1,820	845	2,665	1,856	856	2,712	1,905	884	2,789
Total	**3,915**	**1,387**	**5,302**	**3,589**	**1,383**	**4,972**	**3,474**	**1,576**	**5,050**	**4,257**	**1,744**	**6,001**	**4,242**	**1,868**	**6,110**
DIPLOMA LEVEL -Public Universities															
Jomo Kenyatta (JKUAT)	206	91	297	-	-	-	-	-	-	-	-	-	-	-	-
Egerton	1,215	546	1,761	788	340	1,128	1,319	536	1,855	1,330	657	1,987	1,210	634	1,844
Total	**1,421**	**637**	**2,058**	**788**	**340**	**1,128**	**1,319**	**536**	**1,855**	**1,330**	**657**	**1,987**	**1,210**	**634**	**1,844**
DIPLOMA LEVEL - MOA															
Bukura Institute of Agriculture	111	38	149	120	44	164	103	40	143	256	118	404	199	102	301
CERTIFICATE LEVEL-															
Kilifi Institute of Agiculture[1]	147	76	223	170	62	232	142	57	199	141	75	216	-	-	-
Naivasha Dairy Training Institute	34	20	54	37	22	59	65	50	115	69	37	106	58	43	101
Total	**181**	**96**	**277**	**207**	**84**	**291**	**207**	**107**	**314**	**210**	**112**	**322**	**58**	**43**	**101**
Animal Health Training Institutes-															
Kabete	86	33	119	78	36	114	84	35	119	104	33	137	90	26	116
Nyahururu	57	23	80	61	23	84	52	28	80	49	26	75	52	28	80
Ndomba	125	53	178	114	58	172	102	70	172	106	60	166	124	56	180
Total	**268**	**109**	**377**	**253**	**117**	**370**	**238**	**133**	**371**	**259**	**119**	**378**	**266**	**110**	**376**
SHORT-TERM VOCATIONAL COURSES-															
Naivasha Dairy Training School	34	18	52	39	21	60	19	8	27	95	36	131	63	17	80
Athi River M.T. School	60	14	74	72	22	94	74	26	100	47	26	73	67	19	86
Total	**94**	**32**	**126**	**111**	**43**	**154**	**93**	**34**	**127**	**142**	**62**	**204**	**130**	**36**	**166**

Source: Ministry of Agriculture & Livestock, Public Universities and Institutions

* Provisional.

[1] Kilifi Institute of Agiculture became an affiliate of JKUAT

8.30. Table 8.21 shows that the total number of co-operative societies and unions increased by 2.9 per cent from 11,635 in 2007 to 11,968 at the end of 2008. The total number of agricultural societies increased by 1.4 per cent from 4,414 to 4,477 during the same period. Total non-agricultural societies increased by 3.8 per cent from 7,122 in 2007 to 7,391 in 2008. The increase in the number of co-operative societies was due to continued member education by the Ministry of Co-operative Development and Marketing. The Savings and Credit Co-operative Organisations (SACCOs) increased by 4.5 per cent from 5,122 in 2007 to 5,350 in 2008 which may be attributed to high interest rates charged by other lending institutions.

Table 8.21: Number of Societies and Unions by Type, 2004 – 2008

TYPE OF SOCIETY	2004	2005	2006	2007	2008*
Coffee	498	523	542	546	548
Sugar-cane	149	152	152	152	152
Pyrethrum	142	146	146	146	146
Cotton	59	59	59	59	59
Dairy	241	248	252	258	264
Multi-produce	1,798	1,818	1,835	1,876	1,923
Farm Purchase	109	111	113	114	114
Fisheries	65	66	66	67	67
Other Agricultural Societies	1,154	1,181	1,188	1,196	1,204
TOTAL AGRICULTURAL	**4,215**	**4,304**	**4,353**	**4,414**	**4,477**
Savings and Credit	4,474	4,678	4,876	5,122	5,350
Other Non-Agricultural Societies	1,857	1,885	1,941	2,000	2,041
TOTAL NON- AGRICULTURAL	**6,331**	**6,563**	**6,817**	**7,122**	**7,391**
Unions	96	99	99	99	100
GRAND TOTAL	**10,642**	**10,966**	**11,269**	**11,635**	**11,968**

Source: Ministry of Co-operatives and Marketing

* Provisional

8.31. As shown in Table 8.22, total sale of agricultural produce by co-operatives decreased by 13.4 per cent from KSh 7,572 million in 2007 to KSh 6,555 million during 2008. This decrease was mainly attributed to the coffee and pyrethrum sub-sectors that registered declines of 21.9 per cent and 44.0 per cent respectively, during the period under review. Sugar cane and dairy products sales increased by 0.5 per cent and 3.6 per cent from KSh 213 million and KSh 2,395 million in 2007, respectively. In terms of percentage shares, the contribution by coffee and milk rose by 1.9 and 1.4 percentage points respectively. However, share contribution by sugarcane and pyrethrum declined from 2.0 per cent and 76.1 per cent in 2007 to 1.7 per cent and 45.7 per cent in 2008.

Table 8.22: Sale of Selected Agricultural Produce by Co-operatives and their Contribution to Gross Farm Revenue, 2004 - 2008

YEAR	COFFEE	SUGARCANE	PYRETHRUM	COTTON	MILK	TOTAL
Sale (KSh million)						
2004 ..	2,492.0	209	102	2.0	1,500.0	4,305.0
2005 ..	3,405.0	212	105	2.0	1,933.0	5,657.0
2006 ..	3,793.5	215	112	2.0	2,247.0	6,369.5
2007..	4,887.0	213	75	2.0	2,395.0	7,572.0
2008*..	3,815.0	214	42	2.0	2,482.0	6,555.0
Percentage Share of sector total						
2004 ..	34.2	3	33	2.2	34.2	21.1
2005 ..	37.8	2	66	4.0	35.5	26.4
2006 ..	37.8	2	66	3.4	34.6	23.7
2007..	53.8	2	76	3.0	28.3	26.9
2008*..	55.6	2	46	3.0	29.7	23.7

* Provisional.

Chapter 9

Environment and Natural Resources

Overview

In 2008, the Government continued to institute and enforce policy measures that govern the natural resources exploitation, management and conservation with the overall objective of ensuring sustainable development.

9.2. Total development expenditure on Water Supplies and Related Services increased by 25.7 per cent from KSh 8,414.3 million in 2007/08 to KSh 10,574.1 million in 2008/09. Total value of fish landed increased by 5.0 per cent from KSh 8,594.5 million in 2007 to KSh 9,024.2 million in 2008. The value of mineral production also increased during the review period from KSh 6,991.2 million in 2007 to KSh 12,304.9 million. The sale of forest products increased from 423.4 thousand cubic metres in 2007 to 503.7 thousand cubic metres in 2008.

Water Supply

9.3. The Government through the Ministry of Water and Irrigation continued to run programmes aimed at providing safe drinking water to citizens within reasonable distance while at the same time ensuring its sustainability. In urban areas, development of water schemes was undertaken by the Water Services Boards while in rural areas, it was done by the Ministry in partnership with beneficiary communities.

9.4. The Ministry of Water and Irrigation continued to maintain modest Water Purification Points (W.P.P) across the country as presented in Table 9.1. There were no new W.P.P.s constructed in the last five years. However, major expansion and rehabilitation works were done on existing water projects.

9.5. The Ministry was also engaged in providing clean water in the rural areas through drilling of boreholes. A total of 141 boreholes were sunk during 2008/09 compared to 170 boreholes in 2007/08 representing a decline of 17.1 per cent. Generally, there was an increase in the number of boreholes drilled in all provinces except in Eastern, N/Eastern and Rift Valley provinces.

Table 9.1: Water Purification Points (W.P.P) and Boreholes Drilled, 2004/05- 2007/08

Province	2004/05		2005/06		2006/07		2007/08		2008/09*	
	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	9	34	28	34	26	34	7	34	28
Coast	8	0	8	16	8	13	8	15	8	16
Eastern	28	17	28	45	28	79	28	36	28	31
N/Eastern	7	4	7	53	7	10	7	67	7	21
Nyanza	33	2	33	34	33	11	33	4	33	17
Rift Valley	43	28	43	27	43	56	43	32	43	12
Western	33	3	33	24	33	6	33	3	33	9
Nairobi	-	-	-	4	-	6	-	6	-	7
TOTAL	**186**	**63**	**186**	**231**	**186**	**207**	**186**	**170**	**186**	**141**

Source: Ministry of Water and Irrigation

* Provisional

B.H - Borehole (drilled by Government and private sector)

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

9.6. The development expenditure on water supply and related services continued to increase rapidly over the period 2008/09. Overall expenditure rose by 25.7 per cent to KSh 10,574.1 million in 2008/09 from KSh 8,414.3 million in 2007/08. This was mainly attributed to increase in funding on Water Development, Rural Water Supplies, National Water Conservation and Pipeline Corporation (NWCPC), Irrigation Development and National Irrigation Board. There has been an increase in funding of the NWCPC for the last five years especially in the area of water conservation, dam and boreholes construction. The allocation to NWCPC increased by 73.6 per cent from KSh 1,733.5 million in 2007/08 to KSh 3,010.2 million in 2008/09. The allocation for Water development item increased from KSh 4,448.5 million in 2007/08 to KSh 5,130.5 million in 2008/09.

Table 9.2: Development Expenditure on Water Supplies and Related Services , 2004/05- 2008/09

KSh '000

Item	2004/05	2005/06	2006/07	2007/08*	2008/09+
Water Development	760,642	1,895,935	3,367,953	4,448,481	5,130,509
Training of Water Development Staff	23,250	50,000	39,000	40,000	30,000
Rural Water Supplies	373,233	789,750	814,000	80,000	150,000
County Council and Urban Water Supplies	1,247,245	1,293,296	300,200	-	-
Miscellaneous and Special Water Programmes	342,414	236,500	141,500	1,218,000	1,190,779
National Water Conservation and Pipeline Corporation	463,424	1,974,300	2,031,500	1,733,500	3,010,200
Irrigation Development	4,985	112,408	442,641	474,354	532,655
National Irrigation Board	101,930	246,533	455,300	420,000	530,000
TOTAL	3,317,123	6,598,722	7,592,094	8,414,335	10,574,143

Source: Ministry of Water and Irrigation/National Water Conservation and Pipeline Corporation

* Provisional

Fisheries

9.7. The fisheries sector is an important income generating activity in the economy. Over the last five years, fish from fresh water sources remained the major contributor to fish landed, accounting for 94.5 per cent of the total output in 2008. The relatively low share from marine sources may have been caused by inadequate fishing facilities and technologies necessary for fishing in deep waters.

9.8. Table 9.3 shows the details of quantity and value of fresh water and marine fish landed from 2004 to 2008. Total fish landed increased from 135.1 thousand tonnes in 2007 to 142.5 thousand tonnes in 2008. The quantity of freshwater fish increased by 5.0 per cent from 128.2 thousand tonnes in 2007 to 134.6 thousand tonnes in 2008. Lake Victoria continues to be the major source of freshwater fish in the country with a share contribution of 91.4 per cent in 2008. Despite the incidence of post election violence witnessed early in 2008 which disrupted fishing activities in the lake region, fish landed from the lake increased from 117.2 thousand tonnes in 2007 to 123.1 thousand tonnes in 2008.

9.9. The total value of fish landed increased to KSh 9,024.2 million in the year under review from KSh 8,594.5 million in 2007. The value of fish landed from freshwater sources increased from KSh 7,983.6 million in 2007 to KSh 8,382.8 million in 2008 accounting for 92.9 per cent of the total value of fish landed.

Table 9.3: Quantity and Value of Fish Landed , 2004-2008

Quantities - Tonnes:	2004	2005	2006	2007	2008*
Freshwater fish					
Lake Victoria. ..	115,747	133,526	143,908	117,231	123,093
Lake Turkana . ..	4,180	2,493	4,559	5,122	5,378
Lake Naivasha	62	108	189	203	213
Lake Baringo	63	43	68	73	77
Lake Jipe	40	74	109	96	101
Tana River Dams	839	950	1024	393	413
Fish Farming	1,035	1,047	1,012	4,245	329
Other areas . ..	843	785	842	875	891
TOTAL ..	122,809	139,026	151,711	128,238	134,623
Marine fish . ..	6,192	5,862	6,023	6,355	6,673
Crustaceans	1,206	441	436	618	649
Other marine products.	407	520	500	494	519
GRAND TOTAL .	130,614	145,849	158,670	135,143	142,464
Value - KSh' 000					
Freshwater fish .	7,182,213	7,207,619	8,070,557	7,983,627	8,382,808
Marine fish . ..	327,592	305,871	334,624	422,046	443,148
Crustaceans . ..	221,106	99,278	123,105	145,437	152,709
Other marine products	29,895	39,098	38,485	43,382	45,551
TOTAL .	**7,760,806**	**7,651,866**	**8,566,771**	**8,594,492**	**9,024,216**

Source: Fisheries Department

* Provisional

Forestry

9.10. The continued interference with forest resources through encroachment and illegal logging has remained the major challenge facing the forest sub-sector. In 2008, the Government through the Kenya Forest Service (KFS) continued to place more emphasis in conservation and expansion of forest cover in the country by enhancing participatory forest management. The strategy aims to build capacity in communities living near forests on forest management and conservation.

9.11. Table 9.4 gives details of forest plantation area. The overall plantation area has remained unchanged at 132.3 thousand hectares since there have been no excisions or opening of new areas for forest plantation development. The areas under indigenous and exotic forests remained unchanged for the last five years at 12.3 thousand hectares and 98.7 thousand hectares respectively.

Table 9.4: Forest Plantation Area, 2004-2008

'000 Hectares

Type of Forest	2004	2005	2006	2007	2008*
Indigenous Trees.	12.3	12.3	12.3	12.3	12.3
Exotic Trees...	98.7	98.7	98.7	98.7	98.7
Total	111.0	111.0	111.0	111.0	111.0
Fuel Wood and Poles Exotic Trees.....	21.3	21.3	21.3	21.3	21.3
TOTAL AREA.	**132.3**	**132.3**	**132.3**	**132.3**	**132.3**

Source: Kenya Forest Service

* Provisional

9.12. Table 9.5 presents changes in forest plantation stocking. The forest plantation stocking increased marginally from 112.3 thousand hectares in 2007 to 114.0 thousand hectares in 2008. The area planted increased marginally from 5.5 thousand hectares in 2007 to 5.7 thousand hectares in 2008. The area clear felled also increased from 2.0 thousand hectares in 2007 to 3.0 thousand hectares in 2008. The reported incidence of planting failures and areas of forest plantation damaged by fires declined from 1.7 thousand hectares in 2007 to 1.0 thousand hectares in 2008.

Table 9.5: Changes in Forest Plantation Stocking, 2004-2008

'000 Hectares

Type of Forest	2004	2005	2006	2007	2008*
Previous Plantation Area..	107.2	114.5	117.6	110.5	112.3
Area Planted.	9.3	7.3	6.0	5.5	5.7
Total	116.5	121.8	123.6	116.0	118.0
Area Clear felled.....	2.0	4.2	2.0	2.0	3.0
Planting failures/fire damages	-	-	11.1	1.7	1.0
Total Area.....	114.5	117.6	110.5	112.3	114.0

Source: Kenya Forest Service

* Provisional

9.13. Table 9.6 presents recorded sales of forest products. The sales of forest products increased from 423.4 thousand true cubic metres in 2007 to 503.7 thousand true cubic metres in 2008. There have been no sales of hardwood timber over the last five years as the timber harvesting moratorium is still in force. The recorded sales of fuel wood /

charcoal increased from 27.7 thousand stacked cubic metres to 28.8 thousand stacked cubic metres due to the growing demand for these products. The sale of power/telegragh poles remained at 52.0 thousand stacked cubic metres in 2008.

Table 9.6: Recorded Sale of Forest Products, 2004 – 2008

Forest Products	2004	2005	2006	2007	2008*
Timber - '000 true cu. metres-					
Soft wood.	213.0	994.0	448.2	423.4	503.7
Hard wood	-	-	-	-	-
TOTAL	213.0	994.0	448.2	423.4	503.7
'000 stacked cu. metres-					
Fuel wood /Charcoal . ..	18.1	47.2	44.0	27.7	28.8
Power &Telegraph Poles	9.6	6.3	9.5	52.0	52.0

Source: Kenya Forest Service

* Provisional.

Mining 9.14. As Table 9.7 shows, mineral production increased from 1,349.5 thousand tonnes in 2007 to 1,545.2 thousand tonnes, an increase of 14.5 per cent. Mineral production continued to be dominated by soda ash and fluorspar which increased by 30.1 and 52.9 per cent respectively in the year under review. Salt production more than doubled in 2008 from 11.6 thousand tonnes in 2007 to 24.3 thousand tonnes in 2008. The increase in mineral production was attributed to plant expansion and improvement both at Magadi Soda Company and Kenya Fluorspar Company which improved on mine extraction and processing.

9.15. The value of mineral produced increased by 76.0 per cent to KSh 12.3 billion in 2008. This was as a result of increase in the value of soda ash by 86.2 per cent to KSh 8.9 billion in 2008 and fluorspar by 95.7 per cent to KSh 1.9 billion in 2008.

Table 9.7: Quantity and Value of Mineral Production, 2004-2008

Mineral	2004	2005	2006	2007	2008*
Quantities - Tonnes:					
Minerals-					
Soda Ash	353,835	360,161	374,210	386,578	502,846
Fluorspar	117,986	109,594	132,030	85,115	130,100
Salt	31,139	26,595	35,024	11,596	24,345
Crushed Refined Soda	605,948	640,291	662,939	843,043	865,788
Carbon Dioxide	5,982	8,723	9,359	11,028	22,030
Diatomite	330	243	185	201	72
Gold	0.6	0.6	0.4	3.0	0.3
Gemstones	3	5	5	9	21
TOTAL	**1,115,223**	**1,145,613**	**1,213,752**	**1,349,511**	**1,545,202**
Value - KSh'000:					
Soda Ash	3,462,707	3,782,249	4,532,391	4,769,457	8,881,714
Fluorspar	999,129	1,061,908	1,155,794	995,867	1,949,194
Salt	124,450	110,382	164,438	58,068	139,171
Crushed Refined Soda	51,473	47,796	44,551	430,391	442,003
Carbon Dioxide	52,180	63,310	66,730	78,630	117,885
Diatomite	13,883	9,865	7,735	8,859	3,484
Gold	577,343	653,339	583,865	3,922,892	592,891
Gemstones	22,944	101,501	94,046	110,975	178,606
TOTAL	**5,305,613**	**6,809,089**	**6,649,550**	**6,991,170**	**12,304,948**

Source: Department of Mines and Geology

*Provisional

9.16. The average export prices for soda ash and fluorspar maintained an increasing trend for the fifth year running as shown in Table 9.8. The export price per tonne of soda ash recorded a 44.7 per cent increase from KSh 12,812 per tonne in 2007 to KSh 18,541 per tonne in 2008. Similarly, the price of fluorspar increased by 28.1 per cent from KSh 11,700 per tonne in 2007 to KSh 14,982 per tonne in 2008. The increase in price was attributed to the growing demand for these minerals in the export market.

Table 9.8: Average Export Prices of Soda Ash and Fluorspar, 2004-2008

KSh per tonne

Mineral	2004	2005	2006	2007	2008*
Soda Ash	9,939	12,003	12,740	12,812	18,541
Fluorspar	8,468	9,689	8,754	11,700	14,982

Source: Department of Mines and Geology

* Provisional

Refuse Management

9.17. Table 9.9 presents the trend in expenditure on public health by the Nairobi City Council (NCC) from 2004/05 to 2008/09. Total expenditure on public health increased from KSh 445.9 million in 2007/08 to KSh 490.5 million in 2008/09. The increase was attributed to rising salaries, wages and allowances and hiring of refuse removal services and street cleaning. Refuse removal expenditure increased from KSh 144.0 million in 2007/08 to Ksh 158.4 million in 2008/2009. Cleaning and Administration continued to consume the largest part with an allocation of 67.3 per cent of the total expenditure on public health in 2008/09.

Table 9.9: Expenditure on Public Health by the Nairobi City Council, 2004/05-2008/09

KSh '000

Expenditure category	2004/05	2005/06	2006/07	2007/08	2008/09*
Cleaning and Administration....	96,013	286,217	272,930	300,223	330,245
Cleaning - General. . . .	227,987	4,200	1,550	1,705	1,876
Refuse Removal	153,166	162,650	153,220	144,000	158,400
Conservancy..	513	-	-	-	-
Total.	477,679	453,067	427,700	445,928	490,521

Source: Nairobi City Council

* Provisional

Wildlife

9.18. Wildlife population estimates derived from aerial sample survey data are given in Table 9.10. The dominant land-use in the Kenyan rangelands continues to be wildlife and livestock grazing. These rangelands are home to most wildlife species, which are major tourist attraction thus supporting the tourism industry. Over the period under review, various wildlife herbivores indicated a decline. These species include Elephant, Burchell's and Grevy's Zebra, Wildebeests, Waterbuck, Buffalo, Kongoni, Gerenuk, Topi, Grant's gazelle, Kudus, Waterbuck, Eland, Giraffe, Impala and Oryx. The declines may be attributed to predation, poaching, migration, loss of habitat due to land fragmentation and unfavorable weather conditions among other causes. Species that showed stability or increase in population numbers during the review period include Warthog, Ostrich, H. Hartebeest and Thomson's gazelle.

Table 9.10: Wildlife Population Estimates in the Kenya Rangelands, 2004 – 2008

'000 Number

SPECIES	2004	2005	2006	2007	2008*
Elephant	18.8	16.8	17.5	19.7	19.6
Buffalo	25.1	22.3	22.1	20.1	17.1
Giraffe	34.2	34.4	31.7	29.3	27.5
Burchell's Zebra	112.0	123.1	115.4	109.0	105.0
Grevy's Zebra	5.1	4.4	4.1	4.0	3.8
Topi	31.6	31.0	27.3	28.5	25.0
Kongoni	11.6	10.0	9.1	9.7	7.4
Wildebeest	300.2	300.3	291.3	291.5	291.0
Oryx	20.6	21.5	22.4	20.0	18.2
Eland	9.8	8.2	8.0	8.9	7.1
H. Hartebeest	1.1	1.0	0.9	0.9	0.9
Waterbuck	4.8	4.1	4.1	4.4	3.7
Kudus	13.4	13.6	12.1	12.5	10.0
Gerenuk	27.3	27.0	26.5	25.0	22.1
Impala	70.2	68.7	62.5	63.4	63.2
Grant's Gazelle	117.3	116.0	117.5	115.0	112.6
Thomson's Gazelle	51.7	48.1	45.1	45.0	47.4
Warthog	14.8	14.5	15.8	16.0	18.5
Ostrich	24.4	26.0	25.4	26.5	28.0

Source: Department of Resource Surveys and Remote Sensing (DRSRS)

* Provisional

Weather Out-turn

9.19. During the March-April-May (MAM) 2008 long rain season, most locations in Kenya experienced depressed rainfall. The most affected areas were the North Western and North Eastern parts of the country, Nairobi area and much of Central Province. The area along the coastline and parts of the western highlands of Kakamega, Kericho and Kisii received rainfall that was within the normal range. The observed rainfall patterns were mainly due to abnormally cool sea surface temperatures conditions that prevailed over the equatorial Eastern Pacific Ocean. In addition, cooler than normal sea surface temperatures was also prevalent over the Indian Ocean during this period. Consequently, most parts of the country experienced depressed and poorly distributed rainfall.

9.20. The depressed rainfall received in most locations of the country resulted in poor agricultural production especially in North Western, Central and North Eastern parts of the country. However, in most parts of Rift Valley and Western provinces the heavy rains experienced during the period resulted in improved agricultural production.

9.21. The October-November-December (OND) 2008 short rains season was characterized by very poor temporal distribution of rainfall. Most parts of the country experienced heavy and continuous rainfall during the month of October and the first half of November. The rainfall was especially heavy over the Western, North Eastern and some parts of Central Kenya including Nairobi. This rainfall resulted into flash floods and landslides and mudslides leading to loss of life and property as well as destruction of infrastructure in several areas.

Resource Monitoring

9.22. Environmental issues in the country continued to be addressed by the National Environment Management Authority (NEMA). The Authority continued to institute policy measures and strategies geared towards ensuring the right balance between the desired development outcomes and the associated environmental impacts.

9.23. In 2008, the Authority initiated and completed a review of the Environment Impact Assessment (EIA) and Environmental Audit (EAs) licensing process of all major development projects in the country. The number of EIA reports reviewed increased by 28.4 per cent from 1,178 reports in 2007 to 1,513 reports in 2008. The improvement in the number of EIA reports was due to major investments on road construction and housing development in the country. The number of EA reports reviewed increased by 59.9 per cent from 1,101 reports in 2007 to 1,760 reports in 2008. The increase was due to enhanced inspections and awareness on the legal requirements as stipulated in the Environmental Management and Coordination Act.

9.24. In order to enforce the environmental laws and regulations, the authority established an environmental police unit within the organization and gazetted 120 of its officers as Environmental Inspectors. This effort will enhance compliance and ensure that Kenyans continue to enjoy their right to a clean and healthy environment.

9.25. Other major environmental activities undertaken in 2008 relate to Education for Sustainable Development (ESD). This Strategy provides mechanism for adopting a holistic approach to sustainable development by engaging all sectors and stakeholders throughout the country. During the period under review, the programme conducted sensitization workshops in key public institutions in environment, mineral resources, education, labour and health sectors. Separately, the programme also trained the national ESD steering committee on the ESD monitoring and evaluation tools to facilitate the process of mapping the strategy's outcome.

9.26. In 2008, NEMA in conjunction with other stakeholders implemented the Nairobi River Basin Programme. The programme aims to rehabilitate, restore and manage the Nairobi River System in order to provide improved livelihood especially for the poor and enhance environmental quality and values through well regulated economic and recreational ventures. Under the programme, the Authority created awareness and assessed social impacts as well as conducting surveys and delineating the riparian reserve. The Authority managed to stop 21 of the illegal discharges out of 25 sites targeted during the period.

9.27. The Government also initiated a five-year Environment Programme Support (EPS) project on environment and poverty alleviation during the year. The project completed the preparation of a strategy for decentralizing environmental management, and implementation in selected administrative jurisdictions and developed a framework for the integrated coastal zone management. The project achieved an improvement in compliance and enforcement of environmental regulations and enhancement of institutional and financial management of NEMA.

9.28. Kenya's post election crisis witnessed in early 2008 resulted in substantial damage to the country's natural resources. Reduced security and absence of enforcement personnel during the post election crisis precipitated clearing and scrounging of forest for agriculture and firewood, opportunistic felling of trees for timber/wood and encroachment of forest in conflict areas. In urban areas, environmental services and management such as solid waste collection, provision of drinking water and sanitation fell apart as waste and pollution problems increased due to the unrest.

Chapter 10

Energy

Overview

Energy prices were on an upward trend for most of the year under review except in the last quarter when the prices showed a declining trend. The high oil prices were mainly attributed to increased speculation in the commodity market inspired by depreciation of the US dollar against major currencies. This in turn led to increased investment in the commodity market, particularly for crude oil thereby pushing prices to high levels. Other aspects responsible for pushing oil prices up included the balance between supply and demand of crude oil which has remained tight over the years; the high demand of oil by non-OECD countries especially from Asia and Latin America; unstable geo-political situations which included the instability in Iraq, the conflict between Turkey and Iraq and the uncertain future of the Iran nuclear programme. These factors partly explained the high oil prices experienced up to July 2008 when the international prices for Murban crude oil peaked at US dollars 137.35 per barrel. However, the global economic slowdown occasioned by the financial crisis and the warmer global weather jointly contributed in pulling down oil prices starting from the end of the third quarter of 2008. International prices for Murban crude oil declined drastically by 53.3 per cent from US dollars 90.60 per barrel in December 2007 to US dollars 42.10 per barrel in December 2008.

10.2. In the domestic market, pump prices remained erratic throughout the year in tandem with international oil prices. However, the last quarter of 2008 recorded high domestic prices despite the lowering of international oil prices as local oil marketers remained hesitant to adjust prices accordingly. On the other hand, inadequate rainfall experienced in the catchment areas for the water used in electricity generation leading to increased dependence on thermal generation. The high energy costs impacted negatively on economic activities in agriculture, manufacturing and transport sectors of the economy.

10.3. The value of imports and exports of petroleum products rose by unprecedented margins in 2008 mainly due to high international petroleum prices. The total import bill of petroleum products increased tremendously by 62.3 per cent from KSh 121,776.0 million in 2007 to KSh 197,676.2 million in 2008. The total quantity of petroleum products imported into the country dropped by 3.0 per cent from 3,691.8 thousand tonnes in 2007 to 3,579.7 thousand tonnes in 2008. Imports of crude oil went up by 10.9 per cent from 1,598.7 thousand tonnes in 2007 to stand at 1,773.3 thousand tonnes in 2008. The decline in imports of petroleum products may be attributed to a 16.2 per cent drop in the imports of petroleum fuels in 2008 compared to a significant increase in 2007. On the other hand, the total quantity of petroleum products exported declined by 55.8 per cent from 216.1 thousand tonnes in 2007 to 95.6 thousand tonnes in 2008. This may be partly attributed to the increase in transit petroleum products to Uganda, Democratic Republic of Congo, Rwanda and Burundi in the period under review.

10.4. Total demand for petroleum products rose marginally by 2.0 per cent in 2008 compared to an increase of 3.4 per cent in 2007. The decelerated growth in demand of petroleum products may be explained partly due to the prevailing high domestic fuel prices, a depressed economy, the Safaricom Initial Public Offer (IPO) which necessitated consumers to realign their investment portfolio and the fuel shortages that hit the country in January/February and December 2008. In this regard, total domestic demand for petroleum products rose from 3,218.3 thousand tonnes in 2007 to 3,283.0 thousand tonnes in 2008.

10.5. Total electricity generation recorded a decelerated growth of 2.1 per cent in 2008 compared to a growth of 7.3 per cent in 2007. Electricity production from hydro electric power sources declined by 8.9 per cent from 3,591.5 GWh in 2007 to 3,271.8 GWh in 2008. This decrease was attributed to inadequate rainfall experienced in the catchment areas for the water used in electricity generation. The number of customers connected under the Rural Electrification Programme rose by 21.3 per cent to stand at 161,373 customers as at July 2008.

Petroleum

10.6. The quantity and value of imports, exports and re-exports of petroleum products for the period 2004 to 2008 are presented in Table 10.1. In 2008, the value of imports of petroleum products rose by unprecedented margins due to high international petroleum product prices prevailing for most of the year. The total quantity of petroleum products imported into the country dropped by 3.0 per cent from 3,691.8 thousand tonnes in 2007 to 3,579.7 thousand tonnes in 2008. The decline in imports of petroleum products may be attributed to a drop in the imports of petroleum fuels by 16.2 per cent in 2008 compared to an increase of 42.6 per cent in 2007. Imports of crude oil went up by 10.9 per cent in 2008 from 1,598.7 thousand tonnes in 2007 to stand at 1,773.3 thousand tonnes. Over the same period, the quantity of lubricating greases grew by 27.3 per cent while that of lubricating oils rose from a minimal quantity to 12.4 thousand tonnes. Total import bill of petroleum products increased remarkably by 62.3 per cent from KSh 121,776.0 million in 2007 to KSh 197,676.2 million in 2008. During this period, value of imports for crude oil and petroleum fuels rose by 65.4 per cent and 57.6 per cent, respectively, in 2008. This trend was different from that observed in 2007 where the value of crude oil declined by 10.5 per cent while that of petroleum fuels increased by 25.8 per cent.

Table 10.1: Quantity and Value of Imports, Exports and Re-exports of Petroleum Products[1], 2004 – 2008

	Quantity ('000 Tonnes)					Value (KSh Million)				
Year	2004	2005	2006	2007	2008*	2004	2005	2006	2007	2008*
IMPORTS										
Crude Petroleum	2,043.8	1,774.0	1,643.2	1,598.7	1,773.3	45,953.6	51,528.6	55,015.6	49,240.8	81,452.9
Petroleum Fuels	1,491.7	1,130.9	1,402.7	1,999.9	1,675.4	41,522.1	42,494.0	55,807.2	70,204.8	110,663.7
Lubricating Oils	11.9	0.4	2.6	0.0	12.4	586.5	39.6	73.1	10.8	614.1
Lubricating Greases	29.7	66.8	124.4	93.2	118.6	722.7	1,607.0	2,823.6	2,319.6	4,945.5
TOTAL	**3,577.0**	**2,972.2**	**3,172.9**	**3,691.8**	**3,579.7**	**88,784.8**	**95,669.2**	**113,719.6**	**121,776.0**	**197,676.2**
DOMESTIC EXPORTS										
Petroleum Fuels	35.8	146.9	44.7	67.4	15.0	832.3	5,829.4	2,220.8	3,098.4	1,062.5
Lubricating Oils	1.4	13.3	30.9	37.4	29.5	182.8	255.3	878.8	1,036.6	1,220.8
Lubricating Greases	0.1	14.0	94.7	111.3	51.1	11.5	362.2	2,459.8	2,627.3	1,893.9
TOTAL	**37.4**	**174.2**	**170.2**	**216.1**	**95.6**	**1,026.7**	**6,446.9**	**5,559.3**	**6,762.3**	**4,177.2**
RE-EXPORTS										
Petroleum Fuels	1,447.1	1,062.7	276.1	6.6	24.2	33,379.6	36,796.8	8,838.5	373.9	1,550.9
Lubricating Oils	8.0	23.9	25.9	1.1	7.6	783.3	780.0	601.4	29.1	371.6
Lubricating Greases	0.7	29.5	21.0	10.6	43.4	50.1	808.9	642.1	320.6	1,527.2
TOTAL	**1,455.8**	**1,116.1**	**323.0**	**18.3**	**75.2**	**34,213.0**	**38,385.8**	**10,082.1**	**723.6**	**17,194.7**
TOTAL EXPORTS	**1,493.1**	**1,290.3**	**493.2**	**234.4**	**170.8**	**35,239.6**	**44,832.7**	**15,641.4**	**7,485.9**	**21,371.9**
NET BALANCE						**53,545.2**	**50,836.5**	**98,078.2**	**114,290.1**	**176,304.3**

Source: Kenya Revenue Authority

*Provisional

[1] Excludes other light and medium petroleum oils, preparations and residual petroleum products not else where stated, which are included in Chapter 7.

10.7. Total quantities of petroleum products exported declined by 55.8 per cent from 216.1 thousand tonnes in 2007 to 95.6 thousand tonnes in 2008. This may be partly attributed to the increase in transit petroleum products to Uganda, Democratic Republic of Congo, Rwanda and Burundi in the period under review. The decline in export of petroleum products in 2008 was recorded in all the export categories with petroleum fuels contracting by 77.7 per cent while exports of lubricating oils and lubricating greases contracted by 21.1 per cent and 54.1 per cent, respectively. Total value of petroleum products exported declined by 38.2 per cent in 2008 compared to an increase of 21.6 per cent in 2007.

10.8. During the period under review, the volume of total re-exports of petroleum products rose considerably from 18.3 thousand tonnes to 75.2 thousand tonnes while total value of re-exports rose from KSh 723.6 million to KSh 17,194.7 million. The net balance of petroleum products rose by 54.3 per cent in 2008 compared to an increase of 16.5 per cent in 2007. This higher increase in the net balance reflects the low level of petroleum products exports compared to imports in 2008 and the high international prices witnessed during the year.

10.9. As shown in Table 10.2, total volume of crude oil intake at the Kenya Petroleum Refineries Limited (KPRL) declined by 4.8 per cent in 2008 compared to a marginal increase in 2007. The refinery throughput dipped from 1,662.8 thousand tonnes in 2007 to 1,582.7 thousand tonnes in 2008. The decline in crude oil intake at the refinery could be attributed to the high international crude oil prices that prevailed during the period under review coupled with ageing machinery at the facility. Murban was the main type of crude oil processed at the refinery accounting for 84.3 per cent of the total crude intake in 2008 while Arabian medium rose marginally to account for 16.0 per cent.

Table 10.2: Crude Oil Intake at the Refinery by Type, 2004 - 2008

'000 Tonnes

Crude Intake	A.P.I. Gravity	2004	2005	2006	2007	2008*
Arabian Heavy	27.9	-	-	-	-	-
Arabian Medium	31	408.9	418.781	457.4	249.8	252.6
Iranian Heavy	30.4	-	-	-	-	-
Kuwait	32	-	-	-	-	-
Zakum	40.1	-	-	-	-	-
Murban	39.6	1,295.4	1,227.9	1,201.0	1,403.4	1,334.9
Slops[1]	-	(1.40)	(1.52)	(7.27)	9.64	(4.80)
TOTAL		**1,702.9**	**1,645.2**	**1,651.1**	**1,662.8**	**1,582.7**

Source: Kenya Petroleum Refineries Limited

*Provisional.

A.P.I - American Petroleum Institute

[1]A mixture of crude oil and pure products realised during processing and is recycled

10.10. Table 10.3 presents details of finished petroleum products processed by KPRL for the period 2004 to 2008. Due to the decline in crude oil intake at the refinery, total output of finished petroleum products also declined by 4.8 per cent in 2008 compared to a marginal increase of 0.7 per cent in 2007. All the products processed at the refinery declined by various margins with heavy and marine diesel oil recording the highest decline of 26.2 per cent. Unleaded motor gasoline premium and light diesel oil declined by 13.5 per cent and 3.8 per cent, respectively, in 2008 compared to increases of 22.7 per cent and 8.9 per cent, respectively, recorded in 2007. Other notable declines in production in 2008 included unleaded motor gasoline regular, illuminating kerosene and jet /turbo fuel, and fuel oil which decreased by 7.9, 6.4 and 3.5 per cent, respectively.

Table 10.3: Finished Petroleum Products[1], 2004 - 2008

'000 Tonnes

	2004	2005	2006	2007	2008*
OUTPUT-					
Liquefied petroleum gas	26.9	28.5	30.1	33.2	32.7
Motor gasoline premium					
Leaded	205.2	171.7	-	-	
Unleaded	-	3.5	127.1	156.0	134.9
Motor gasoline regular					
Leaded	70.3	58.1	-	-	
Unleaded	-	3.7	51.4	50.7	46.7
Illuminating kerosene and Jet/turbo fuel	306.7	325.6	343.7	338.5	316.9
Light diesel oil	361.0	344.0	334.2	364.0	350.0
Heavy and Marine diesel oil	26.3	22.8	33.3	32.5	24.0
Fuel oil	619.9	589.5	596.2	534.2	515.2
Bitumen	6.5	20.4	17.4	16.6	12.4
Additives	(0.5)	(3.8)	24.3	40.5	(0.2)
Refinery usage[2]	80.6	81.3	93.3	96.5	149.9
THROUGHPUT=TOTAL OUTPUT	**1,702.8**	**1,645.2**	**1,651.1**	**1,662.8**	**1,582.7**

Source: Kenya Petroleum Refineries Limited.

* Provisional.

[1] Excludes lubricants.

[2] Includes Mogas blending component and fuel use and loss

10.11. Table 10.4 presents the supply and demand balance for petroleum products for the period 2004 to 2008. Total demand for petroleum products rose marginally in 2008 compared to an increase of 2.8 per cent in 2007. The decelerated growth in demand of petroleum products may be explained by the prevailing high domestic fuel prices, a depressed economy and the fuel shortages that hit the country in the months of January, February and December 2008. Total domestic demand for petroleum products rose by 2.0 per cent from 3,218.3 thousand tonnes in 2007 to 3,283.0 thousand tonnes in 2008. All petroleum products recorded increases in sales except jet/turbo oil, illuminating kerosene and heavy diesel oil which recorded declines in sales in the period under review. The decline in jet/turbo oil and illuminating kerosene may be explained by the poor performance in the tourism sector and the aviation sub-sector. Light diesel oil, which is the main type of fuel sold in the country, continued with its upward trend for the five year period signifying increased activities in the motor transport sub-sector. Sales of this oil rose marginally by 2.2 per cent from 1,116.5 thousand tonnes in 2007 to 1,141.1 thousand tonnes in 2008.

Table 10.4: Petroleum Supply and Demand Balance, 2004 - 2008

'000 Tonnes

	2004	2005	2006	2007	2008*
DEMAND-					
Liquefied petroleum gas	41.7	49.4	64.6	77.4	84.4
Motor spirit (premium and regular)	326.4	333.7	358.2	367.1	381.3
Aviation spirit	1.8	2.0	2.0	2.2	2.5
Jet/turbo fuel	521.1	559.1	593.3	638.5	559.2
Illuminating kerosene	236.1	307.0	279.2	265.2	244.7
Light diesel oil	789.4	892.4	1,035.6	1,116.5	1,141.1
Heavy diesel oil	25.2	25.5	40.7	40.1	30.0
Fuel oil	432.8	546.7	664.6	614.8	690.0
TOTAL	**2,374.5**	**2,715.9**	**3,038.2**	**3,121.8**	**3,133.1**
Refinery usage	80.6	81.3	93.3	96.5	149.9
TOTAL DOMESTIC DEMAND	**2,455.1**	**2,797.2**	**3,131.5**	**3,218.3**	**3,283.0**
Exports of petroleum fuels	35.6	146.9	44.7	67.4	15.0
TOTAL DEMAND[1]	**2,490.7**	**2,944.1**	**3,176.2**	**3,285.7**	**3,298.0**
SUPPLY-					
Imports:					
Crude oil	2,043.8	1,774.0	1,643.2	1,598.7	1,773.3
Petroleum fuels	1,491.7	1,130.9	1,402.7	1,999.9	1,675.4
TOTAL	3,535.5	2,904.9	3,045.9	3,598.6	3,448.8
Adjustment[2]	(1,044.8)	39.2	130.3	(312.9)	(150.7)
TOTAL SUPPLY[1]	**2,490.7**	**2,944.1**	**3,176.2**	**3,285.7**	**3,298.0**

Source: Ministry of Energy, Kenya Revenue Authority & Kenya Petroleum Refineries Limited.

* Provisional.

[1] Difference is due to rounding.

[2] Adjustment for inventory changes and losses in production.

10.12. Table 10.5 and Figure 10.1 show net domestic sales of petroleum fuels by consumer category for the period 2004 to 2008. The upward trend over the five year period in domestic consumption of petroleum products continued during the period under review Net domestic sales rose marginally from 3,121.7 thousand tonnes in 2007 to 3,133.1 thousand tonnes in 2008. The sector realised only a marginal increase in net domestic sales of petroleum fuels due to the high cost of fuel in the domestic market, a depressed economy and the Safaricom IPO which necessitated consumers to restructure their investment portfolio. In 2008, all the major sectors of the economy recorded declines in oil consumption except for retail pump outlets and road transport, and industrial, commercial and other which, increased by 2.5 per cent and 17.9 per cent, respectively. Consumption in the industrial, commercial and other sectors of the economy has been on an upward trend for the five year period signalling some economic activity in the industrial sector despite the slowdown in the economy. Agriculture sector recorded a mixed consumption trend for the last five years. Consumption by this sector declined by 34.3 per cent from 56.5 thousand tonnes in 2007 to 37.1 thousand tonnes in 2008. Other declines in consumption were recorded in rail transport, tourism sector, aviation and power generation which dropped by 17.7, 30.2, 10.8 and 9.9 per cent, respectively. The downward trend observed in government consumption of fuel was reversed to register a large increase of 50.6 per cent to stand at 12.5 thousand tonnes in 2008.

Table 10.5: Net Domestic Sales of Petroleum Fuels by Consumer Category, 2004 – 2008

'000 Tonnes

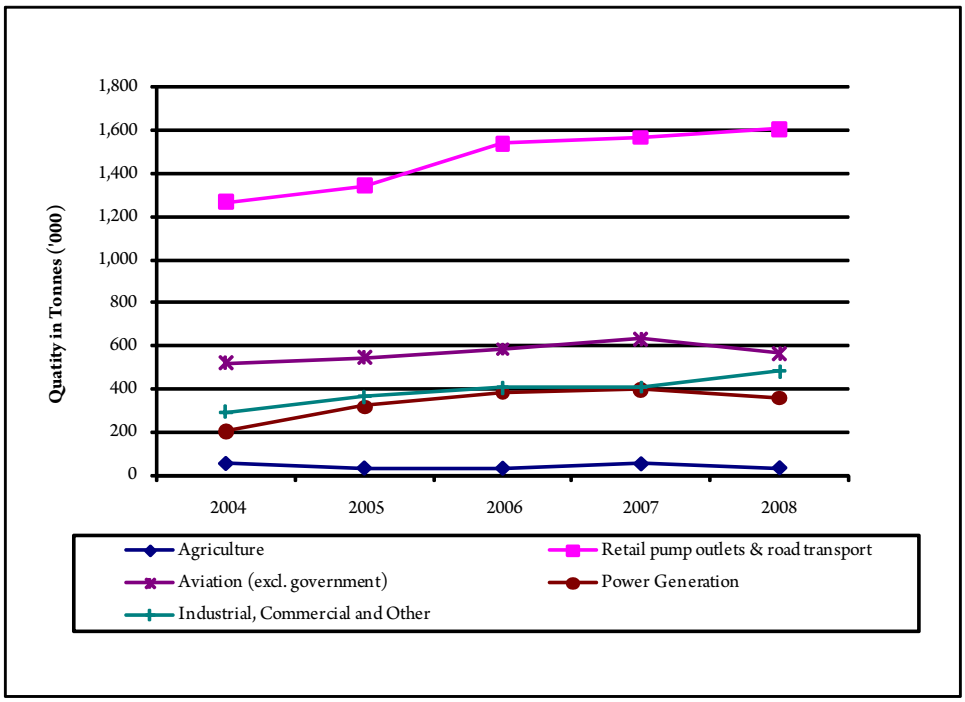
User	2004	2005	2006	2007	2008*
Agriculture	58.1	35.7	34.8	56.5	37.1
Retail pump outlets & road transport	1,269.0	1,344.5	1,542.4	1,570.4	1,609.3
Rail transport	20.8	17.9	20.5	16.4	13.5
Tourism[1]	8.5	17.1	8.9	11.6	8.1
Marine (excl. Naval Forces)	7.5	1.3	0.9	0.7	0.8
Aviation (excl. Government)	520.9	549.4	588.0	635.7	567.0
Power Generation	204.2	319.3	386.6	399.9	360.4
Industrial, Commercial and Other	291.2	362.4	405.9	408.8	482.0
Government	39.9	57.8	31.2	8.3	12.5
Balancing Item	(45.6)	10.4	19.0	13.3	42.3
TOTAL	**2,374.5**	**2,715.9**	**3,038.2**	**3,121.8**	**3,133.1**

Source: Ministry of Energy

*Provisional

[1] Comprises sales to tour operators

Figure 10.1: Sale of Petroleum Fuels by Major Consumer Categories, 2004-2008



10.13. Wholesale prices of petroleum products in Mombasa as at December went up by various margins in 2008 compared to 2007 as shown in Table 10.6. Illuminating kerosene registered the highest percentage increase of 10.8 while fuel oil registered the lowest increase of 1.2 per cent. Wholesale prices of all products increased during the five year period except for illuminating kerosene which registered a marginal decline in 2005 and notable increases in the subsequent years. The increase in fuel prices in 2008 could be attributed to the increase in crude oil prices coupled with the depreciation of the Kenya Shilling against the US dollar and existing cartels in the oil business.

Table 10.6: Wholesale Prices[1] of Petroleum Products in Mombasa, 2004- 2008

KSh per Tonne

PRODUCT	Dec 04	Dec 05	Dec 06	Dec 07	Dec 08
Liquefied petroleum gas ……	55,140	57,018	71,794	73,187	76,993
Premium motor gasoline ……	57,730	59,672	75,399	80,602	84,192
Regular motor gasoline ……	56,730	58,662	73,864	79,011	81,450
Illuminating kerosene ……	49,730	49,591	52,100	58,457	64,792
Light diesel oil ……	39,430	40,302	65,007	69,698	72,867
Industrial diesel oil ……	36,890	37,705	60,819	62,022	64,875
Fuel oil ……	20,399	20,850	33,631	34,941	35,370

Source: Ministry of Energy

[1] Including duties and VAT.

10.14. Table 10.7 presents Murban crude oil prices in the international market for the period 2004 to 2008. International prices for Murban crude oil increased gradually over the period under review to record the highest price of US dollars 137.35 per barrel in July 2008. The price of Murban crude oil declined drastically by 53.5 per cent from US dollars 90.60 per barrel in December 2007 to US dollars 42.10 per barrel in December 2008. The highest international crude oil prices were recorded in the second and third quarters of 2008. The high international crude prices may be partly explained by the high demand of fuel by fast growing economies in Asia and South America, speculation in the commodity market and the depreciation of the dollar against major international currencies. However, the high crude oil prices were slowed down in the last quarter of 2008 by reduced demand due to the international financial crisis and the warmer weather in temperate countries.

Table 10.7: Murban Adnoc Prices[1], 2004 - 2008

US$/BBL

Month/Year	2004	2005	2006	2007	2008
January	31.05	42.10	62.15	54.85	92.25
February	30.90	44.00	60.95	58.75	95.10
March	33.15	50.95	60.85	62.10	102.20
April	33.80	52.55	67.50	67.60	109.35
May	37.05	49.80	68.50	68.40	125.75
June	35.95	55.45	68.85	69.70	134.00
July	37.35	57.10	73.00	73.70	137.35
August	41.55	60.95	72.70	71.75	117.50
September	41.39	61.05	63.25	78.55	98.05
October	42.80	58.00	59.35	81.80	69.25
November	39.65	54.95	59.70	91.75	51.40
December	38.50	56.90	62.05	90.60	42.10

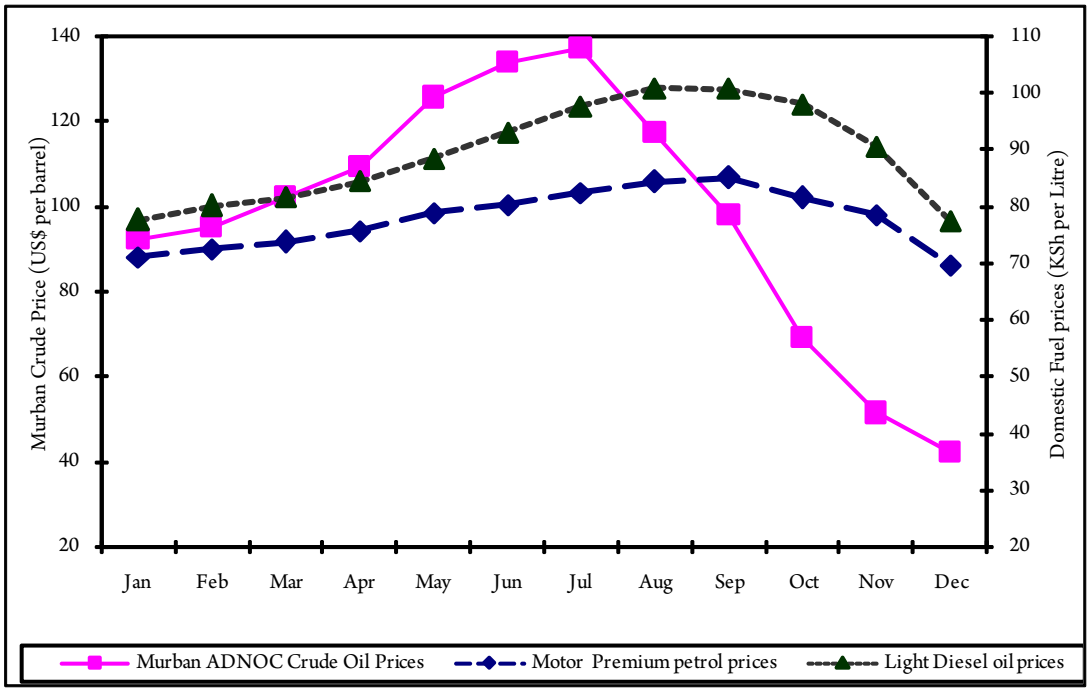
Source : Ministry of Energy

ADNOC : Abu Dhabi National Oil Corporation

[1] Abu Dhabi Free On Board (FOB) Prices

US$/ BBL: US dollars per Barrel

Figure 10.2: International Crude Oil Prices against Domestic Fuel Prices, 2008



10.15. Table 10.8 and Figure 10.2 give details of average retail prices of selected petroleum products in Kenya. Unprecedented increases in pump prices were observed during the year under review. The domestic fuel price of motor spirit premium retailed at more than KSh 100 per litre for the first time in Kenya in the month of June 2008. The trends in domestic prices were only in tandem with international prices up to August 2008. However, the last quarter of 2008 recorded high domestic prices despite the lowering of international oil prices as local oil marketers failed to lower their prices accordingly. The domestic price for motor spirit premium rose by 2.0 per cent from KSh 84.50 per litre in December 2007 to KSh 86.16 per litre in December 2008 while that of diesel (gas oil) rose by 4.9 per cent from KSh 73.95 per litre to KSh 77.54 per litre in the same period. The prices of gas oil and illuminating kerosene peaked at KSh 100.99 per litre and KSh 84.95 per litre, respectively, in August 2008. The domestic price of Liquified Petroleum Gas (LPG) rose by 8.2 per cent to stand at KSh 1,845.46 per 13 Kg cylinder in December 2008 up from KSh 1,705.76 per 13 Kg cylinder in December 2007.

Table 10.8: Average Retail Prices of Selected Petroleum Products in Kenya, 2005 – 2008

					KSh per Litre	KSh per 13 Kg cylinder
		Motor Spirit				
Year	Month	Premium	Regular	Gas Oil	Illuminating Kerosene	Liquified Petroleum Gas (LPG)
2005	January	60.18	62.39	53.23	45.91	1,289.22
	March	59.97	62.17	53.03	45.89	1,391.57
	June	61.32	64.78	55.24	49.06	1,498.80
	September	64.61	68.33	58.24	51.97	1,467.26
	December	64.19	67.83	57.82	52.64	1,479.39
2006	January	63.96	67.58	57.61	53.18	1,494.66
	March	64.22	67.57	57.60	53.47	1,520.05
	June	79.36	79.18	68.60	56.69	1,572.94
	September	83.46	82.91	72.25	59.18	1,587.56
	December	78.90	78.56	67.68	57.04	1,612.26
2007	January	78.49	78.15	67.00	56.75	1,608.19
	March	77.71	77.52	66.01	55.99	1,603.60
	June	79.45	78.97	68.21	57.21	1,590.73
	September	80.10	79.02	68.43	57.58	1,671.63
	December	84.50	82.75	73.95	60.82	1,705.76
2008	January	88.04	86.10	77.69	64.37	1,735.70
	February	89.99	88.18	80.17	66.66	1,769.35
	March	91.63	89.99	81.63	66.94	1,783.63
	April	94.32	92.71	84.49	68.81	1,785.46
	May	98.60	94.96	88.51	74.30	1,797.90
	June	100.43	98.73	93.18	75.45	1,810.07
	July	103.30	102.45	97.68	80.95	1,802.58
	August	105.90	104.18	100.90	84.95	1,807.43
	September	106.85	103.89	100.77	84.52	1,816.06
	October	102.12	101.09	98.09	82.61	1,827.09
	November	98.12	96.07	90.62	81.11	1,827.09
	December	86.16	83.61	77.54	71.10	1,845.46

Source: Ministry of Energy/ Kenya National Bureau of Statistics

Electricity

10.16. Table 10.9 and Figure 10.3 present details of installed capacity and generation of electricity by different producers in the period 2004 to 2008. Total installed capacity rose by 6.0 per cent in 2008 compared to an increase of 1.7 per cent in 2007. The rise in installed capacity was the result of increases in thermal oil and hydro installation from 389.3 MW and 677.3 MW in 2007 to 418.9 MW and 719.0 MW, respectively, in 2008. The increase in hydro installation resulted from the commissioning Sondu-Miriu hydro project with installed capacity of 60 MW. Geothermal and cogeneration installed capacity remained unchanged over the last three years.

Table 10.9: Installed Capacity and Generation of Electricity[1], 2004 – 2008

	INSTALLED CAPACITY MW [2]					GENERATION GWh[3]								
	Hydro	Thermal Oil	Geo thermal	Co-generation	Total	Hydro[4]	Thermal oil				Geo thermal	Co-generation	Wind	Total
							KenGen	IPP	EPP	Total				
2004	677.3	392.8	128.0	0.0	1,198.1	3,169.2	416.4	621.8	0.0	1,038.3	986.6	0.0	0.4	5,194.5
2005	677.3	351.3	128.0	0.0	1,156.6	3,038.9	580.2	926.0	0.0	1,506.2	1,001.6	0.0	0.3	5,547.0
2006	677.3	369.8	128.0	2.0	1,177.1	3,024.8	544.6	942.4	331.6	1,818.5	1,045.7	5.6	0.3	5,894.9
2007	677.3	389.3	128.0	2.0	1,196.6	3,591.5	365.0	847.5	523.3	1,735.8	988.9	8.3	0.1	6,324.6
2008*	719.0	418.9	128.0	2.0	1,267.9	3,271.8	521.4	883.0	741.0	2,145.4	1,039.0	4.0	0.2	6,460.4

* Provisional

IPP: Independent Power Producers

EPP: Emergency Power Producers

1 Includes generation for industrial establishment with generation capacity of over 100KVA plus emergency supply of 99 MW by contracted generators

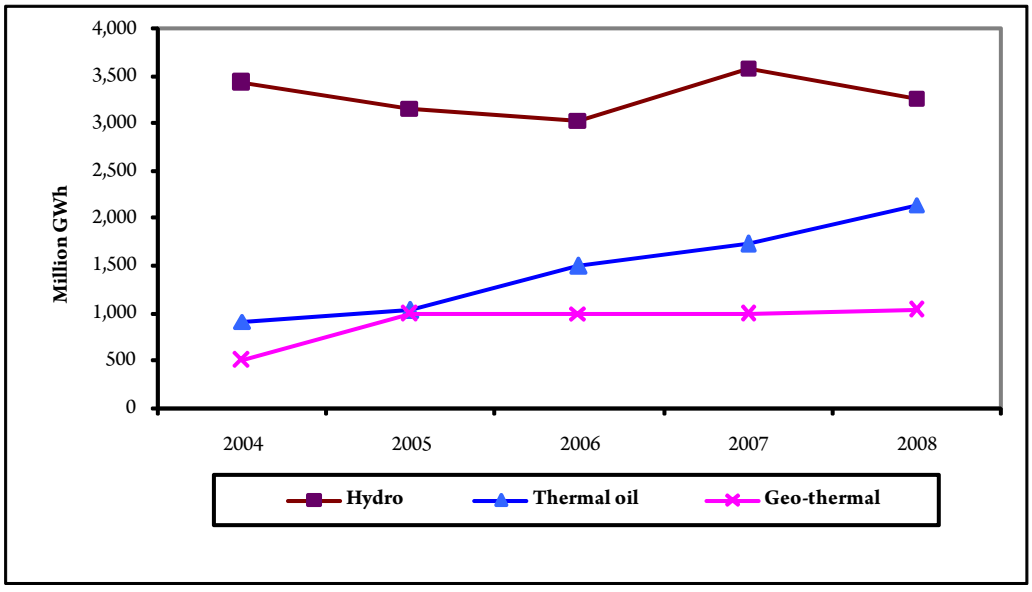
2 1 megawatt = million watts = 1,000 kilowatts.

3 Gigawatt hour = 1,000,000 kilowatt hours

4 Includes Imports from Uganda and Tanzania

10.17. Total electricity generation recorded a decelerated growth of 2.1 per cent in 2008 compared to a growth of 7.3 per cent in 2007. This was largely due to an 8.9 per cent decline in electricity production from hydro generation power sources. The decline in hydro power generation was attributable to low water levels at the hydro electricity power generation dams. Generation from thermal oil and geothermal plants rose by 23.6 and 5.1 per cent in 2008 compared to declines of 4.5 per cent and 5.4 per cent, respectively, in 2007. The increase in thermal generation was necessary in order to compensate for the significant drop in hydro electric power generation. Hydro electric power accounted for more than half of total electricity generation while geothermal and thermal sources accounted for 16.1 and 33.2 per cent, respectively, during the period under review.

Figure 10.3: Generation of Electricity by Source, 2004-2008



10.18. Details of electricity energy supply and demand balance for the period 2004 to 2008 are given in Table 10.10 and Figure 10.4. Total domestic consumption of electricity increased from 5,156.6 GWh in 2007 to 5,352.2 GWh in 2008. Demand by domestic and small commercial users grew by 14.9 per cent in 2008 compared to a growth of 10.8 per cent in 2007. Demand in electricity by large and medium (commercial and industrial) consumers declined by 11.5 per cent in 2008 compared to an increase of 7.6 per cent in 2007. The demand of electricity by rural electrification increased by 12.4 per cent in 2008 as a result of increased connections of rural households compared to an increase of 3.5 per cent in 2007. Due to the on-going rehabilitation and expansion of street lighting programmes in all major urban centres in the country, demand in electricity for street lighting more than doubled in 2008 compared to an increase of 22.4 KWh in 2007. Importation of electricity from Uganda and Tanzania increased by 10.5 per cent from 22.6 GWh in 2007 to 25.0 GWh in 2008 while exports of electricity to Uganda declined by 29.6 per cent during the same period.

Table 10.10: Electricity Supply and Demand Balance[1], 2004 - 2008

	2004	2005	2006	2007	2008*
DEMAND-					
Domestic and Small Commercial	1,416.6	1,507.7	1,572.4	1,741.8	2,000.8
Large & Medium(Commercial and Industrial)...	2,587.0	2,753.5	2,919.8	3,140.6	3,019.8
Off-peak	66.8	52.9	44.6	49.2	66.2
Street Lighting	7.2	8.5	10.0	12.2	26.3
Rural Electrification	156.5	175.8	205.6	212.8	239.1
TOTAL DOMESTIC DEMAND	**4,234.1**	**4,498.4**	**4,752.4**	**5,156.6**	**5,352.2**
Exports to Uganda	**-**	**24.4**	**46.7**	**58.3**	**41.0**
Transmission losses and unallocated demand	960.3	1,024.2	1,095.8	1,109.7	1,067.2
TOTAL DEMAND = TOTAL SUPPLY	**5,194.5**	**5,547.0**	**5,894.9**	**6,324.6**	**6,460.4**
of which imports from Uganda and Tanzania ..	161.9	27.9	10.8	22.6	25.0
Net generation	5,032.6	5,519.1	5,884.1	6,347.2	6,435.4

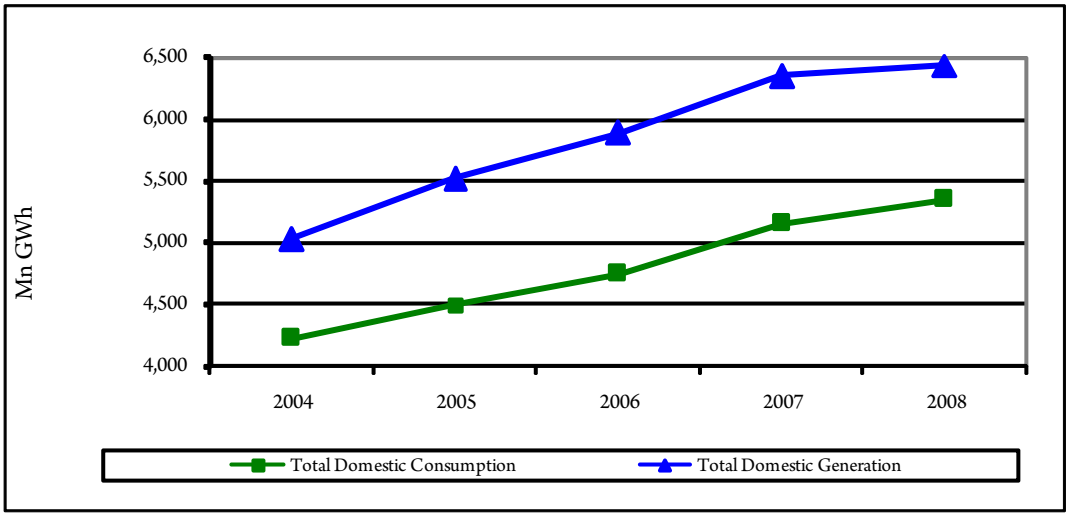
Source: Kenya Power and Lighting Company

* Provisional

[1] Figures are in calendar year

10.19. Transmission loses and unallocated demand which had been on an upward trend reversed in 2008 to decrease by 3.8 per cent. Transmission losses and unallocated demand as a proportion of total demand improved to 16.5 per cent in 2008 compared to 17.5 per cent in 2007.

Figure 10.4: Electricity Supply and Demand, 2004-2008



10.20. Total domestic demand and supply of commercial energy expressed in terms of primary source for the period 2004 to 2008 are presented in Table 10.11. During the period under review, consumption of coal and coke recorded a paltry growth of 1.6 per cent compared to a decline of 8.5 per cent recorded in 2007. Total consumption of hydro and geothermal energy declined by 5.8 per cent in 2008 compared to an increase of 12.8 per cent in 2007 due to a decline in local production of hydro power by 8.9 per cent in 2008. Total energy consumption declined marginally from 3,627.1 thousand tonnes of oil equivalent in 2007 to stand at 3,617.1 thousand tonnes of oil equivalent in 2008.

Table 10.11: Production, Trade and Consumption of Energy[1] Expressed in Terms of Primary Source, 2004 - 2008.

'000 tonnes of Oil Equivalent

	2004	2005	2006	2007	2008*
COAL AND COKE CONSUMPTION	108.0	89.3	119.7	109.5	111.3
Imports of crude oil	2,043.8	1,774.0	1,643.2	1,598.7	1,773.3
Net exports of petroleum	1,375.4	902.7	1,264.7	1,836.0	1,510.5
Stock changes and balancing item	-1,044.7	39.2	130.3	-312.9	-150.7
TOTAL CONSUMPTION OF LIQUID FUELS	**2,374.5**	**2,715.9**	**3,038.2**	**3,121.8**	**3,133.1**
HYDRO AND GEOTHERMAL ENERGY:-					
Local production of hydro power	272.5	261.5	260.1	308.8	281.3
Local production of geothermal power	84.8	86.1	89.9	85.0	89.3
Imports of hydro power	13.9	2.4	0.9	1.9	2.1
TOTAL CONSUMPTION OF HYDRO AND GEOTHERMAL ENERGY	371.2	350.0	350.9	395.8	372.7
TOTAL LOCAL ENERGY PRODUCTION	343.4	345.0	350.0	393.8	370.6
TOTAL NET IMPORTS	790.3	963.0	499.1	-125.8	376.2
TOTAL ENERGY CONSUMPTION	**2,853.7**	**3,155.2**	**3,508.8**	**3,627.1**	**3,617.1**
Local Production As Percentage Of Total	12.0	10.9	10.0	10.9	10.2
Per Capita Consumption In Terms Of Kilograms Of Oil Equivalent	83.4	89.9	97.2	97.5	97.2

Source: Kenya National Bureau of Statistics

* Provisional.

[1] Modern sector only; fuelwood and charcoal are excluded.

10.21. During the period under review, local energy production as a percentage of total energy consumption declined to 10.2 per cent compared to 10.9 per cent in 2007. Per capita energy consumption in terms of kilograms of oil equivalent declined slightly from 97.5 kilograms of oil equivalent per person in 2007 to 97.2 kilograms of oil equivalent per person in 2008.

Developments in the Energy Sector

Rural Electrification

10.22. During the year under review, Kenya Power and Lighting Company continued to implement the rural electrification programme on behalf of Rural Electrification Authority (REA). A total of 832 projects covering trading centres, secondary schools, health facilities, community water projects, coffee factories, tea buying centres and government/administrative centres were completed throughout the country at a cost of KSh 5.9 billion. The projects benefited 639 trading centres across the 210 constituencies in the country. Other beneficiaries included 641 schools, 203 health centres, 133 government/administrative centres, 79 coffee factories, 70 tea buying centres and 24,960 residential customers.

10.23. The cumulative capital expenditure since inception of the Rural Electrification Programme in 1973 rose to KSh 20 billion during the financial year 2007/08, up from KSh 13 billion the previous financial year. A total of KSh 1,282 million was collected from the Rural Electrification Levy in 2007/08 compared to KSh 1,163 million the previous year.

10.24. The number of customers connected under the programme rose by 21.3 per cent to stand at 161,373 customers as at July 2008 up from 133,047 customers the previous year. Units of electricity sold increased by 15.8 per cent from 203 million units to 235 million units while revenue realised grew by 19.9 per cent from KSh 1,721 million in 2006/07 to KSh 2,064 million in 2007/08, respectively.

Chapter 11

Manufacturing

Overview

Kenya's manufacturing sector growth rose by 3.8 per cent in 2008, the lowest in the last five years, compared to a revised growth of 6.5 per cent registered in 2007. Major industries that registered growths included beverages, clothing, wood and cork products and non-metallic mineral products. Some of the key challenges facing the sector included low levels of productivity and the high cost of production. These challenges were aggravated by the spillover effects from the post-election crisis, high inflationary pressures, the depreciation of the Kenya shilling, counterfeits and stiff competition from cheap imports. The period however, witnessed the revival of Anti-Counterfeit Bill to give the regulating bodies more strength in discharging their duties. Towards the start of second quarter, there was a steep increase in electricity tariff by more than 65 per cent pushing the cost of production upwards. This led to manufacturing entities realigning their operations in order to remain relevant in the market. The slow down in the sector resulted in closure of some entities, under-utilization of capacity and lay offs. The sector's contribution to formal wage employment stood at 13.6 per cent in 2008. Major industries that registered growth were; beverages, clothing, wood and cork products, paper and paper products, non-metallic mineral products among others.

Employment

11.2 Number of direct formal wage employment in the manufacturing sector dropped by 0.3 per cent from 264,812 persons in 2007 to 264,095 persons in 2008. Direct employment of Kenyans in the EPZ contracted further for the third year running by 12.4 per cent to stand at 30,183 persons in 2008. The total employment attributable to EPZ including an estimated 10,061 indirect jobs rose to over 40,244 in 2008.

Manufacturing Output

11.3. Manufacturing sector output, value added and compensation of employees shown in Table 11.1. Value of manufacturing output rose by 14.5 per cent from KSh 626.2 billion recorded in 2007 to KSh 717.2 billion in 2008. Value added rose from KSh 190.2 billion to KSh 223.4 billion over the same period. The rate of growth in the compensation of employees decelerated to 1.6 per cent in 2008 compared to 3.6 per cent in 2007.

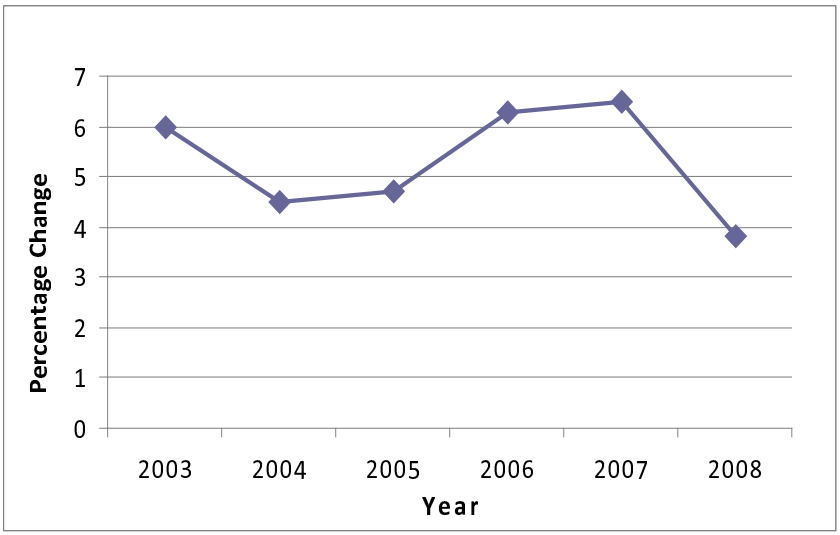
Table 11.1: Manufacturing Sector-Output, Compensation of Employees and Value Added, 2004-2008

Current Prices KSh Million

YEAR	Value of Output	Intermediate Consumption	Value Added	Compensation of Employees
2004	444,648	317,205	127,443	46,791
2005	500,215	351,053	149,162	50,734
2006	560,089	393,312	166,777	57,827
2007	626,173	436,008	190,165	59,898
2008*	717,217	493,864	223,353	60,829

* Provisional.

Figure 11.1: Growth of Value Added of Manufacturing Sector



Quantum Indices

11.4. Table 11.2 shows the quantum index of the manufacturing production for the period 2004-2008. Based on the quantum index, manufacturing production declined by 1.0 per cent in the year 2008 compared to a growth of 7.0 per cent in 2007. Most of the sub-sectors experienced declines in production during the review period. Sub-sectors that registered growths included beverages, clothing, leather and footwear, wood and cork products, paper and paper products, non-metallic minerals and miscellaneous manufacturing. Notable declines were recorded in printing and publishing, basic industrial chemicals, rubber products, electrical machinery and transport equipments among others. Food manufacturing sub-sector recorded a decline in growth of 3.7 per cent whereas beverages and tobacco sub-sector grew by 5.6 per cent over the same period. There was a general decline in demand of most of the manufactured food products in 2008 compared to 2007. This was contributed by a general rise in input prices and other intermediaries like fuel prices which led to increased cost of production. The period also recorded increased consumer prices, dampening the consumer demand further.

Table 11.2: Quantum Index of Manufacturing Production, 2004-2008

1976=100

Industry	2004	2005	2006	2007	2008*	Percentage Change 2008/2007
Meat &Dairy Products	104.8	118.7	125.3	154.8	145.1	-6.3
Canned Veg Fruits,Fish,Oils&Fats	466.7	469.2	556.0	680.5	663.3	-2.5
Grain Mill Products	193.3	231.2	253.6	246.9	247.2	0.1
Bakery Products	185.1	202.6	212.8	204.6	194.6	-4.9
Sugar & Confectionery	250.9	237.7	232.4	251.3	248.7	-1.0
Miscellaneous Foods	269.1	271.1	257.6	295.4	274.5	-7.1
Food Manufacturing	**233.5**	**235.6**	**239.0**	**269.2**	**259.3**	**-3.7**
Beverages	200.6	232.6	259.5	314.7	335.1	6.5
Tobacco	142.6	195.2	273.5	324.8	323.9	-0.3
Beverages & Tobacco	**193.8**	**229.2**	**263.8**	**319.0**	**337.0**	**5.6**
Textiles	89.3	97.1	102.3	104.1	79.5	-23.7
Clothing	187.3	269.4	379.1	396.6	457.9	15.5
Leather & Footwear	75.2	116.6	124.4	124.1	126.3	1.8
Wood & Cork Products	40.5	39.2	39.2	39.5	44.2	11.9
Furniture and Fixtures	56.9	57.6	58.1	58.7	64.0	9.0
Paper and Paper Products	336.3	427.5	414.2	403.4	522.6	29.5
Printing and Publishing	422.4	419.8	286.8	295.1	197.1	-33.2
Basic Industrial Chemicals	150.1	123.1	108.8	78.2	57.8	-26.1
Petroleum and Other Chemicals	982.7	947.6	1,027.0	1237.3	1325.3	7.1
Rubber Products	707.3	760.3	816.5	725.8	558.3	-23.1
Plastic Products	972.9	1270.5	1,656.3	1674.8	1513.9	-9.6
Clay and Glass Products	1172.9	1472.8	1,836.1	1791.9	1751.6	-2.3
Non Metallic Minerals	166.9	187.5	222.2	237.0	347.6	46.6
Metals Products	246.8	257.9	282.1	314.5	320.4	1.9
Non Electrical Machinery	87.1	87.9	90.0	83.0	74.1	-10.7
Electrical Machinery	259	268.8	245.5	180.2	139.6	-22.5
Transport Equipments	1109.6	975.7	1,281.7	1309.9	1106.7	-15.5
Miscellaneous Manufactures	1052	1058.6	1,442.6	1412.7	1811.1	28.2
Total Manufacturing	**310**	**334.1**	**353.5**	**378.4**	**374.5**	**-1.0**

* Provisional

11.5. Growth in meat and dairy products industry declined by 6.3 per cent in 2008 compared to a growth of 23.5 per cent experienced in 2007. Production of beef, sheep, lamb and goats, pig (pork) processed chicken, baby foods with milk base and ice-cream registered growths of 10.0, 8.2, 17.2, 3.5, 45.9 and 9.9 per cent respectively, in 2008 while sausage production declined by 4.8 per cent during the year under review. Production of liquid processed milk dropped by 7.6 per cent from 282,125 thousand litres in 2007 to 260,725 thousand litres in 2008.

11.6 Canned vegetables, fruits, fish, oils and fats industries which have been recording positive growths in the past contracted by 2.5 per cent in 2008. Production of canned fruits decreased by 0.5 per cent from 234,047 tonnes to 232,857 tonnes in 2008. Fish processed dropped by 21.6 per cent from 14,905.5 tonnes recorded in 2007 to 11,686.0 tonnes in 2008. Edible fats and margarines decreased marginally by 0.7 per cent while edible oils dropped from 121,091.5 to 112,123.1 thousand litres in 2008. Production of fruits and vegetable juices and canned vegetables went up by 14.6 and 22.7 per cent, respectively.

11.7. During the year under review, production of grain mill products index increased by 0.1 per cent. As illustrated in Table 11.3, this growth was mainly driven by the milling of sifted maize meal which rose to 344.2 thousand metric tonnes in 2008 from 287.5 thousand metric tonnes in 2007. Milling of wheat flour and rice however, recorded declines of 16.9 per cent and 24.7 per cent respectively.

Table 11.3: Production of Grain Milling Products, 2004-2008

('000 Tonnes)

	COMMODITY		
YEAR	Sifted Maize meal	Wheat Flour	Rice
2004	207.5	338.4	30
2005	283.1	363.3	39.5
2006	322.8	392.8	39.7
2007	287.5	374.5	35.6
2008*	344.2	311.2	26.8

* Provisional

11.8. Production of bakery products declined further by 4.9 per cent during the period under review. Production of cakes and biscuits rose by 8.3 and 9.7 per cent, respectively, while production of bread dropped by 7.8 per cent during the period under review.

11.9. The sugar sub-sector experienced significant challenges during the review period resulting to a marginal decline of 1.0 per cent. There was low factories' performance emanating from the heavy rains experienced in the third and fourth quarters of 2008, disruptions of cane harvesting and transport operations. The period recorded increases in sugarcane prices raising further the cost of production. High crude oil prices increased further the transport costs for sugarcane and distribution of the finished sugar. Inputs such as fertilizers and packaging materials which are petroleum based were at an all time high, increasing the operational costs. Sugar production dropped by 0.5 per cent from 520.4 thousand tonnes in 2007 to 517.7 thousand tonnes in 2008. The industry was plagued by high costs of production and a lack of credit for inputs leading to low yields.

11.10. The miscellaneous foods industry registered a decline of 7.1 per cent during the period under review. Production of instant coffee more than doubled from 121.5 metric tonnes in 2007 to 256.4 metric tonnes in 2008. Production of prepared animal feeds rose by 25.5 per cent in 2008. Pig feeds, poultry feeds and horse and other feeds went up by 62.8, 34.0 and 21.3 per cent, respectively. Production of milled coffee and roasted coffee dropped by 29.1 and 7.8 per cent, respectively in 2008.

11.11. Beverages and tobacco sub-sector grew by 5.6 per cent in 2008, a slower growth compared to 20.0 per cent growth recorded in 2007. This was mainly driven by production of beer and soft drinks which rose by 8.0 per cent and 2.1 per cent, respectively during the review period. In addition, production of spirits rose by 13.1

per cent from 25,317.2 thousand litres in 2007 to 28,645.5 thousand litres in 2008. Production of cigarettes dropped marginally by 0.3 per cent, though exports of tobacco and tobacco products rose by 6.0 per cent in value terms during the period under review.

11.12. Production in the textiles sub-sector dropped by 23.7 per cent in 2008. This was mainly due to the decline in production of blankets, canvas material, cardigans, knitted fabrics, rope and twine which registered different drops in production margins during the review period. Production of cotton woven fabrics, knitted fabrics and cardigans declined by 21.8, 2.4 and 5.9 per cent whereas production of bed sheets and gunny bags went up by 16.7 per cent and 21.2 per cent, respectively, in 2008.

11.13. Clothing industry grew significantly by 15.5 per cent in 2008. The key drivers of growth were production of; shirts, sport shirts and t-shirts, uniforms and overalls, vests, singlet and underwear which grew by various margins. However, production of trousers and suits dropped by 33.0 and 18.8 per cent respectively, in 2008.

11.14. The leather and footwear industry recorded a modest growth of 1.8 per cent buoyed by a growth in production of unfinished leather. Processing of sheep and goat skin rose by 0.7 per cent in 2008. There was minimal growth in the manufacture of polyvinyl chloride (PVC), leather cloth and sole leather. Production of wood and cork products rose by 11.9 per cent. Sawn timber increased by 11.9 per cent while furniture and fixtures rose by 9.0 per cent as proxied by employment growth within the sub-sector.

11.15. Paper and paper products industry recorded a substantial growth of 29.5 per cent in 2008. This was mainly motivated by production of exercise books, kraft paper boards and wrapping papers which rose by 12.0, 14.8 and 51.1 per cent, respectively. Other products that increased in their level of production include paper bags and sacks, toilet paper rolls and corrugated paper containers which went up by various margins during the period under review.

11.16. The printing and publishing industry recorded an unimpressive decline of 33.2 per cent in 2008. Production of newsprint went down by 33.2 per cent from 6,446 metric tonnes in 2007 to 4,305 metric tonnes in 2008. However, production of news paper copies rose by 4.0 per cent during the period under review.

11.17. Basic industrial chemicals sub-sector declined by 26.1 per cent in 2008. Production of oxygen, nitrogen and hydrogen rose marginally while production of herbicides more than doubled during the period under review. Production of acetylene and electrodes dropped by 3.7 and 29.2 per cent during the same period. Production of pyrethrum extract declined by 63.0 per cent from 46.0 tonnes in 2007 to 17.0 tonnes in 2008. Liquid insecticides dropped from 131,605 litres recorded in 2007 to 119,292 litres in 2008. Production of fertilizers dropped by 42.8 per cent during the review

period.

11.18. There was a growth of 7.1 per cent in petroleum and other chemicals sub-sector in 2008. This was mainly driven by increases in the production of paints, distempers, vanishes and lacquers and drugs (tablets) during the period under review. Paints manufacture rose from 19.4 million litres to 19.8 million litres. However, production of thinners dropped significantly by 29.4 per cent during the review period. The perfumes and toiletries sub-sector registered mixed performances during the review period. Production of laundry soap, detergent powder, detergent liquid, deodorants and anti-respirants rose by 25.1, 14.8, 30.2 and 39.1 per cent, respectively in 2008. In addition, production of cosmetics, liquid paraffin and castor oil rose by 6.0 per cent and 18.3 per cent, respectively. However, production of tooth paste and cream lotions dropped by 18.9 and 22.3 per cent, respectively. Washing soap production declined from 15,421 metric tonnes in 2007 to 14,152 metric tonnes in 2008 while laundry soap rose from 124,739 tonnes to 156,049 tonnes in 2008.

11.19. In the miscellaneous chemical industry, production of shoe polish and matches went down by 0.2 and 25.4 per cent, respectively. In addition, production of Liquefied Petroleum Gas (LPG), motor spirits, kerosene, gas oil and bitumen went down by 1.1, 12.7, 6.7, 6.0 and 17.2 per cent respectively, during the review period. Nevertheless, production of diesel and fuel oil rose by 4.7 and 0.5 per cent, respectively.

11.20. Rubber products sub sector recorded a significant drop of 23.1 per cent mainly as a result of decline in the production of motor vehicle tyres and tubes. Production of motor vehicle tyres and tubes dropped by 40.7 and 70.8 per cent respectively, in 2008. Exports of the same products went down by 41.3 and 57.1 per cent, respectively. On the other hand, imports of motor vehicle tyres rose by 12.5 per cent, while that of tubes dropped by 38.7 per cent in 2008. Rubber shoes rose by for and soles production went up by 24.8 and 18.7 per cent respectively.

11.21. Production of plastic products registered a 9.6 per cent decline. This could be attributed to the production of polythene film bags which dropped by 23.3 per cent from 12,856 tonnes recorded in 2007 to 9,855 tonnes in 2008. However, production of plastic shoes and plastic bottles rose by 7.0 and 0.5 per cent respectively during the review period.

11.22. The clay and glass products industry recorded a 2.3 per cent decline in production in 2008. Production of floor and wall tiles declined by 6.9 per cent whereas glass bottles production dropped by 2.9 per cent over the same period.

11.23. The non-metallic industry recorded a splendid growth of 46.6 per cent in 2008 mainly aided by production of clinker, limestone, roofing tiles, cement and, concrete pipes and blocks, with the latter increasing threefold. Further details on cement production and utilization are presented indicated in Table 11.4. Local cement

production rose from 2,615.1 thousand metric tonnes in 2007 to 2,829.6 thousand metric tonnes in 2008, an 8.2 per cent increase. Importation of cement on the other hand dropped by 56.0 per cent from 42.5 thousand metric tonnes in 2007 to 18.7 thousand metric tonnes in 2008. Exports of cement to Uganda and Tanzania rose by 21.8 per cent to 626.5 thousand metric tonnes in 2008. However, there was a 21.5 per cent decline in the export of cement to other countries from 84.1 thousand metric tonnes in 2007 to 66.0 thousand metric tonnes in 2008. Production of steel wool also declined by 5.1 per cent in 2008.

Table 11.4: Cement Production and Utilisation, 2004-2008

('000 Tonnes)

YEAR	PRODUCTION	IMPORTS	CONSUMPTION AND STOCKS	EXPORT TO	
				Uganda and Tanzania	All Other Countries
2004	1,873.30	3.7	1,478.70	249.8	148.5
2005	2,123.30	9.9	1,675.90	337.5	127.3
2006	2,405.90	3.8	1,765.80	428.1	123.4
2007	2,615.10	42.5	2,059.50	514.0	84.1
2008*	2829.58	18.7	2155.8	626.5	66.0

* Provisional.

11.24. The metal products industry declined by 1.9 per cent in 2008. During this period, production of galvanized iron sheets rose by 0.4 per cent to 189.3 thousand metric tonnes in 2008. Iron bars and rods, barbed wire and cork, welded mesh rose by 9.8, 31.3, and 3.4 per cent in the same period. Production of nails, silencers, gas cylinders and metal cans and tins dropped by 12.3, 15.3, 43.8 and 15.3 per cent respectively. Production of gas cylinders dropped from 8,715 in 2007 to 4,895 in 2008. Nevertheless, production of aluminium sufurias rose by 20.8 per cent. Non electrical machinery industry recorded a decline of 10.7 per cent in production. Production of wheel barrows dropped by 10.7 per cent, in 2008.

11.25. Electrical machinery production dropped further for the third consecutive year by 22.5 per cent in 2008. There was however increased production of motor vehicle batteries and battery plates by 11.2 per cent in 2008. The production dry cells dropped from 109.3 million cells in 2007 to 88.1 million cells in 2008 mostly due to competition from counterfeit and cheap imports.

11.26. Production of transport equipment dropped by 15.5 per cent in 2008 with assembling of motor vehicles declining by 12.2 per cent from 6,542 in 2007. Further, production of coaches and bus bodies and lorry bodies and trailers dropped by 15.8 and 23.9 per cent, respectively.

11.27. Production of miscellaneous manufacture increased by 28.2 per cent in 2008. Ball point production dropped by 22.8 per cent in 2008 while industrial and paint brushes fell by 31.2 per cent. However, production of household brushes went up substantially, while illuminated signs and mattresses increased by 84.0 and 63.1 per cent respectively.

Investment

11.28. The global financial crisis has had far reaching impacts in the world over, and Kenya as a country has not been spared either. The crisis has contributed to declining profitability, tighter credit conditions, shrinking stock values, slowed market growth and an aura of uncertainty over the future which is not good for investment. In the manufacturing sector, Kenya Investment Authority (KIA) approved projects in; manufacture of motor vehicle bodies, garments, cement, furniture, sugar, food products, pharmaceuticals, cooking oil, detergents and non-alcoholic drinks. In the same period, the total capital costs in the sector more than tripled to KSh 23.3 billion from 7.6 billion in 2007 out of which KSh 23.1 billion was from local sources. Employment to locals however dropped further by 38.1 per cent to 1,508.

Credit to the Manufacturing Sector

11.29. Table 11.5 presents the number and expenditure for industrial projects approved by selected government institutions. During the year under review, Development Bank of Kenya (DBK) experienced a decreased demand for loans and advances. DBK approved long term loans and short term advances of KSh 1.3 billion and KSh 42 million in letters of credit, in 26 projects. The approvals were made to projects operating in the manufacturing sector among others. The new projects were expected to create an estimated 300 new direct jobs.

Table 11.5: Industrial Projects Approved By Selected Government or Quasi-Government, 2004-2008

	Number of Projects					Approved Expenditure (KSh Million)				
INSTITUTION	2004	2005	2006	2007	2008*	2004	2005	2006	2007	2008*
Industrial Development Bank Limited (I.D.B Capital.)	4	0	1	1	2	98	0	37.4	20.0	47.8
Development Bank of Kenya (DBK)[1]	13	20	32	39	26	525	892	959.6	1800	1342
Kenya Industrial Estates Limited (K.I.E.)	80	117	83	69	39	18	29.8	33.5	20.7	11.7
Industrial and Commercial Development Corporation (I.C.D.C.)	4	0	1	2	1	2	0	1.2	280	221
TOTAL	101	137	117	111	68	643	921.8	1031.7	2120.7	1622.5

* Provisional

[1]Expenditure includes ICT, real estate, cut flowers, education, health services & manufacturing

11.30. Industrial Development Bank Capital (IDB Capital) disbursed loans using its own internally generated resources for short term to medium term lending. This was mainly for machinery finance and working capital. Total approvals amounted to KSh 162.5 million as compared to KSh108.4 million in 2007. Of this, about 29 per cent of the funds disbursed went to manufacturing enterprises mainly for expansion purposes.

11.31. Industrial and Commercial Development Corporation (ICDC) invested KSh 171.0 million in form of rights issue into a manufacturing company engaging in soft

drinks production in addition to a loan of KSh 50 million in 2008. These funds were meant for increasing the production capacity of the firm.

11.32. Kenya Industrial Estates Limited disbursed loans worth KSh 11.7 million in 2008 to 39 projects. Major manufacturing activities benefiting from the funds were in metal and allied, textiles and wood products manufacture.

Export Processing Zones (EPZ)

11.33. EPZ programme experienced mixed performance growth in 2008 as depicted in Table 11.7. The programme experienced various challenges including stiff competition and high cost of production. In addition, the US market which absorbs more than 50 per cent of total exports from the zones was adversely affected by the economic recession. In spite of this, the programme recorded a positive growth in a number of indicators which included the number of operational enterprises, total sales, exports and local purchases, among others. The indicators which exhibited a downward trend were number of employment, expenditure on local salaries and imports. The number of operating enterprises rose to 74 in 2008 from 72 recorded in 2007.

Table 11.6: Selected EPZ Performance Indicators, 2004-2008

Indicator	2004	2005	2006	2007	2008*
Gazetted Zones (Numbers)	41	43	39	41	38
Enterprises Operating (Numbers)	74	68	71	72	74
Employment – Locals	37,723	38,051	36,767	34,446	30,183
(Numbers) - Expatriates	837	800	649	511	469
Total Workers	**38,560**	**38,851**	**37,416**	**34,957**	**30,652**
Export Sales (KSh Million)	23,047	20,036	22,893	27,400	28,052
Domestic Sales (KSh Million)	651	3,160	1,403	1,421	2,536
Total Sales (KSh) Million	**24,211**	**23,774**	**25,352**	**29,400**	**31,202**
Foreign Imports (KSh Million)	13,029	12,497	12,674	17,287	16,151
Local Purchases of Goods and Services (KSh Million)	1,893	2,388	3,253	3,454	4,476
Investment (KSh Million)	17,012	18,682	20,320	19,027	20,122

Source: Export Processing Zones (EPZ)

* Provisional

11.34. The number of gazetted zones as at the end of December 2008 stood at 38 down from 41 in 2007, out of which 36 were privately owned and operated, while 2 were public. Nine of the zones are located in Nairobi, 20 in Mombasa, 3 in Athi River (Mavoko), 2 in Kilifi, one each in Voi, Kerio Valley, Thika and Isinya in Kajiado district. Three new zones were gazetted in the course of 2008 while six were degazetted in the same period.

11.35. Total sales from the EPZ enterprises rose by 6.1 per cent in 2008 to KSh 31,202 from KSh 29,400 million in 2007, out of which export sales accounted for 89.9 per cent. Domestic sales in the same period increased by 78.5 per cent to stand at KSh 2,536 million.

11.36. Imports declined by 6.6 per cent to stand at KSh 16,151 million in the year

under review. On the other hand, expenditure on local purchases rose by 29.6 per cent reflecting an increase in activity/interaction level between the customs territory and the EPZ.

11.37. The cumulative capital investment in form of equipment, machinery and other funds invested by the 74 operational enterprises rose by 5.8 per cent to KSh 20,122 million in 2008 from KSh 19,027 million recorded during the previous year. Capital investment, here involves stocks save for the new enterprises which started operations during the (2008) and also those firms which reported increased capital investment compared to previous year. During the year 2007, capital investment went down due to depreciation in one on the major apparel firm.

11.38. Local resource utilisation constitutes the amount of resources spent by EPZ enterprises in purchase of local goods and services. It is the expenditure incurred in payment of local employees, settlement of bills for utilities consumed among other domestic expenditure. This constitutes a foreign trickle equivalent net benefit into the economy and stood at KSh 11,313 million in 2008 up from KSh 9,110 million recorded in 2007.

11.39. In 2008, 13.5 per cent of total EPZ enterprises were wholly Kenyan, 29.7 per cent were joint ventures while the rest were foreign investments. This was compared to 16.7 per cent (Kenyan owned), 29.2 per cent (joint ventures) and 54.2 per cent (wholly foreign) in 2007.

Africa Growth and Opportunity Act (AGOA)

11.40. Table 11.8 gives a breakdown of the indicators of the apparel/garment sector under the EPZ. Africa Growth Opportunity Act (AGOA) is a US initiative meant to increase exports from accredited Sub Saharan Africa (SSA) countries, especially apparels by accessing the US market duty and quota free as long as certain eligibility conditions are met. This is a critical sector, characterised by its labour intensiveness and hence suitable industry for a country like Kenya.

Table 11.7: Impact of AGOA on EPZ Garment/Apparel Sector, 2004-2008

	2004	2005	2006	2007	2008*	% Growth
Number of Enterprises	30	25	25	22	19	-13.6
Employment	34,614	34,234	31,813	28,006	25,776	-8.0
Capital Investment (KSh Million)	8,595	9,983	10,317	8,314	7,578	-8.9
Exports (KSh Million)	17,575	14,688	14,774	13,768	15,691	14.0

Source: EPZ

*Provisional

11.41. Exports to the US increased by 14 per cent to stand at KSh 15,691 million in 2008 from KSh 13,768 million recorded in the 2007. However, some garment enterprises have diversified to other markets other than the US such as Europe, Canada, Russia, UAE, Hong Kong, Panama and Zimbabwe among others. During the year under review, these new markets were destinations of KSh 177 million worth of goods compared with

KSh 33 million in 2007. The new markets for apparel absorbed a quantity of 641,010 pieces valued at KSh 120 million.

11.42. Direct employment in the garment/apparel sector contracted by 8.0 per cent to stand at 25,776 in 2008 from 28,006 recorded the previous year. This was as a result of scaling down of operations and closure of some firms. Investment on the other hand registered a decline of 8.9 per cent as a result of the enterprises contracting operations and depreciation of the Kenya Shilling.

Outlook

11.43. Manufacturing sector is important in the Kenyan economic development in terms of its contribution to total output, export earnings and employment creation as identified in the Vision 2030. To attain the anticipated growth levels, there is need to bring in new investments and capital accumulation. There is also need for the government to formulate viable strategies to enhance productivity growth. Productivity development strategies should stress on technological upgrading (innovations), quality of labour force, stepping up of research and development activities and the full utilization of government incentives.

11.44. The manufacturing sector is expected to have a lackluster performance in 2009 if the global financial crisis continues. Demand for most manufactured products is expected to slow down on the backdrop of high cost of production and reduced agricultural output. Further depreciation of the shilling is expected to impact negatively on the manufacturing output as the cost of imported raw materials increases.

11.45. Growth in the EPZ sector is critical and depends on how issues of competition, incentives, high cost of operation/production and the global recession challenge in the USA market are addressed. If these constraints are addressed, EPZ programme is expected to register higher growth and also play a bigger role towards achievement of the Vision 2030 currently under implementation. Transition of EPZ programme to Special Economic Zones (SEZ) has already been approved by the Government. This means that the scope of activities would be expanded and corresponding benefits associated are likely to increase.

Chapter 12
Building and Construction

Overview

In 2008, the Government continued with its infrastructure development programme in the building and construction sector. The sectoral targets included increased investments in the road networks and provision of affordable housing. The general road network conditions in the country has been improving due to the gradual and sustained investment in the sector by the government. The housing sector has continued to be characterized by inadequacy of affordable and decent housing, low level of urban home-ownership, extensive and inappropriate dwelling units, including slums and squatter settlements. Most of the sector's key economic indicators showed improvements in the year under review.

12.2. The overall expenditure by the Ministry of Roads is expected to rise by 25.9 per cent to KSh 53,223.1 million in 2008/09 financial year. Disbursement of funds by the Kenya Roads Board for road construction, rehabilitation and maintenance are expected to increase by 23.4 per cent from KSh 15.4 billion in 2007/08 to KSh 19.0 billion in 2008/09. The index of Government expenditure on roads increased from 219.4 in 2007 to 256.4 in 2008. Loans and advances from commercial banks to the sector declined from KSh 31,576 million in 2007 to KSh 29,247 million in 2008 representing a 7.4 per cent decrease. Cement consumption increased by 7.0 per cent from 2,061.4 thousand tonnes recorded in 2007 to 2,205.8 thousand tonnes in 2008. The total value of reported private building works completed in selected main towns rose by 12.3 per cent to KSh 12,323.2 million in 2008 from KSh 10,969.2 million in 2007. The total estimated cost of reported new private buildings completed increased by 6.8 per cent to KSh 6,298.1 million in 2008 from KSh 5,898.1 million in 2007. The total value of building plans approved rose by 3.3 per cent from KSh 67,087.8 million in 2007 to KSh 69,321.7 million in 2008. Total wage employment in the sector rose by 4.3 per cent to 84.8 thousand persons in 2008 from 81.3 thousand persons registered the previous year.

Key Economic Indicators

12.3. The trends of key economic indicators in building and construction sector for the years 2004 to 2008 are shown in Table 12.1. Cement consumption increased by 7.0 per cent to register 2,205.8 thousand tonnes in 2008. The increase was as a result of several on-going projects in the roads and housing sub-sectors. The index of reported private building works completed in main towns increased from 61.0 in 2006 to 108.2 in 2007 largely on account of houses constructed and completed by the private sector. The index of government expenditure on roads increased from 219.4 in 2007 to 256.4 in 2008. The index of reported public building works completed in main towns increased from 3.4 in 2006 to 4.4 in 2007 mainly because of housing projects completed by National Housing Corporation (NHC) and Ministry of Housing.

Table 12.1: Selected Key Economic Indicators in Building and Construction[1] , 2004- 2008

1982=100

	2004	2005	2006	2007	2008*
"Index" of reported private building work completed in main towns[2]	33.0	36.0	61.0	108.2	-
"Index" of reported public building work completed in main towns[2]	1.9	3.2	3.4	4.4	-
"Index" of government expenditure on roads	100.6	62.6	201.1	219.4	256.4
Cement consumption ('000 tonnes)	1,418.3	1,572.5	1,765.8	2,061.4	2,205.8
"Index" of Cement consumption	244.8	271.4	304.8	355.8	380.7
Employment ('000)	77.3	78.2	79.9	81.3	84.8
"Index" of Employment	128.0	129.5	132.3	134.6	140.4

* Provisional.

[1] Actual deflated by various building or construction cost indices.

[2] The average of the actual of two consecutive years is taken in each case for reported completion of buildings

12.4. Public and private wage employment in the Building and Construction industry rose by 4.3 per cent from 81.3 thousand persons registered in 2007 to 84.8 thousand persons in 2008. Public sector employment decreased by 1.0 per cent from 20.1 thousand persons in 2007 to 19.9 thousand persons in 2008. Private sector employment increased by 6.0 per cent to 64.9 thousand persons in 2008 from 61.2 thousand persons indicated in 2007.

12.5. Table 12.2 presents annual percentage change in building and construction cost indices for the period 2006 to 2008. The cost indices of materials for all buildings, and other construction recorded growths of 7.0 and 9.2 per cent respectively in 2008 compared to growths of 7.5 and 4.4 per cent respectively in 2007. The overall cost index of materials increased by 7.6 per cent in 2008 compared to a rise of 6.6 per cent the previous year. The increases may be partly attributable to a sharp rise in the prices of timber as the ban on logging is still in force. The total cost indices for residential and non-residential buildings registered slower growths of 7.0 and 6.6 per cent respectively in 2008 compared to growths of 7.8 and 6.9 per cent in 2007. The total cost indices for all buildings and other construction registered growth rates of 8.9 and 7.8 per cent respectively in 2008 compared to 5.3 and 5.5 per cent in 2007. The overall cost index rose from 6.7 per cent growth registered in 2007 to 7.1 per cent in 2008.

Table 12.2: Annual Percentage change in Building and Construction Cost Indices[1], 2006 - 2008

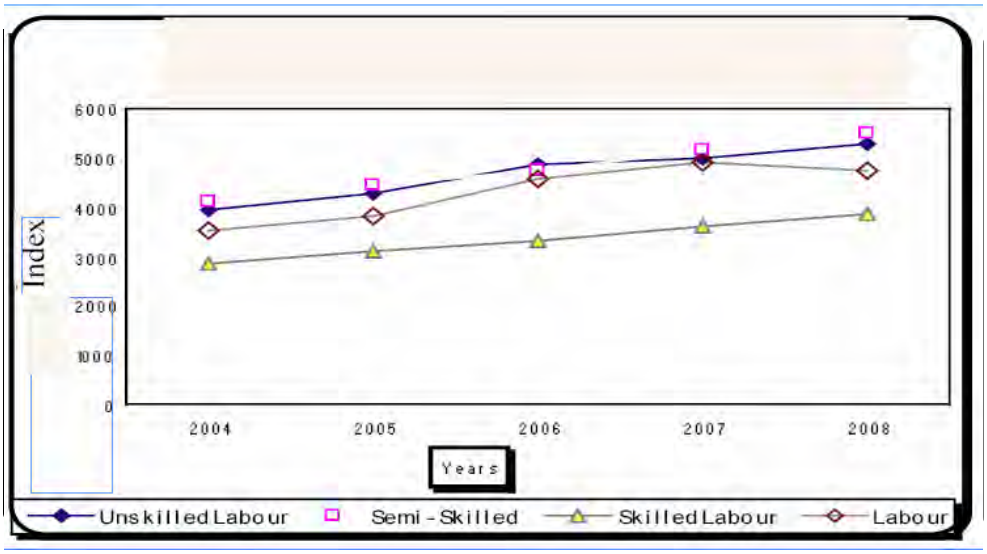
	Materials			Labour			Total Cost		
	2006	2007	2008*	2006	2007	2008*	2006	2007	2008*
Residential Buildings	8.9	8.0	7.3	9.1	6.8	6.1	8.9	7.8	7.0
Non-Residential Buildings	8.0	6.9	6.7	9.1	6.8	6.1	8.3	6.9	6.6
All Buildings	8.5	7.5	7.0	9.1	6.8	6.1	8.6	5.3	8.9
"Other" Construction	9.0	4.4	9.2	9.1	6.8	6.1	9.0	5.5	7.8
Overall Cost Index	8.6	6.6	7.6	9.1	6.8	6.1	8.8	6.7	7.1

* Provisional.

[1] From December to December.

12.6. Labour costs registered a slower growth of 6.1 per cent in 2008 as compared to a growth of 6.8 per cent in 2007. Wage for unskilled labour rose by 5.8 per cent in 2008 compared to 2.1 per cent in 2007. The wages for semi-skilled and skilled labour registered slower growths of 6.1 and 6.4 per cent respectively in 2008 as compared to growths of 8.9 and 8.6 per cent respectively in 2007. Figure 12.1 presents the trend in overall labour construction cost indices for the years 2004 to 2008.

Figure 12.1: Trend in Overall Labour Construction Cost Indices, 2004 – 2008 (Base 1982 = 100)



12.7. The analysis of the values of building plans approved by Nairobi City Council (NCC) and other towns for the years 2004 to 2008 is shown in Table 12.3. In 2008, the value of building plans approved by NCC declined by 12.9 per cent from KSh 59,765.1 million recorded in 2007 to KSh 52,073.0 million registered in 2008. Value of building plans approved by other towns rose significantly from KSh 7,322.7 million in 2007 to KSh 17,248.7 million recorded in 2008. The overall value of building plans approved registered a marginal increase of 3.3 per cent from KSh 67,087.8 million in 2007 to KSh 69,321.7 million in 2008.

Table 12.3: Value of Building Plans Approved in Nairobi and Other Towns, 2004 - 2008

KSh Million

Year	Nairobi	Other Towns	Total
2004	11,851.59	23,110.81	34,962.40
2005	23,842.19	13,804.88	37,647.07
2006	21,142.98	5,816.66	26,962.66
2007	59,765.12	7,322.66	67,087.78
2008*	52,072.96	17,248.70	69,321.66

Source: Local Authorities

12.8. The value of reported private building works completed in selected main towns for the years 2004 to 2008 is depicted in Table 12.4. The total value of reported private building works completed in the selected main towns expanded by 12.3 per cent to stand at KSh 12,323.2 million in 2008 from KSh 10,969.2 million in 2007. Nairobi City Council registered a 12.6 per cent increase in the value of reported

private building works completed in the year under review from KSh 9,786.7 million in 2007 to KSh 11,018.2 million in 2008. Malindi town recorded a value of KSh 143.8 million in 2008 from KSh 132.6 million indicated in 2007, an increase of 8.4 per cent. Mombasa town recorded a 5.3 per cent decrease from KSh 831.0 million in 2007 to KSh 787.0 million in 2008. Kisumu town recorded a 19.8 per cent decline from KSh 52.5 million in 2007 to KSh 42.1 million in 2008. Mombasa and Kisumu towns recorded decreases in the values of reported private building works completed partly due to post election violence.

Table 12.4: Value of Reported Private Building[1] Works Completed in Selected Main Towns, 2004 - 2008

KSh million

Year	Nairobi	Mombasa	Kisumu	Nakuru	Malindi	Total
2004 ...	2,003.3	162.7	40.4	120.2	106.5	2,433.0
2005 ...	2,241.7	165.1	45.7	125.2	109.5	2,687.2
2006 ...	2,317.6	170.9	60.2	145.6	123.6	2,817.8
2007 ...	9,786.7	831.0	52.5	166.3	132.6	10,969.2
2008* ...	11,018.2	787.0	42.1	332.1	143.8	12,323.2

* Provisional.

Source: Local Authorities

[1] Including the value of extension.

12.9. Reported completion of new private buildings in selected main towns for the years 2004 to 2008 is shown in Table 12.5. The number of non-residential units increased from 52 in 2007 to 55 in 2008. The number of residential units increased to 2,401 in 2008 from 2,350 in 2007. The estimated cost of residential units rose by 3.2 per cent to KSh 4,923.7 million in 2008 from KSh 4,773.3 million in 2007. The estimated cost of non- residential units increased by 22.2 per cent to KSh 1,374.5 million in 2008 from KSh 1,124.8 million in 2007. The total estimated cost increased to KSh 6,298.1 million in 2008, an increase of 6.8 per cent from the previous year on account of several housing projects completed by the private sector.

Table 12.5: Reported Completions of New Private Buildings[1] in Selected Main Towns[2], 2004 - 2008

Year	Number		Estimated Cost KSh Million		
	Residential	Non-Residential	Residential	Non-Residential	Total
2004	1,704	21	1,988.0	306.9	2,294.9
2005	1,815	29	2,145.5	426.9	2,572.4
2006	1,903	31	2,241.2	457.5	2,698.7
2007	2,350	52	4,773.3	1,124.8	5,898.1
2008*	2,401	55	4,923.7	1,374.5	6,298.1

* Provisional

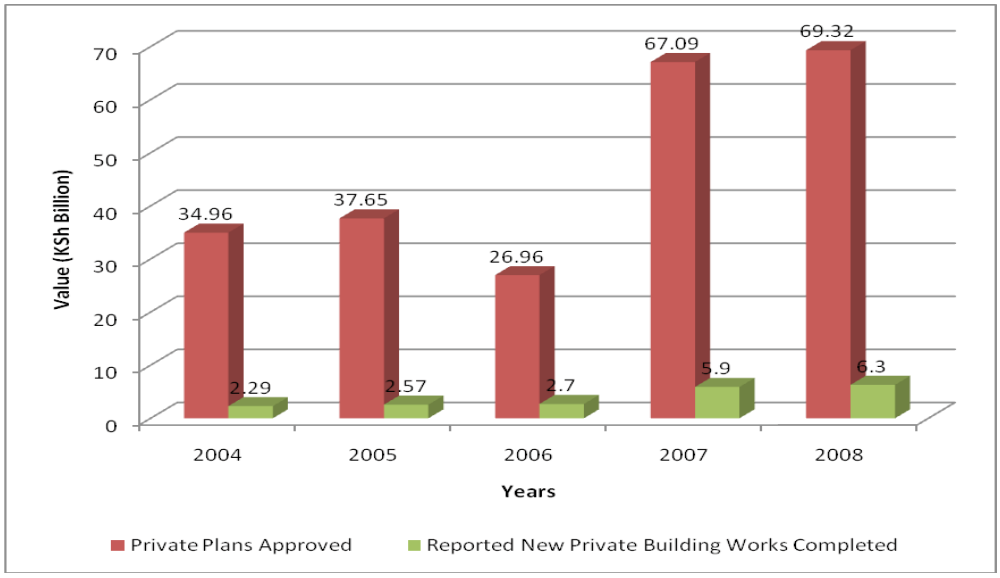
Source: Local Authorities

[1] Excluding the value of extensions.

[2] Nairobi, Mombasa, Kisumu, Nakuru, Malindi

12.10. A comparative analysis of the value of private plans approved and estimated cost of reported new private building works completed in main urban areas is shown in Figure 12.2. The ratio of reported new private buildings completed to approved plans remains very low. This could be attributed to a combination of factors among them, increased approvals due to enhanced enforcement and rising cost of building on one hand and non-reporting of completions on the other hand. In 2008, the ratio increased marginally to 9.1 per cent up from 8.8 per cent in 2007.

Figure 12.2: Comparison of Value of Private Plans Approved and Reported New Private Building Works Completed in Main Urban Areas, 2004-2008



12.11. Table 12.6 shows the reported completions of new public buildings in selected main towns for the years 2004 to 2008. The number of new residential buildings completed reduced drastically from 309 units in 2007 to 88 in 2008. The number of non-residential buildings increased significantly from 7 in 2007 to 73 in 2008. The estimated cost of residential buildings completed decreased by more than a half to KSh 210.2 million in 2008 from KSh 507.7 million in 2007. The estimated cost of non-residential buildings rose significantly from KSh 16.1 million in 2007 to KSh 232.8 million in 2008. The total estimated cost of reported completions of new public buildings reduced by 15.4 per cent to KSh 443.0 million in 2008 compared to KSh 523.8 million recorded in 2007.

Table 12.6: Reported Completions of New Public Buildings[1] in Selected Main Towns[2], 2004 – 2008

Year	Number		Estimated Cost, KSh Million		
	Residential	Non-Residential	Residential	Non-Residential	Total
2004	15	5	20.6	9.3	29.9
2005	360	31	410.8	33.3	444.1
2006	20	13	30.0	20.6	50.6
2007	309	7	507.7	16.1	523.8
2008*	88	73	210.2	232.8	443.0

Source: Local Authorities, National Housing Corporation & Ministry of Public Works

* Provisional.

[1] Including the value of extensions.

[2] Nairobi, Mombasa, Kisumu, Nakuru, Malindi

Housing

12.12. The housing sector has been characterized by inadequacy of affordable and decent housing, low level of urban home-ownership, extensive and inappropriate dwelling units, including slums and squatter settlements. The National Housing Corporation (NHC) continued to play a leading role in the implementation of housing policies and programmes through site and service schemes, rental and mortgage housing developments. In 2008, three housing projects were completed at a total cost of KSh 194.8 million. These consisted of 16 rental flats in Woodley infill (Nairobi), 24 rental flats in Sadi infill (Nairobi) and 38 mortgage maisonettes in Kiambu (Phase III). Other six housing projects which were under construction as at 31st December 2008 will cost a total of KSh 1,340.3 million upon completion. These consisted of 420 tenant purchase flats in Nairobi (Langata II & III), 6 mortgage maisonettes in Nairobi (Dam infill), perimeter wall and shops in Kisumu (Mamboleo), re-roofing and perimeter wall in Nairobi (Karanja road) and repairs on rental houses in Changamwe (Mombasa). There were also housing schemes at an advanced planning stage as at 31st December 2008 to be constructed in Nairobi, Kakamega, Nyeri and Kisumu consisting of 2,900 units and 1.8 km of perimeter wall at an estimated cost KSh 7.9 billion. The corporation advanced rural housing loans to 60 loanees amounting to KSh 62.7 million in the year 2008.

12.13. Table 12.7 shows the approved and actual Central Government expenditure on housing for the financial years 2004/05 to 2008/09. Actual expenditure on housing increased by 44.9 per cent from KSh 1,969.9 million registered in 2006/07 to KSh 2,853.5 million in 2007/08. Approved expenditure on housing is expected to increase by 31.1 per cent to KSh 4,104.5 million in 2008/09 from KSh 3,130.1 million in 2007/08. Actual expenditure as a percentage of approved expenditure decreased to 91.2 per cent from 98.9 per cent in 2006/07.

Table 12.7: Approved and Actual[1] Central Government Expenditure on Housing, 2004/05 – 2008/09

Year	Expenditure in KSh Million		Actual Expenditure as Percentage of Approved Expenditure
	Approved	Actual	
2004/05	542.64	480.65	88.6
2005/06	1,615.96	1,056.96	65.4
2006/07	1,992.10	1,969.89	98.9
2007/08	3,130.12	2,853.51	91.2
2008/09*	4,104.51		

Source: Ministry of Housing

* Provisional

[1] Actual has a lag of one year

12.14. Housing projects at Ngara Phase I, Jogoo Road, Upper Hill, Kileleshwa and Kilimani are being developed by the Ministry of Housing for sale to civil servants through the Civil Servants Housing Scheme Fund. The houses being developed started in 2005/06 financial year and are estimated to cost KSh 696.79 million upon completion.

Roads

12.15. Recurrent and development expenditure for Ministry of Roads for the financial years 2004/05 to 2008/09 is shown in Table 12.9. Development expenditure on secondary roads increased significantly from KSh 2,898.4 million in 2007/08 to KSh 9,160.7 million in 2008/09. Due to the on-going rehabilitation of the major highways, expenditure on trunk roads increased by 42.9 per cent to KSh 23,726.8 million in 2008/09. Recurrent expenditure (maintenance and repair) on roads decreased by 11.4 per cent to KSh 10,454.0 million in 2008/09 from KSh 11,795.4 million in 2007/08. The overall expenditure for Ministry of Roads rose by 25.9 per cent to KSh 53,223.1 million in 2008/09.

Table 12.8: Total Expenditure on Roads, 2004/05 - 2008/09

KSh Million

	2004/05	2005/06	2006/07	2007/08	2008/09*
Development:					
Trunk Roads	5,946.50	2,406.00	14,472.91	16,605.30	23,726.77
Primary Roads	3,059.00	1,260.50	5,377.68	7,988.32	8,763.57
Secondary Roads	333.00	320.68	1,546.85	2,898.41	9,160.73
Miscellaneous Roads	378.00	353.51	2,958.32	2,973.12	1,118.04
Total	**9,716.50**	**4,340.69**	**24,355.77**	**30,465.15**	**42,769.11**
Recurrent (maint. and repair)	6005.17	6,122.00	6,122.00	11,795.40	10,453.96
Total	**15,816.50**	**10,462.69**	**35,261.23**	**42,260.55**	**53,223.07**

Source: Ministry of Roads

* Provisional

12.16. Under the Roads 2000 Programme, the Government has continued to rehabilitate and maintain public roads in 37 districts spread across Rift-Valley, Nyanza, Eastern, Central and Coast provinces. The programme is being reviewed to cover an additional 72 districts by 2012. In 2008/09 financial year, a total of KSh 3.5 billion will be utilized in the programme to improve and maintain about 2,000 kms of rural roads.

12.17. In the 2008/09, the Kenya Roads Board (KRB) disbursed funds from Roads Maintenance Levy Fund (RMLF) to the various roads agencies. The Board disbursed a total of KSh 19.0 billion in 2008/09 compared to KSh 15.4 billion in 2007/08. Over the same period, the Roads Department received KSh 7,746.0 million while the District Roads Committees and roads within constituencies received KSh 3,738.0 million. District Roads Department which caters for classes D, E and Special Purpose (SP) roads received KSh 3,032.8 million. Ministry of Local Government and Roads in game reserves were allocated KSh 2,186.4 million.

12.18. Coverage of road network by type and classification as at 1st July 2004 and 1st July 2008 is shown in Table 12.8. International trunk roads under bitumen increased by 6.0 per cent from 2.7 thousand kilometres in 2004 to 2.8 thousand kilometres in 2008. Kilometres of roads under earth/gravel reduced by 15.6 per cent to 0.8 thousand kilometres in 2008 from 1.0 thousand kilometres in 2004. The primary roads under bitumen rose by 8.2 per cent from 2.56 to 2.8 thousand kilometres in 2004 and 2008 respectively. The primary roads under earth/gravel declined by 4.4 per cent to 5.23 thousand kilometres in 2008. Secondary roads under bitumen rose by 6.8 per cent from 1.2 thousand kilometres in 2004 to 1.3 thousand kilometres in 2008. The secondary roads under earth/gravel decreased by 3.6 per cent to 9.8 thousand kilometres in 2008. Minor roads under earth/gravel decreased marginally by 0.2 per cent to 26.3 thousand kilometres in 2008. Those under bitumen also declined by 14.7 per cent to 0.6 thousand kilometres in 2008. The total kilometres of road under bitumen increased by 5.4 per cent from 8.7 thousand kilometres in 2004 to 9.1 thousand kilometres in 2008, while those under earth/gravel declined by 14.8 per cent to 54.4 thousand kilometres in 2008.

Table 12.9: Kilometres of Road as at 1st July, 2004 and 1st July, 2008 by Type and Classification

000 Km

Type of Road	2004		2008*	
	Bitumen	Earth/ Gravel	Bitumen	Earth/ Gravel
A- International Trunk ..	2.65	0.96	2.81	0.81
B- National Trunk	1.30	1.37	1.52	1.17
C- Primary	2.56	5.47	2.77	5.23
D- Secondary	1.18	10.16	1.26	9.79
E- Minor	0.75	26.30	0.64	26.26
F- Special Purpose[1]	0.22	11.00	0.14	11.18
TOTAL	8.66	55.26	9.13	54.44

Source: Ministry of Roads & Public Works

* Provisional

[1] Special purpose roads include Government access, settlement, rural access, sugar, tea and wheat roads

12.19. Information on road works maintained, rehabilitated and constructed in 2008 is presented in Table 12.10. Overall, a total of KSh 70,676.6 million was used for maintenance, rehabilitation and construction. During 2008, a total of 502.0 kilometres of roads was maintained at a cost of Ksh.3,482.9 million. Over the same period, a total of 1,220.8 kilometres of roads was rehabilitated at a cost of Ksh.43,846.4 million and 710.8 kilometres of roads constructed at a cost of Ksh 23,547.3 million. However, it is important to note that some of the road works have been ongoing for a number of years and others are yet to be completed.

12.10 Major Road Works in Progress[1] in 2008

Activity	Length(Km)	Contract Amount KSh Million
Roads maintained		
Bomas-Ongata-Rongai	25.0	381.1
Red Hill-Mwimuto	45.0	443.3
Buxton-Likoni	10.0	244.7
Illasit-Njukini	53.0	222.4
Kilifi-Malindi	64.0	484.8
Likoni-Ukunda	20.0	340.1
Mandera-Elwak	162.0	294.7
Naromoru-Ngobit	50.0	287.5
Nyayo stadium KWS gate	18.0	209.6
Nyali(bridge)road-Kilifi	55.0	574.7
Sub-Total	502.0	3,482.9
Roads rehabilitated		
Bondo-Usenge-Osieko	41.0	647.6
Embu-Thuchi	32.0	898.9
Katitu-Kendu Bay	42.0	684.3
Kirigiti-Rioki-Ngewa	22.0	688.5
Kisian-Bondo	48.0	730.9
Lanet-Njoro turn off	32.0	2,971.8
Machakos Turn-off-Embakasi	45.0	4,258.0
Machakos Turn-off-Masii	78.0	1,140.8
Mai Mahiu-Lanet	94.0	6,145.6
Mai Mahiu-Narok	90.0	3,780.5
Makutano-Embu	46.0	968.1
Masii-Kitui	73.0	722.1
Mbagathi way road	5.8	445.4
Muranga-Sagana	55.0	1,613.3
Nairobi-Ruiru	24.0	1,095.8
Njoro Turn off-Timboroa	84.0	4,383.6
Nkubu-Meru-Lewa	40.0	899.4
Othaya township roads	13.0	239.6
Ruiru-Kiambu	15.0	796.0
Ruiru-Thika	26.0	672.3
Sagana-State lodge	47.0	416.8
Sultan Hamud-Machakos Turnoff	55.0	3,040.6
Thika-Gacharage-Githumu	40.0	868.1
Kisii-Kilgoris	74.0	1,873.7
Maji ya Chumvi-Miritini	35.0	2,304.6
Thuchi-Nkubu	64.0	1,360.1
Sub-Total	1,220.8	43,646.4
Roads constructed		
Dundori-Ol Kalou	100.3	3,485.6
Ena-Ishiara-Meru	60.0	2,798.5
Farm-Mutuati-Kachulu	38.5	1,388.9
Garissa-Modogashe	20.0	748.2
Isiollo-Merille	136.0	4,875.4
Kabati-Kagunduini	47.0	1,034.4
Keroka-Nyangusu	57.0	997.8
Kitui-Kangonde	45.0	1,019.8
Mariakani-Kilifi	56.0	2,500.0
Mukurweini-Gakonya &Rutune-Mahuaini	31.0	1,113.1
Ruiri-Isiolo	52.0	1,449.8
Rukanya-Forest rangers post	20.5	743.9
St.Mary's-Gitugu road	30.0	889.9
Embu-Kianjokoma	17.5	502.0
Sub-Total	710.8	23,547.3
Total	**2,433.6**	**70,676.6**

Source: Ministry of Roads

[1] Includes work in progress

Chapter 13
Tourism

Overview

In 2008, the tourism sector witnessed one of its worst performances in recent history. This was mainly as a result of the political violence that erupted in the country during the first quarter of the year after the December 2007 General Elections and the subsequent travel bans by major tourism source countries. As a consequence, tourism earnings decreased from KSh 65.2 billion in 2007 to KSh 52.7 billion in 2008, representing a 19.2 per cent drop. The volume of international arrivals decreased sharply by 33.8 per cent from 1,817.0 thousand in 2007 to 1,203.2 thousand in 2008. Other factors that impacted negatively on the sector included the high cost of jet fuel, the global financial meltdown, and rise in commodity prices and exchange rate fluctuations that occurred in the year.

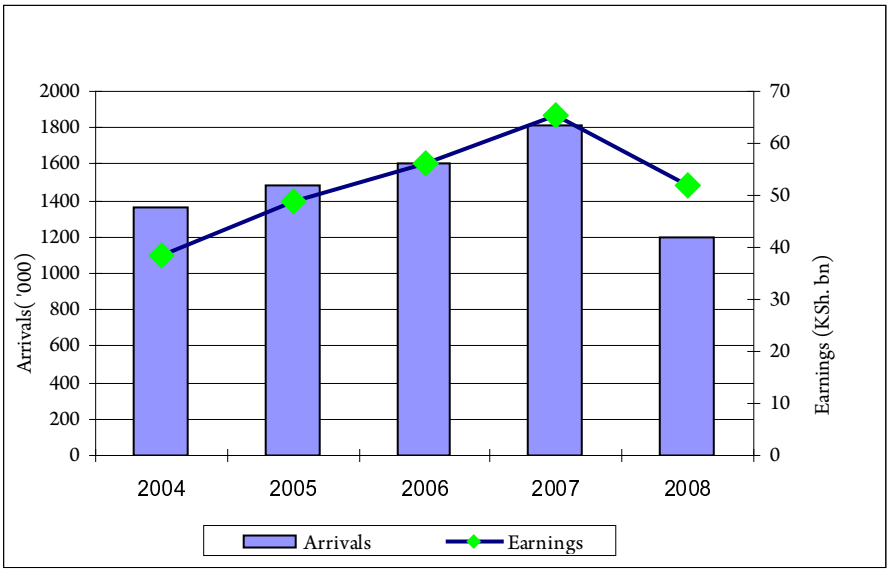
13.2. The number of bed-nights occupied decreased significantly by 46.7 per cent from 6,939.4 thousand in 2007 to 3,699.0 thousand in 2008. Similarly, the number of visitors to game parks and reserves dropped from 2,495.1 thousand in 2007 to 1,633.9 thousand in 2008, representing a 34.5 per cent drop.

13.3. The number of visitors to Museums, Snake Park and other historical sites contracted by 17.6 per cent from 598.6 thousand in 2007 to 493.2 thousand in 2008 despite Nairobi Museum re-opening for business at the beginning of 2008. In the conferences sub-sector, the number of international and domestic conferences held decreased by 16.6 per cent and 19.3 per cent, respectively, during the year under review.

Arrivals and Departures

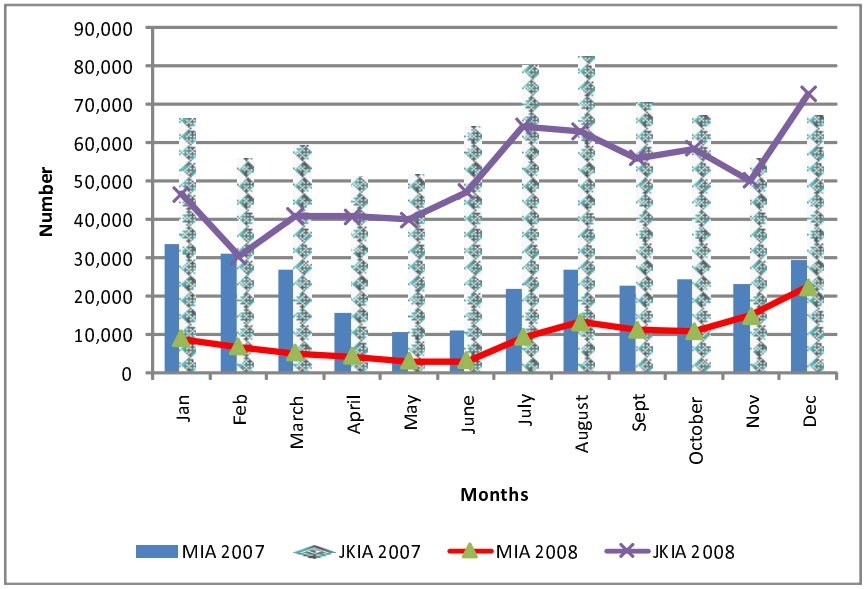
13.4. As shown in Table 13.1, the number of inbound tourists decreased sharply by 33.8 per cent from 1,817.0 thousand in 2007 to 1,203.2 thousand in 2008. This was partly as a result of negative publicity by both local and international media of the political situation in the country. Another factor that led to the dismal performance was negative travel advisories from major tourism markets in Europe and the United States of America. As a result, the upward trend in international arrivals and earnings recorded during the last four years took a sudden downturn as shown in Figure 13.1

Figure 13.1: Trends in Visitor Arrivals and Tourism Earnings, 2004-2008



13.5. Figure 13.2 shows visitor arrivals through the country's leading international airports. Visitor arrivals through Jomo Kenyatta International Airport (JKIA) and Moi International Airport (MIA) in Mombasa were in tandem with the tourism cycles for the two years. Visitor arrivals through JKIA nosedived during the month of February 2008, an indication of the effects of the political violence in the country. During the subsequent months, visitor arrivals through JKIA continued on an upward trend but remained below the 2007 levels except the month of December 2008. Performance of visitor arrivals at MIA remained persistently low throughout 2008. The number of visitor arrivals was on a downward trend for the first half of the year. However, this trend was reversed after June in line with the return of charter flights.

Figure 13.2: International Arrivals through JKIA and MIA, 2007-2008



13.6. Table 13.1 shows an analysis of international visitor arrivals by purpose of visit and on quarterly basis. Overall, visitors on holiday declined by 26.8 per cent to account for 77.8 per cent of total inbound tourists. Visitors on business contracted by 54.8 per cent from 242.3 thousand in 2007 to 109.4 thousand in 2008. The inbound tourists in the first quarter of 2008 dropped by more than a half compared to the same period in 2007. During the quarter, number of visitors on holiday went down by 32.4 per cent but their share went up from 62.9 per cent in 2007 to 85.9 per cent in 2008. During the second quarter which normally coincides with the low season, the number of international arrivals decreased by 32.8 per cent. In the third quarter of 2008, visitor arrivals registered a drop of 33.2 per cent, although visitors classified as "Other" recorded an improvement of 16.4 per cent. The improvement was a result of inbound tourists who came for purposes of visiting friends and relatives. In the fourth quarter, visitor arrivals went down by 17.5 per cent. This drop was lower than the other quarters, an indication of recovery of the sector though at a slow pace.

Table 13.1: Quarterly Visitor Arrivals by Purpose of Visit, 2004-2008

'000

Quarter	Purpose	2004	2005	2006	2007	2008*
1st Qtr.	Holiday	209.4	264.6	275.8	298.4	201.6
	Business	51.1	51.8	61.7	75.8	20.4
	Transit	47.3	22.2	36.0	41.2	5.8
	Other	9.7	37.6	48.2	59.2	6.9
	TOTAL	**317.5**	**375.6**	**421.7**	**474.6**	**234.7**
2nd Qtr.	Holiday	178.5	213.4	219.2	263.0	205.6
	Business	49.3	41.9	45.5	51.6	18.6
	Transit	28.8	17.9	28.4	31.3	13.5
	Other	20.4	30.3	23.4	37.9	20.2
	TOTAL	**277.0**	**303.5**	**316.5**	**383.9**	**257.9**
3rd Qtr.	Holiday	239.3	288.6	289.2	380.6	243.7
	Business	70.8	56.6	59.4	64.7	33.1
	Transit	46.9	24.2	38.5	28.2	20.8
	Other	12.8	41.0	46.6	37.8	44.0
	TOTAL	**369.8**	**410.5**	**433.7**	**511.2**	**341.6**
4th Qtr.	Holiday	258.4	296.5	303.2	336.5	285.2
	Business	75.2	55.8	59.6	50.1	37.2
	Transit	39.2	15.5	34.2	30.2	21.8
	Other	23.6	21.0	31.7	30.3	24.7
	TOTAL	**396.4**	**388.8**	**428.7**	**447.2**	**369.0**
Year	Holiday	885.6	1,063.1	1,087.4	1,278.5	936.1
	Business	246.4	206.1	226.2	242.3	109.4
	Transit	162.2	79.8	137.2	130.9	62.0
	Other	66.5	129.9	149.8	165.2	95.8
	TOTAL	**1,360.7**	**1,478.9**	**1,600.5**	**1,817.0**	**1,203.2**

*Provisional

13.7. The decline in the number of inbound visitors resulted in a downward performance of departing visitors throughout 2008. The number of departing tourists went down by 35.5 per cent from 1,772.1 thousand in 2007 to 1,143.1 thousand in 2008 as shown in Table 13.2. During the first quarter, visitor departures contracted significantly by 47.0 per cent. This was on account of massive declines recorded under Transit and Other categories. The second and third quarters registered declines of 33.2

per cent and 36.3 per cent, respectively, mainly as a result of declines recorded under holiday departures who accounted for more than 70 per cent of departures during the quarters. Visitor departures during the fourth quarter went down by 23.7 per cent from 427.9 thousand in 2007 to 326.3 thousand in 2008. However, the proportion of holiday departures went up from 69.5 per cent in 2007 to 78.0 per cent in 2008.

Table 13.2: Quarterly Visitor Departures by Purpose of Visit, 2004-2008

'000

Quarter	Purpose	2004	2005	2006	2007	2008*
1st Qtr.	Holiday	196.2	258.9	285.3	314.2	210.1
	Business	62.1	50.8	56.7	65.5	18.9
	Transit	30.7	18.0	29.9	35.4	10.1
	Other	13.0	40.5	46.2	58.9	11.9
	TOTAL	**302.0**	**368.2**	**418.1**	**474.0**	**251.0**
2nd Qtr.	Holiday	176.8	221.9	232.9	270.2	193.4
	Business	49.8	43.6	47.9	49.1	19.9
	Transit	31.7	15.5	18.3	20.8	14.1
	Other	15.4	34.7	31.4	32.6	21.6
	TOTAL	**273.7**	**315.7**	**330.6**	**372.7**	**249.1**
3rd Qtr.	Holiday	232.6	279.3	274.9	352.6	251.5
	Business	70.2	54.8	59.9	63.8	31.9
	Transit	46.1	19.5	27.5	33.0	17.7
	Other	13.5	43.7	45.8	48.1	15.5
	TOTAL	**362.3**	**397.3**	**408.0**	**497.5**	**316.7**
4th Qtr.	Holiday	250.6	267.0	284.9	295.0	236.6
	Business	73.7	52.4	55.0	53.9	38.1
	Transit	39.4	18.6	41.2	35.4	23.3
	Other	18.4	41.8	40.6	43.7	28.3
	TOTAL	**382.1**	**379.8**	**421.7**	**427.9**	**326.3**
Year	Holiday	856.2	1,027.1	1,077.9	1,232.0	891.7
	Business	255.8	201.6	219.5	232.3	108.9
	Transit	147.9	71.6	116.8	124.6	65.2
	Other	60.3	160.7	164.1	183.2	77.3
	TOTAL	**1,320.2**	**1,461.0**	**1,578.4**	**1,772.1**	**1,143.1**

*Provisional

13.8. Table 13.3 shows the number of departing visitors by country of residence and purpose of visit. The number of departing visitors went down by 32.9 per cent from 1,588.9 thousand in 2007 to 1,065.8 thousand in 2008. This was mainly on account of departures destined for Europe that declined by 39.8 per cent. Departures to United Kingdom and Germany, which are key source markets declined by 30.9 per cent and 47.8 per cent, respectively, during the review period. The number of holiday visitors destined for Europe, North America and Asia went down while those to African destinations improved marginally. Similarly, business and transit departures to destinations other than to African countries recorded negative performance.

Table 13.3: Departing Visitors by Country of Residence and Purpose of Visit[1], 2007-2008

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Country of Residence	Holiday		Business		Transit		Total	
	2007	2008*	2007	2008*	2007	2008*	2007	2008*
Germany	210.7	115.0	38.1	14.9	14.4	7.4	263.2	137.3
United Kingdom	258.1	185.8	39.8	18.6	15.7	12.3	313.6	216.7
Switzerland	49.0	32.5	7.0	3.1	4.6	2.1	60.5	37.7
Italy	115.6	64.0	24.8	11.7	6.1	4.5	146.6	80.2
France	66.9	36.5	14.3	4.7	3.5	1.9	84.7	43.1
Scandinavia	31.4	26.8	7.7	2.5	4.2	1.6	43.3	30.9
Other Europe	122.4	84.7	23.2	8.1	9.7	3.7	155.3	96.5
TOTAL EUROPE	**854.1**	**545.2**	**154.9**	**63.6**	**58.2**	**33.5**	**1,067.2**	**642.3**
U.S.A	88.8	71.7	19.6	12.2	8.4	5.5	116.8	89.4
Canada	19.3	15.4	4.4	1.8	3.8	1.7	27.4	18.9
TOTAL NORTH AMERICA	**108.1**	**87.1**	**24.0**	**14.0**	**12.2**	**7.2**	**144.2**	**108.3**
Uganda	14.6	16.6	4.2	3.2	2.1	3.0	20.9	22.8
Tanzania	17.9	17.7	5.1	2.9	4.7	2.6	27.6	23.2
Other Africa	91.4	95.1	14.1	9.6	23.4	10.2	128.9	114.9
TOTAL AFRICA	**123.9**	**129.3**	**23.4**	**15.7**	**30.2**	**15.8**	**177.5**	**160.8**
India	24.5	28.7	6.6	4.5	6.1	2.1	37.1	35.3
Japan	15.5	9.6	5.3	3.8	1.2	0.8	22.0	14.2
Israel	12.0	10.4	3.1	1.7	2.4	0.5	17.5	12.6
Other Asia	44.5	46.9	7.9	3.7	6.3	1.7	58.7	52.3
TOTAL ASIA	**96.5**	**95.5**	**22.9**	**13.7**	**15.9**	**5.1**	**135.3**	**114.3**
Australia and New Zealand	22.8	17.0	4.1	1.1	1.8	1.1	28.7	19.2
All Other Countries	26.7	17.6	3.1	0.8	6.3	2.5	36.0	20.9
TOTAL	**1,232.0**	**891.7**	**232.3**	**108.9**	**124.6**	**65.2**	**1,588.9**	**1,065.8**

* Provisional

[1] Excludes visitor whose purpose of visit is "Other"

13.9. Table 13.4 shows the trend of the number of days stayed by purpose of visit. Consistent with the decline in the number of inbound visitors, the total length of stay contracted considerably by 41.4 per cent from 18,839.0 thousand in 2007 to 11,039.8 thousand in 2008. This was mainly explained by a 38.3 per cent decline in the length of stay by holiday makers. The length of stay by business tourists contracted drastically by 57.8 per cent owing to uncertainties associated with the post election violence. This is in line with the declining average length of stay that has been maintained for the last five years, a factor associated with tourists visiting more than one destination per trip. This resulted in the average length of stay being shorter by 12.6 per cent in 2008 when compared to 2007.

Table 13.4: Number of Days Stayed [1] by Purpose of Visit, 2004-2008

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Purpose	2004	2005	2006	2007	2008*
Holiday	11,414.3	13,383.8	14,186.8	15,754.4	9,721.9
Business	1,336.0	2,454.4	2,724.4	2,803.6	1,182.8
Transit	147.1	142.8	257.0	281.1	135.1
TOTAL	**12,897.4**	**15,981.0**	**17,168.3**	**18,839.0**	**11,039.8**
Average length of stay in days	13.0	12.3	12.1	11.9	10.4

* Provisional

[1] Excludes days stayed by "Other Visitors" Category

Hotel Occupancy by Country of Residence

13.10. The political crisis in the country which led to a drastic decline in the number of inbound tourist was equally felt in the hotels sub-sector. Bed-nights occupancy in leisure resorts went down by 46.7 per cent from 6,939.4 thousand in 2007 to 3,699.0 thousand in 2008, as shown in Table 13.5. This was a reflection of mass cancellation of reservations made prior to the election violence and termination of holidays during the first quarter of 2008. Over the review period, the number of beds available contracted by 3.2 per cent from 14,711.6 thousand in 2007 to 14,233.6 thousand in 2008. On average, bed-nights occupancy rate went down from 47.2 per cent in 2007 to 26.0 per cent in 2008. Similarly, the level of rooms occupied compared to rooms available contracted by 36.6 per cent in 2007 to 32.2 per cent in 2008. Although monthly bed and room-nights occupancy levels were below 25.0 per cent for the first half of 2008, the situation improved steadily during the second half of the year, as shown in Figure 13.3. This is an indication of recovery in the sector following massive campaigns mounted by the Government and the private sector.

Table 13.5: Hotel Bed - Nights Occupancy by Country of Residence, 2004-2008

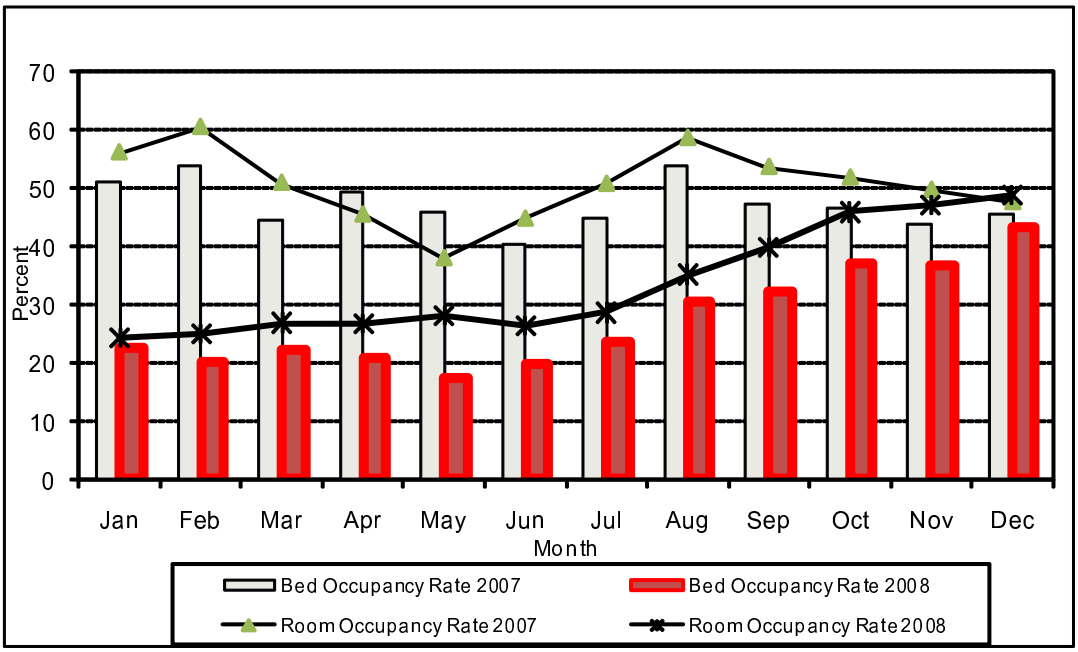
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Country of Residence	2004	2005	2006	2007	2008*
Permanent Occupants[1]	32.7	44.9	23.5	25.0	52.4
Germany	465.9	689.9	917.2	926.1	339.5
Switzerland	145.6	164.3	191.8	174.2	66.8
United Kingdom	516.2	628.4	1,029.4	1,223.1	486.6
Italy	166.9	353.1	479.3	536.5	158.2
France	164.4	183.5	320.4	304.3	63.8
Scandinavia	69.4	88.8	114.8	129.8	48.7
Other Europe	606.2	346.5	487.1	543.7	160.0
EUROPE	**2,134.5**	**2,454.6**	**3,540.1**	**3,837.8**	**1,323.7**
Kenya Residents	1,190.3	1,129.6	1,374.8	1,869.8	1,566.6
Uganda	43.1	37.0	49.2	52.2	43.2
Tanzania	43.4	44.1	55.9	54.7	43.1
East and Central Africa	43.0	55.7	71.6	67.3	41.5
West Africa	27.9	30.2	36.0	35.6	26.3
North Africa	21.0	18.9	25.5	43.9	17.0
South Africa	48.2	51.1	67.8	73.6	52.6
Other Africa	65.1	52.8	56.5	71.8	59.9
AFRICA	**1,482.0**	**1,419.5**	**1,737.4**	**2,268.8**	**1,850.1**
U.S.A	165.1	206.8	242.2	270.9	148.1
Canada	28.7	35.8	48.5	64.0	32.2
Other America	24.6	23.8	24.3	34.2	16.7
AMERICA	**218.3**	**266.4**	**315.1**	**369.2**	**196.9**
Japan	33.5	34.6	37.0	45.7	18.2
India	38.4	44.6	50.8	60.5	51.2
Middle East	23.4	31.3	33.5	38.0	20.0
China	...	...	25.0	43.2	20.7
Other Asia	35.9	63.2	35.3	41.7	26.4
ASIA	**131.2**	**173.8**	**181.6**	**229.2**	**136.5**
Australia and New Zealand	22.5	40.6	45.5	56.9	42.3
All Other Countries	70.2	76.8	78.8	152.5	97.1
TOTAL-OCCUPIED	**3,791.5**	**4,476.6**	**5,922.1**	**6,939.4**	**3,699.0**
TOTAL-AVAILABLE	**10,030.7**	**10,845.6**	**13,003.5**	**14,711.6**	**14,233.6**
Occupancy rate %	**37.8**	**41.3**	**45.5**	**47.2**	**26.0**

* Provisional

[1] Persons staying one month or more in one hotel;includes some block bookings for air crew

Figure 13.3: Monthly Bed and Room Occupancy Rates, 2007 and 2008



13.11. The reduced volume of international arrivals resulted in low occupancy in hotels, lodges and other rooming houses during the year under review. Analysis of bed-nights occupancy by country of residence reveals a general decline by both domestic and foreign residents. Bed-nights occupied by residents from Europe went down from 3,837.8 thousand in 2007 to 1,323.7 thousand in 2008, representing a 65.5 per cent decline. Similarly, the share of bed-nights occupied by residents from European countries dropped from 55.3 per cent in 2007 to 35.8 per cent in 2008. This was mainly attributed to significant drops in occupancy by residents of United Kingdom and Germany which jointly accounted for 62.4 per cent of occupancy by European nationals. Occupancy by nationals from the African continent contracted by 18.5 per cent from 2,268.8 thousand in 2007 to 1,850.1 thousand in 2008. This result was mainly explained by a 16.2 per cent decline in occupancy by Kenyan residents.

13.12. Details of hotel bed-nights occupancy by zone are presented in Table 13.6. Hotel bed-nights occupancy at the Coast beach dropped by 56.4 per cent from 3,768.1 thousand in 2007 to 1,643.7 thousand in 2008. These may be explained by a decline in preference rate of the Coast beach from 54.3 per cent in 2007 to 44.4 per cent in 2008. However, although occupancy in Nairobi High-Class dropped by 30.4 per cent, the proportion of bed-nights to this zone went up by 4.5 percentage points to 19.4 per cent in 2008. Similarly, the share of bed-nights occupied in other zones registered improvements with the exception of Maasailand and Northern.

Table 13.6: Hotel Bed-Nights Occupancy by Zone, 2004-2008

'000

Zone	2003	2004	2005	2006	2007	2008*
Coastal-Beach	1,269.6	1,883.5	2,273.7	3,228.8	3,768.1	1,643.7
Coastal-Other	36.5	29.4	43.5	108.6	153.5	118.1
Coastal Hinterland[1]	60.9	52.9	75.1	83.7	210.5	93.9
Nairobi-High Class	572.7	793.7	870.9	946.8	1,028.4	716.2
Nairobi-Other	124.0	194.5	180.5	257.2	302.7	224.5
Central	143.8	247.8	265.1	300.3	388.9	255.1
Maasailand	130.4	272.3	361.9	460.9	519.9	231.8
Nyanza Basin	127.9	167.7	196.7	284.4	246.6	185.4
Western	97.2	100.8	128.0	167.7	234.4	224.6
Northern	42.9	48.8	81.2	83.7	86.3	5.7
TOTAL-OCCUPIED	**2,605.9**	**3,791.5**	**4,476.6**	**5,922.1**	**6,939.4**	**3,699.0**
TOTAL-AVAILABLE	**7,765.7**	**10,030.7**	**10,845.6**	**13,003.5**	**14,711.6**	**14,233.6**

*Provisional

[1] Area neat to coastal strip less beaches and island

13.13. Figures 13.4a and 13.4b depict bed-nights occupancy along the coastal strip in 2007 and 2008. The coastal zones comprising coastal beach and coastal others continued to remain a preferred tourism destination accounting for 47.6 per cent of all bed-nights occupied in 2008. Analysis by area shows that North Coast was the most preferred leisure area along the coast both in 2007 and 2008. However, the share of occupancy in North Coast and Mombasa Island went up while that of South Coast went down. The share of occupancy at Kilifi, Malindi and Lamu area remained unchanged at 25.0 per cent over the same period.

Figure 13.4a: Bed-Night Occupancy at the Coast, 2007

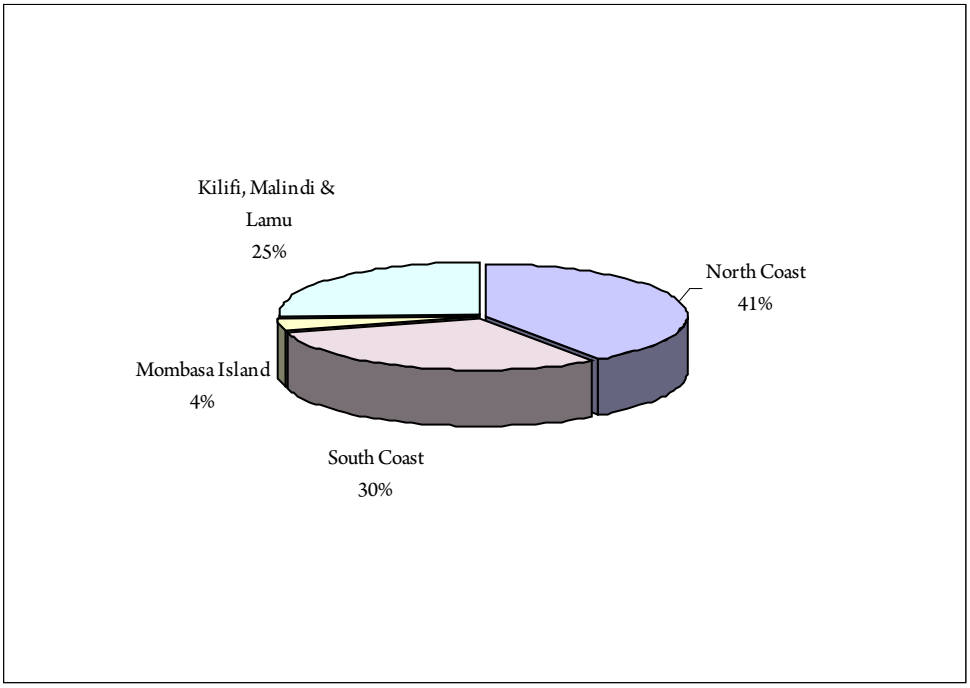
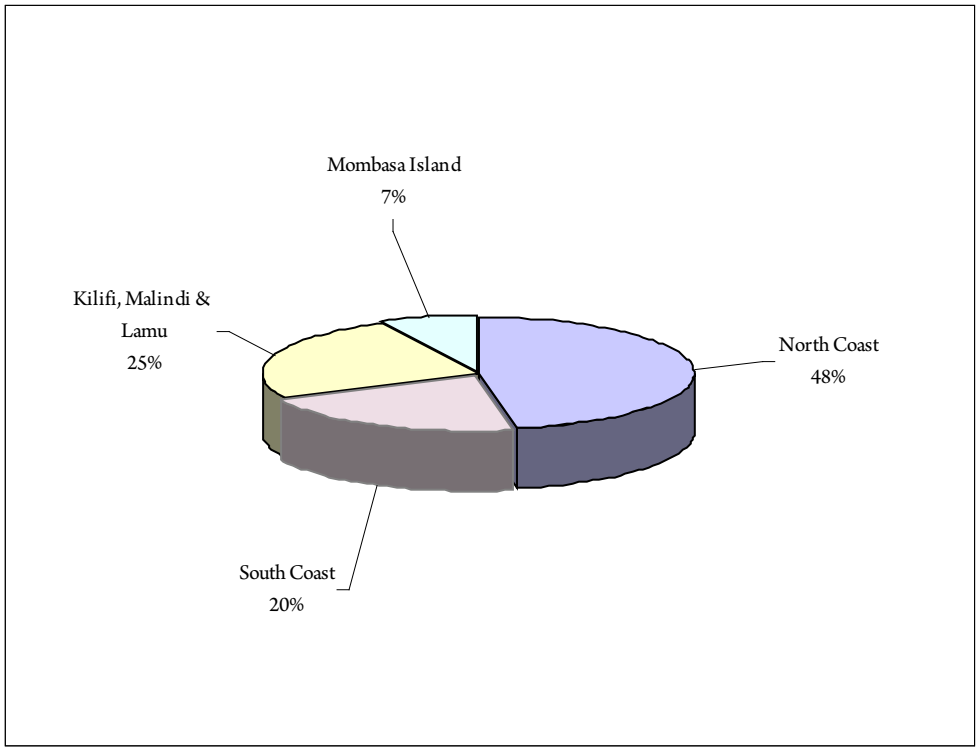


Figure 13.4b: Bed-Night Occupancy at the Coast, 2008



13.14. Table 13.7 presents details of bed-occupancy by area and country of residence in 2007 and 2008. The Kenyan coastal area remained the preferred destination in 2008, accounting for 47.6 per cent of all hotel occupancy. This was however lower compared to 56.5 per cent recorded in 2007 mainly on account of nationals from European countries dropping to almost a third. Occupancy within the Nairobi area dropped from 1,331.1 thousand in 2007 to 940.7 thousand in 2008, representing a 29.3 per cent decline. Occupancy in the lodges accounted for 8.9 per cent while in "Others" it went up from 11.7 per cent in 2007 to 18.0 per cent in 2008. There was a slight increase in bed nights occupancy at the coast by residents of India, Middle-East, China, Australia and New Zealand, and Tanzania.

Table 13.7: Hotel Bed-Nights by Area and Country of Residence, 2007 and 2008

'000

Country of Residence	Nairobi		Coast[1]		Lodges		Others		Total	
	2007	2008*	2007	2008*	2007	2008*	2007	2008*	2007	2008*
Permanent Occupants[2]	1.4	3.7	11.2	12.1	0.2	0.0	12.2	36.6	25.0	52.4
Germany	31.0	17.8	799.9	290.8	88.6	28.9	6.6	2.0	926.1	339.5
Switzerland	9.6	6.7	150.5	54.6	13.2	5.1	0.9	0.4	174.2	66.8
United Kingdom	101.8	63.0	912.9	358.9	194.0	60.2	14.4	4.5	1,223.1	486.6
Italy	13.4	6.4	488.5	140.0	32.4	11.3	2.1	0.6	536.5	158.2
France	26.7	15.8	186.8	30.5	85.6	16.4	5.2	1.1	304.3	63.8
Scandinavia	22.9	16.6	61.2	19.8	43.0	11.1	2.8	1.2	129.8	48.7
Other Europe	104.2	38.5	316.1	92.3	112.1	25.8	11.2	3.4	543.7	160.0
Kenya	356.3	321.8	753.2	584.7	87.4	82.0	672.9	578.2	1,869.8	1,566.6
Uganda	28.5	23.5	15.7	14.6	0.6	0.3	7.4	4.8	52.2	43.2
Tanzania	36.1	25.2	14.1	14.5	0.7	0.4	3.8	3.0	54.7	43.1
East & Central Africa	51.3	32.8	13.4	7.2	0.8	0.4	1.8	1.1	67.3	41.5
West Africa	30.8	22.8	3.0	2.5	0.7	0.4	1.1	0.5	35.6	26.3
North Africa	40.9	15.4	1.7	1.0	0.5	0.3	0.8	0.3	43.9	17.0
South Africa	44.2	34.0	24.3	15.5	3.5	2.3	1.5	0.7	73.6	52.6
Other Africa	40.5	39.0	27.3	17.3	1.6	1.0	2.3	2.5	71.8	59.9
U.S.A.	115.4	73.9	31.9	24.2	97.0	37.8	26.6	12.2	270.9	148.1
Canada	26.4	18.1	14.7	7.3	15.3	5.5	7.7	1.3	64.0	32.2
Other America	16.9	8.3	5.3	3.5	9.5	4.2	2.5	0.7	34.2	16.7
Japan	14.5	8.1	2.6	1.4	23.6	7.4	5.1	1.4	45.7	18.2
India	32.9	28.1	9.6	13.1	13.5	7.7	4.5	2.3	60.5	51.2
Middle East	26.6	11.2	5.2	5.5	5.0	2.9	1.2	0.5	38.0	20.0
China	25.8	10.6	2.2	2.4	12.2	5.6	3.1	2.1	43.2	20.7
Other Asia	22.9	14.7	7.2	6.0	10.1	4.6	1.5	1.1	41.7	26.4
Australia & New Zealand	20.7	14.0	20.0	20.9	13.5	6.3	2.6	1.1	56.9	42.3
All Other Countries	89.5	70.8	42.7	21.3	6.8	2.7	13.5	2.2	152.5	97.1
TOTAL	**1,331.1**	**940.7**	**3,921.6**	**1,761.8**	**871.5**	**330.7**	**815.2**	**665.9**	**6,939.4**	**3,699.0**
PERCENTAGE SHARE	**19.2**	**25.4**	**56.5**	**47.6**	**12.6**	**8.9**	**11.7**	**18.0**	**100.0**	**100.0**

* Provisional

[1] Excludes Coastal Hinterland

[2] Persons staying one month or more in one hotel-includes some block bookings for air crew

13.15. Game lodges occupancy is as shown in Table 13.8. Occupancy by East African residents dropped by 6.8 per cent to stand at 82.7 thousand in 2008. This dismal performance was consistent with the decrease in number of visitors to Game parks and reserves in 2008. Bed-nights occupancy by foreign residents dropped by 68.3 per cent from 782.8 thousand in 2007 to 248.0 thousand in 2008. However, the share of foreign residents opting for full catering services improved from 83.8 per cent in 2007 to 85.2 per cent in 2008.

Table 13.8: Game Lodges[1] Occupancy, 2006 – 2008

'000

	Bed-Nights Occupied					
	Foreign Residents			East African Residents		
	2006	2007	2008*	2006	2007	2008*
Game Reserves	427.9	512.9	145.0	16.6	36.8	30.3
National Parks	242.9	269.9	103.0	38.4	51.9	52.3
TOTAL	**670.8**	**782.8**	**248.0**	**55.0**	**88.7**	**82.7**
Of which full :						
Catering ..	559.5	656.3	211.4	41.4	72.0	71.9
Self Service	111.3	126.4	36.6	13.6	16.7	10.8

* Provisional

[1] Lodges in National Parks and Game Reserves

Game Parks and Reserves

13.16. In an effort to attract more visitors and encourage recovery in the tourism sector, the Kenya Wildlife Service (KWS) initiated a number of developments in 2008. These included airstrip upgrade programmes aimed at easing access to wildlife viewing areas amongst others. The 1.2 kilometer airstrip at Lake Nakuru National Park was upgraded from murram to tarmac status as well as the Mulika and Kinna airstrips in Meru National Park. The airstrips will enhance direct flights between Maasai Mara, Amboseli, Samburu and the Coastal region. Plans are also underway for the construction of two more airstrips in Ruma and Mt. Elgon national parks to open up the Western Tourist Circuit covering Lake Victoria basin and gulf in Kenya. Other attractions in Western Kenya include the source of River Nile, Kakamega Forest, Kisumu Impala Sanctuary and Saiwa Swamp National Park among others. In November 2008, the Government pledged to brand Kogelo village in Western Kenya as a tourist destination.

13.17. The number of visitors to the country's game parks and reserves dropped from 2,495.1 thousand in 2007 to 1,633.9 thousand in 2008 as shown in Table 13.9. This decline is in tandem with the trend observed for international arrivals during 2008. However, increases in the number of visitors were recorded in Nairobi Mini Orphanage, Meru National Park, Impala Sanctuary (Kisumu), and Mt. Longonot that went up by 7.4, 24.2, 10.5 and 12.6 per cent, respectively. Adult citizens were the majority in these attractions accounting for 30.2 per cent of all visitors compared to 22.5 per cent in 2007 as seen from Figure 13.5.

Table 13.9: Number of Visitors to Game Parks and Reserves, 2004-2008

'000

Park/Reserve	2004	2005	2006	2007	2008*
Nairobi	92.5	99.9	101.8	93.0	91.8
Nairobi Safari Walk	88.0	127.5	170.8	205.8	202.1
Nairobi Mini Orphanage	239.4	257.8	227.9	264.8	284.5
Amboseli	101.6	126.2	153.2	156.4	84.7
Tsavo (West)	92.7	105.7	130.9	134.8	71.2
Tsavo (East)	158.5	180.1	223.3	237.1	110.9
Aberdare	44.0	48.3	54.5	50.4	26.2
Lake Nakuru	257.0	344.6	327.0	346.8	137.7
Maasai Mara	240.0	285.2	316.5	312	59.6
Haller's Park	101.2	100.8	128.4	140.9	135.2
Malindi Marine	27.5	32.8	38.3	40.3	29.7
Lake Bogoria	64.7	65.7	68.7	64.9	50.8
Meru	6.4	8.9	12.6	12.8	15.9
Shimba Hills	18.7	17.3	23.7	22.5	13.5
Mount Kenya	27.7	39.5	43.8	39.6	21.7
Samburu	6.2	7.3	8.2	24.9	17.1
Kisite/Mpunguti	51.7	59.2	66.4	59.7	28.1
Mombasa Marine	32.3	36.2	33.2	39.2	26.6
Watamu Marine	28.4	32.4	40.8	32.2	17.4
Hell's Gate	38.9	35.6	61.7	91.2	80.0
Impala Sanctuary(Kisumu)	63.3	87.9	84.3	72.2	79.8
Mt. Longonot	9.5	11.5	22.6	24.7	27.8
Other[1]	30.3	22.5	25.2	29.0	21.5
TOTAL	**1,820.2**	**2,132.9**	**2,363.7**	**2,495.1**	**1,633.9**

* Provisional

[1] Includes Arabuko Sokoke, Ol-Donyo Sabuk, Marsabit, Saiwa swamp, Sibiloi, Chyulu, Ruma National Park, Mwea National Reserve, Central lsland National Park, Kiunga, Mt.Elgon, Nasolot, Ndere, and Kakamega.

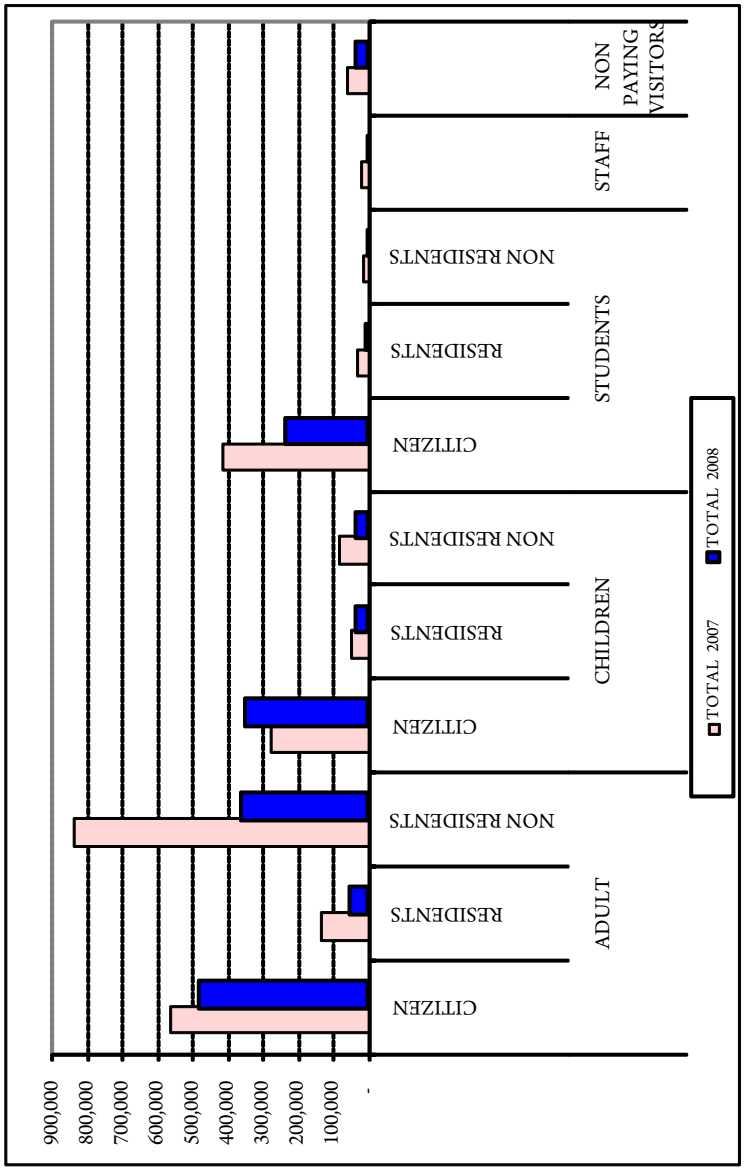


Figure 13.5: Visitors to Game Parks and Reserves, 2007-2008

Museums

13.18. The rehabilitation of the National Museum of Kenya (NMK) has brought about diversification of services which helped attract visitors to the facility in 2008. The Nairobi Snake Park was closed for expansion and renovation in June 2008 and is expected to transform the facility to a modern reptile park. The Sacred Mijikenda Kayas were placed on the United Nations Education Social and Cultural Organisation (UNESCO) World Heritage List in July 2008 and is expected to attract visitors to the sites.

13.19. As shown in Figure 13.6, the first quarter 2008 registered the lowest number of visitors to the museums due to the post election crisis. This adversely affected revenue collection by the various museums, sites and monuments across the country. More people visited the museums from the months of June to October 2008, which may be attributed to institutional trips and the Agricultural Society of Kenya (ASK) shows. Table 13.10 shows that the number of visitors to museums, snake park and sites decreased by 17.6 per cent in 2008.

Figure 13.6: Monthly Number of Visitors to the Museums, 2008

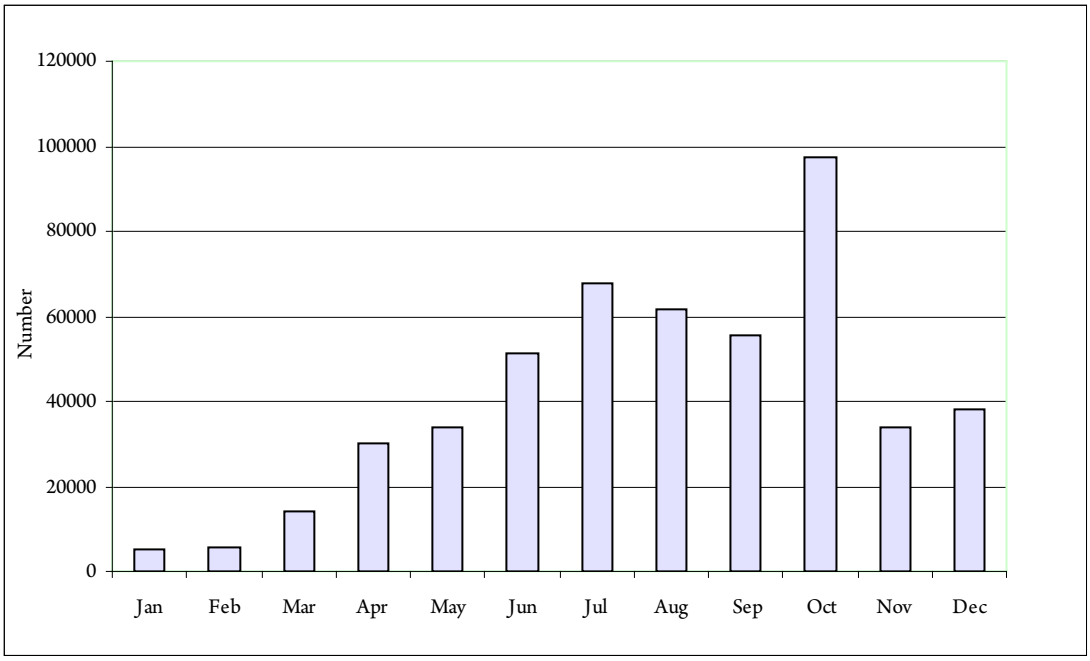


Table 13.10: Number of Visitors to Museums, Snake Park and sites, 2004-2008

'000

Name of Museum	2004	2005	2006	2007	2008*
National Museum:(Main Gate)	223.9	242.4	..	..	164.1
National Museum:(Snake Park)	97.9	105.1	127.1	145.8	12.9
Fort Jesus	126.2	127.5	147.3	145.3	115.5
Kisumu Museum	78.1	79.2	83.0	90.0	75.3
Kitale Museum	40.9	42.4	36.9	36.2	23.5
Gedi	31.3	33.5	35.5	38.7	31.0
Meru Museum	17	18.9	16.6	18.2	14.3
Lamu	4.6	5.8	4.5	4.6	3.3
Jumba la Mtwana	6	7	4.9	7.1	7.0
Olorgessaile	1.1	1.2	1.3	1.7	1.5
Kariandusi	5.7	6.2	7.6	10.9	7.9
Hyrax Hill	5.8	6.6	5.9	7.5	5.0
Karen Blixen	47.4	59.1	55.9	56.2	13.5
Malindi Museum	...	14.2	19.7	24.1	9.9
Kilifi Mnarani	0.9	1	0.7	0.5	0.8
Kabarnet	3.2	3.7	2.7	2.2	1.5
Kapenguria	5	6.6	3.9	4.4	3.8
Pete Sites	1	1.3	0.0	0.0	0.1
Swahili House	0.6	0.8	4.1	0.7	0.4
Narok Museum	0.4	0.4	0.5	2.3	0.5
German Post	0.1	0.1	0.1	0.2	0.1
Lamu Fort	0.9	0.9	..	..	..
Takwa Ruins	1.3	1.3	1.6	1.8	1.3
TOTAL	**699**	**765.2**	**560.0**	**598.6**	**493.2**

* Provisional

.. not available/closed

Conference Tourism

13.20. During the year under review, there was a considerable decline in the number of local and international conferences. This was largely due to cancellation and postponement of booked conferences as a result of post election violence that took place at the beginning of 2008. Despite the negative events in January 2008, the Government and the private sector assured the international market that Kenya was a safe destination. This was done through increased participation in international trade fairs and association meetings, promotional campaigns in international meetings and industry publications. The number of local and international conferences declined by 16.7 per cent and 19.2 per cent, respectively, in 2008. The number of international delegates and local delegates decreased by 77.0 per cent and 63.5 per cent, respectively, during the review period.

Table 13.11: Reported Conferences, 2006-2008

Number

	2006		2007		2008*	
	Local	International	Local	International	Local	International
No.of conferences	2,120	209	2,528	234	2,107	232
No.of delegates	285,991	45,063	372,569	52,318	135,833	12,024
No.of delegate days	690,969	175,345	776,729	227,633	5,807	871
No.of delegate days available	4,073,631	4,073,631	4,204,395	4,204,395	5,145,153	5,145,153
Percentage Occupancy	17.0	4.3	18.5	5.4	0.1	0.0

*Provisional

Training

13.21. The Kenya Utalii College (KUC) is in the process of upgrading its courses with a view to offering degree programmes in collaboration with the University of Nairobi. Progress is also being made with regard to establishment of KUC Coast Branch. The KUC's programmes are in high demand both locally and internationally. As a World Tourism Organisation (WTO) and East African Community (EAC) centre of Excellence, a proportion (up to 15.0 per cent) of the college's annual intake is reserved for students from other countries. The college introduced additional refresher courses to cater for challenges and opportunities that manifest in the hotel and tourism industry.

13.22. As shown in Table 13.12, the number of graduates from KUC declined by 36.1 per cent from 3,523 in 2007 to 2,250 in 2008. All the categories of training registered declines in 2008 except for the Service Advance Professional Courses which had an increase of 5 graduates. The decrease in number of graduates may be attributed to students' preference for the degree programmes instead of the other existing courses.

Table 13.12: Kenya Utalii College Graduates, 2004-2008

Year	Pioneer course[2]	In-Service	MDP[1]	Professional Courses			Grand Total
				Ordinary	Service Advance	Sub-Total	
2004	570	1,108	183	341	9	350	2,028
2005	660	1,455	235	298	13	311	2,426
2006	770	1,611	276	311	18	329	2,710
2007	1,296	1,808	236	384	35	419	3,523
2008*	720	1,119	166	371	40	411	2,250

Source: Kenya Utalii College

* Provisional

[1]MDP Management Development Programmes

[2]Pioneer is 3 month course

Chapter 14
Transport, Storage and Communication

Over view

The transport, storage and communication sector has been recording improved performance over time. However, in 2008, the sector recorded a slowed growth of 11.6 per cent down from 14.9 per cent in 2007. This could be attributed to the aftermath of the post election violence and weakening of the Kenya shilling against the hard currencies among other factors. The sector witnessed increased fuel pump prices occasioned by high international oil prices.

14.2. Newly registered road motor vehicles recorded an unprecedented increase of 42.8 per cent during the year under review. The increase was mainly driven by a high registration of motor and auto cycles during the period. Reported traffic accidents decreased by 11.1 per cent from 10,225 in 2007 to 9,093 in 2008. The Railway transport sub-sector performance continued with a downward trend, partly due to poor rail infrastructure and network disruptions in the first quarter of 2008 resulting from post election violence.

14.3. Traffic handled at the Port of Mombasa increased slightly during 2008 to reach 16.4 million metric tonnes from 16.0 million metric tonnes in 2007. Much of the traffic handled was for imports which accounted for slightly over 80 per cent. Passenger traffic at the main airports declined by 9.4 per cent from 7,039.1 million in 2007 to 6,376.0 million in 2008.

14.4. The telecommunications industry witnessed an increase in foreign direct investment as a result of the privatization of the fixed line operator – Telkom Kenya. A consortium led by France Telkom bought 55 per cent of the Government stake in Telkom Kenya at $ 55 million. In the year under review, competition in the market also intensified due to increased rollout of services by *Orange Mobile* and the launching of mobile communication services by Econet Kenya Limited. The Communications Commission of Kenya (CCK) assigned frequencies and numbering resources to Telkom Kenya and Econet Wireless for deployment of Global System of Mobile (GSM) Communication. Safaricom limited was also assigned a spectrum for 3G commercial services which was initially rolled out in Nairobi and Mombasa. The expansion of existing networks also bolstered competition in the telecommunication industry. This led to intensified promotional offers that resulted in lower call charges and accessibility of mobile telephony services.

Value of Output

14.5. Table 14.1 presents details of the output values for the various transport and communication sub-sectors. During 2008, the transport and communication sector posted an output value of KSh 524.6 billion compared to KSh 470.1 billion in 2007. This represents a slowed growth of 11.6 per cent in 2008 compared to 14.9 per cent in

2007. Output from road transport sub-sector remained dominant, contributing 52.2 per cent of the total output value. Jointly, the road transport and communication sub-sectors contributed more than two-thirds of the value of total output from the sector in 2008.

Table 14.1: Transport and Communications - Value of Output, 2004-2008

KSh Million

	2004	2005	2006	2007	2008*
Road Transport	143,267	159,321	205,302	233,292	273,694
Railway Transport	4,674	4,600	4,553	4,411	4,323
Water Transport	13,187	17,204	21,408	23,233	23,248
Air Transport	46,512	59,670	71,301	80,296	79,632
Services Incidental to Transport	17,947	20,480	29,193	33,988	39,195
Pipeline Transport	7,386	8,270	8,846	8,736	8,407
Communications	55,691	62,687	68,702	86,172	96,149
Total	**288,664**	**332,231**	**409,305**	**470,128**	**524,648**

* Provisional.

Road Transport

Roads

14.6. Data on funds disbursed for the roads maintenance in the country are presented in Table 14.2. During 2008/09 financial year, the Roads Maintenance Levy Fund collected KSh 21.3 billion compared to KSh 18.3 billion in 2007/08 financial year.

Table 14.2: Roads Maintenance Funds, 2004/05 - 2008/09

KSh million

	2004/05	2005/06	2006/07	2007/08	2008/09*
Fuel Levy	8,980	9,978	14,814	17,999	20,796
Transit Toll	229	289	327	270	475
Total	**9,219**	**10,267**	**15,141**	**18,269**	**21,271**

Source: Kenya Roads Board

14.7. As shown in Table 14.3, growth of total earnings from road transport sub-sector expanded by 3.1 per cent in 2008 from 9.7 per cent in 2007. The growth in earnings from the road transport sub-sector was however constrained by high fuel prices and reduced economic activities witnessed during the year. Earnings from the road passenger transport industry contributed 55 per cent of the total earnings realized in the road transport industry during 2008.

Table 14.3: Earnings from Road Traffic, 2004 - 2008

KSh million

	2004	2005	2006	2007	2008*
Passenger Traffic	90,654	100,296	111,248	121,861	125,465
Freight Traffic	52,613	59,025	90,424	99,364	102,654
Total Road Traffic Earnings	**143,267**	**159,321**	**201,672**	**221,225**	**228,119**

* Provisional.

New Registration of Motor Vehicles

14.8. As shown in Table 14.4, the total number of newly registered motor vehicles in the country has increased over the years. In 2008, the total number of units registered increased by 42.8 per cent to 121, 831 units from 85,324 units registered in 2007. This is largely as a result of increased registration of motor and auto cycles which more than tripled in 2008 and accounted for 42.2 per cent of the total registered units. In the recent past, the demand for services of this category especially in urban centres where they are used for passenger transport and office errands has increased. Registration of buses and coaches; trailers and three wheelers declined over the same period, while saloon cars, station wagons, lorries/trucks and wheeled tractors increased slightly.

Table 14.4: New Registration of Road Motor Vehicles, 2004 - 2008

Number

Type of Vehicle	2004	2005	2006	2007	2008*
Saloon Cars	12,628	14,216	14,829	17,893	18,686
Station Wagons	8,863	10,158	12,631	24,115	24,747
Panel Vans, Pick-ups, etc	7,042	6,308	6,721	9,470	8,983
Lorries/Trucks	2,461	3,113	3,610	6,329	6,691
Buses and Coaches	872	885	856	2,006	1,243
Mini Buses/Matatu	4,405	4,076	3,714	4,252	5,206
Trailers	1,112	1,351	1,706	2,193	2,100
Wheeled Tractors	829	856	920	1,213	1,262
Motor and Auto Cycles	4,136	3,759	6,250	16,293	51,412
Three Wheelers	134	735	1,075	1,072	704
Other vehicles	152	195	505	488	797
Total Units Registered	**42,482**	**45,653**	**52,817**	**85,324**	**121,831**

Source: Kenya Revenue Authority

* Provisional.

Road Licenses

14.9. The number of various categories of Transport Licensing Board (TLB) and driving licenses issued are presented in Table 14.5. The number of driving licenses issued increased from 185,183 in 2007 to 200,869 in 2008 on account of increase in original driving licenses issued, which rose by 11.6 per cent in 2008 to stand at 165,705. Duplicate and foreign driving licenses issued in the same period decreased by 4.0 per cent and 8.5 per cent, respectively.

Table 14.5: Road Transport Licenses Issued, 2004 - 2008

Number

	2004	2005	2006	2007	2008*
TLB Licenses					
PSV Matatus.	29,275	33,352	37,065	41,219	55,042
PSV Buses and Tourist Vehicles.	5,818	6,703	7,559	8,545	10,219
Freight Transport Vehicles.	20,158	23,271	26,881	30,128	33,407
Total	**55,251**	**63,326**	**71,505**	**79,892**	**98,668**
Driving Licenses					
Original	91,145	106,060	126,555	148,485	165,705
Duplicate..	35,967	32,998	35,267	34,960	33,573
Foreign.....	1,623	1,949	1,618	1,738	1,591
Total.	**128,735**	**141,007**	**163,440**	**185,183**	**200,869**

Source: Kenya Revenue Authority

* Provisional

Road Traffic Accidents

14.10 Table 14.6 presents a summary of road traffic statistics recorded in the country. The total number of reported traffic accidents dropped by 1,132 cases from 10,225 reported in 2007 to 9,093 in 2008. The total number of persons injured or killed through road traffic accidents declined by 8.9 per cent from 23,515 in 2007 to 21,420 in 2008. The decrease is partly attributed to improved conditions of major roads countrywide such as the ongoing re-carpeting of Mombasa-Nairobi and Nairobi-Kisumu highways.

Table 14.6: Road Traffic Accidents, 2004 - 2008

Number

	2004	2005	2006	2007	2008*
Total Number of reported Traffic Accidents	10,717	12,399	12,201	10,225	9,093
Persons Killed or Injured					
Killed	2,264	2,531	2,715	2,530	2,463
Seriously Injured	6,751	7,899	8,722	10,658	9,481
Slightly Injured	11,858	12,341	11,828	10,327	9,476
Total	**20,873**	**22,771**	**23,265**	**23,515**	**21,420**

Source: Kenya Police

* Provisional.

Railway Transport

14.11 Traffic performance for the railway transport in the country is presented in Table 14.7. Freight tonnage transported decreased by 23.4 per cent from 2.3 million in 2007 to 1.8 million in 2008. Revenue earned from cargo transportation dropped by 4.1 per cent to KSh 4.3 billion in 2008 compared to KSh 4.4 billion earned in 2007. Similarly, earnings from passenger transportation service stream dropped substantially by 48.5 per cent. The poor performance of the railway transport sub-sector could be attributed to poor rail infrastructure, preference of major transporters to use roads for transportation of goods and, the effects of post elections violence which left some sections off the railway line vandalized.

Table 14.7: Railway Traffic, 2004 - 2008

	Unit	2004	2005	2006	2007	2008*
Freight:						
Tonnes	000	1,890	2,000	1,891	2,304	1,766
Tonne-km	Mn	1,454	1,358	1,313	5,606	1,399
Revenue	KSh. Mn.	3,888	4,010	4,177	4,448	4,266
Revenue per tonne-Km.	Cents	267	295	318	79	305
Passenger:						
Journeys	000	5,657	4,796	4,348	4,500	4,968
Passenger-Km	Mn	279	489	369	148	250
Revenue	KSh. Mn.	245	233	160	103	53
Revenue per passenger-Km.	Cents	87	48	43	70	21

Source: Kenya Railways Corporation

Water Transport

14.12. The volume of traffic throughput handled at the port of Mombasa in 2008 was 16,415 thousand tonnes compared to 15,962 thousand tonnes in 2007, a 2.8 per cent increase as detailed in Table 14.8. Total imports recorded an increase of 1.9 per cent from 13,062 thousand tonnes in 2007 to 13,311 thousand tonnes in 2008. The total number of motor vehicle units landed at the Port of Mombasa grew by 18.2 per cent to 87,284 in 2008 from 73,818 in 2007. Imported cargo accounted for 81.1 per cent of the total cargo traffic handled during the year under review. Most of the imported cargo volume comprised of dry general and bulk liquids. Total exports rose by 8.5 per cent to 2,685 thousand tonnes in 2008. This performance was attributed to increased exports of coffee, sorghum, soda ash, flouspar and bulk oils.

14.13. Container traffic posted an increase of 5.2 per cent from 585,367 twenty foot equivalent units (TEUs) handled in 2007 to 615,733 TEUs in 2008. Transit traffic expanded by 10.6 per cent, rising to 4,471 thousand tonnes in 2008 from 4,042 thousand tonnes in 2007. Transhipment traffic realized 419 thousand tonnes during the period under review compared to 426 thousand tonnes recorded in the corresponding period of 2007, registering a slight decline of 1.6 per cent. This was mainly due to the suspension of transhipment traffic at the port of Dar es Salaam.

Table 14.8: Traffic handled at Mombasa Port, 2004 – 2008

	Unit	2002	2004	2005	2006	2007	2008*
Containers Traffic	TEUs	305,427	438,597	436,671	479,355	585,367	615,733
Ships Docking	No.	1,720	1,779	1,731	1,857	1,811	1,686
Imports	000' DWT						
Dry General	"	2,820	3,834	3,654	4,099	4,866	4,979
Dry Bulk	"	1,098	1,588	2,128	2,344	2,722	2,891
Bulk Liquids	"	3,926	4,595	4,918	5,403	5,474	5,441
Total Imports	"	**7,844**	**10,017**	**10,700**	**11,839**	**13,062**	**13,311**
Of which Transit In	"	*1,875*	*2,590*	*3,202*	*3,473*	4,042	4,471
Motor Vehicles landed	No.	43,093	54,854	67,102	65,348	73,818	87,284
Exports	000' DWT						
Dry General	"	1,707	1,867	1,819	1,810	2,102	2,295
Dry Bulk	"	464	381	286	313	205	200
Bulk Liquids	"	209	246	173	132	167	190
Total Exports	"	**2,380**	**2,494**	**2,278**	**2,244**	**2,474**	**2,685**
Of which Transit Out	"	340	300	334	335	381	404
Total Imports and Exports	"	**10,224**	**12,511**	**12,978**	**14,083**	**15,536**	**15,996**
Transhipment	"	340	409	426	318	426	419
Grand Total	"	**10,564**	**12,920**	**13,281**	**14,402**	**15,962**	**16,415**

Source: Kenya Ports Authority
* Provisional.
DWT - Deadweight Tonnes

Pipeline Transport

14.14. Details of the pipeline throughput of white petroleum products by Kenya Pipeline Company (KPC) are presented in Table 14.9. Overall, throughput volume declined by 2.9 per cent to stand at 3,848.6 thousand cubic metres in 2008 compared to 3,962.5 thousand cubic metres in 2007. Fuel transported for domestic consumption fell by 7.0 per cent, from 2,830.9 thousand cubic metres in 2007 to 2,633.6 thousand cubic metres in 2008. Exports of white petroleum products increased to 1,215 thousand cubic metres over the review period from 1,131.6 thousand in 2007, representing a growth of 7.4 per cent.

14.15. The pumping capacity constraints remain a challenge for the Kenya Pipeline Company. In order to address this challenge, KPC continues to undertake various pipeline capacity enhancement projects such as western Kenya pipeline extension to increase flow rate and expansion of Kipevu oil storage facility (KOSF), among others.

Table 14.9: Pipeline Throughput of White Petroleum Products, 2004 – 2008

'000 Cu. Metres

	2004	2005	2006	2007	2008*
Exports					
Motor Spirit (Premium)..	327.1	362.3	424.2	381.8	417.1
Kerosene Illuminating Oil..	98.5	106.5	112.8	116	110
Light Diesel Oil..	416.7	509.6	555.7	488.9	534.7
Jet Fuel..	60.4	116.7	143.9	144.9	153.2
Sub-Total	**902.7**	**1095.2**	**1,236.6**	**1,131.6**	**1,215.0**
Domestic Consumption**					
Motor Spirit (Premium)..	387.9	386.3	375.1	487.3	456.5
Motor Spirit (Regular)..	102.9	86.6	71.4	66.4	66.0
Kerosene Illuminating Oil..	300.1	269.7	245.1	247.1	218.8
Light Diesel Oil..	883.4	957.2	1,164.5	1,220.2	1,178.6
Jet Fuel..	745.1	732.7	733.4	809.9	713.7
Sub-Total	**2,419.5**	2,432.5	2,589.5	2,830.9	2,633.6
Grand Total	**3,322.1**	**3,527.7**	**3,826.2**	**3,962.5**	**3,848.6**

Source: Kenya Pipeline Company

* Provisional.

** Figures do not include volume carried by Kenya Railways and consumption in the coastal area

Air Transport

14.16. **Passenger Traffic:** Table 14.10 presents commercial traffic handled at main airports. Commercial passenger traffic dropped by 9.4 per cent from 7,039.1 thousand passengers in 2007 to 6,376.0 thousand in 2008 notably due to the effects of post election crisis which adversely affected tourist demand and therefore air transport sector. The airlines business was further strained by high fuel prices and the global economic melt-down.

14.17. **Cargo and Mail Traffic:** Over the four years, total cargo traffic has continued to show considerable increase as indicated in Table 14.10. In 2008, total cargo traffic amounted to 320.2 million tonnes compared to 306.3 million tonnes in 2007, reflecting a growth of 4.5 per cent. Whereas mail traffic in Jomo Kenyatta International Airport (JKIA) increased by 29.9 per cent in 2008, dropped by 31.1 per cent in Moi International Airport (MIA) over the same period.

Table 14.10: Commercial Traffic at Main Airports, 2004 - 2008

'000

			2004	2005	2006	2007	2008*
Passengers	JKIA	Arrivals	1,927.2	2,144.2	2,244.2	2,471.6	2,390.2
(No)	**Nairobi**	Departures	1,934.7	1,193.8	1,262.2	1,438.9	1378.4
		In Transit	137.8	901.0	942.6	951.2	982.6
		Sub-Total	3,999.7	4,239.0	4,449.0	4,861.7	4,751.2
	MIA	Arrivals	465.8	501	558.7	620.9	401.6
	Mombasa	Departures	466.6	511.2	568.8	633.4	404.3
		In Transit	43.2	53.5	76.9	91.5	80.8
		Sub-Total	975.6	1065.7	1,204.4	1,345.8	886.8
		Arrivals	232	302.8	337.6	397.6	349.0
	Other Airports	Departures	229.8	287.5	311.4	399.3	349.6
		In Transit	13.1	9.5	21.6	34.7	39.4
		Sub-Total	474.9	599.8	670.6	831.6	738.0
	Total Passenger Traffic		**5,450.2**	**5,904.5**	**6,324.0**	**7,039.1**	**6,376.0**
Cargo	JKIA	Landed	52,783.3	42,168.5	54,223.2	59,496.1	59,218.6
(Tonnes)	**Nairobi**	Loaded	130,327.6	160,410.1	186,897.6	216,286.8	240,091.6
		Sub-Total	183,110.9	202,578.6	241,120.8	275,782.9	299,310.2
	MIA	Landed	1,624.6	1,510.0	1,552.2	1,393.9	1,047.0
	Mombasa	Loaded	4,909.7	6,479.2	7,924.8	7,832.1	5,065.3
		Sub-Total	6,534.3	7,989.2	9,477.0	9,226.0	6,112.3
	Other Airports	Landed	5,092.1	8,961.8	10,112.6	12,247.3	9,079.8
		Loaded	46,614.2	52,846.9	17,746.0	9,005.5	5,837.9
		Sub-Total	51,706.3	61,808.7	27,858.6	21,252.8	14,917.7
	Total Cargo Traffic		**241,351.5**	**272,376.5**	**278,456.4**	**306,261.7**	**320,340.2**
Mail	JKIA	Landed	260.6	834.4	1005.2	629.0	907.8
(Tonnes)	**Nairobi**	Loaded	97.9	425	367.6	469.4	519.0
		Sub-Total	358.5	1259.4	1,372.8	1,098.4	1,426.8
	MIA	Landed	138.6	75.6	58.3	28.9	23.2
	Mombasa	Loaded	112	110.3	62.1	41.3	25.2
		Sub-Total	250.6	185.9	120.4	70.2	48.4
	Other Airports	Landed	7.3	-	.	-	-
		Loaded	0.5	-	.	-	-
		Sub-Total	7.8	-	.	-	-
	Total Mail Traffic		**616.9**	**1445.3**	**1,493.2**	**1,168.6**	**1,475.2**

Source: Kenya Airports Authority

* Provisional

Communications

14.18. **Postal Services:** The number of post offices declined from 719 in 2007, to 707 in 2008 as presented in Table 14.11. Inspite of this decline, the Postal Corporation of Kenya (PCK) recorded an increase in revenue which could be attributed to the tariff increase for various categories of postal services, service diversification and improved management of postal services.

Table 14.11: Postal Services, 2004 - 2008

Item	Unit	2004	2005	2006	2007	2008*
Post Offices..	No.	865	834	761	719	707
Private Courier Operator Outlets.. ..	No.	341	437	521	554	606
Licensed Courier Operators..	No.	74	90	105	134	148
Total Private Letter Boxes:						
Installed	'000	396	400	410	412	414
Rented..	'000	301	306	323	338	339
Private Bags Rented..	No.	852	913	909	843	892
Total EMS Items Handled:	**'000**	**707**	**554**	**628**	**826**	**1345**
Accepted	'000	301	240	325	446	803
Delivered	'000	406	314	303	380	542
Total Registered and Insured Items Posted:	**'000**	**3,586**	**3,126**	**1,680**	**1,679**	**1736**
Domestic	'000	2,042	1,791	1,569	1,583	1646
International	'000	1,544	1,335	111	96	90
Unregistered correspondence handled :	**Millions**	**118**	**94**	**84**	**92**	**96**
Domestic	Millions	95	75	69	79	85
International	Millions	23	19	15	13	11
Parcels handled :	**'000**	**166**	**149**	**162**	**150**	**136**
Domestic	'000	104	79	78	72	61
International	'000	62	70	84	78	75
Money Orders Issued:	**'000**	**1,676**	**1,518**	**2323**	**2,261**	**1733**
Ordinary	'000	806	608	937	563	439
Express	'000	867	908	1384	582	172
EFT/PostaPay	'000	-	-	-	1,003	1121
Interstate (E.A.)	'000	3	2	2	13	1
Postal Orders Issued:	**'000**	7	2	0.5	0.27	0.13

*Provisional.

14.19. The number of installed private letter boxes increased from 412 thousand in 2007 to 414 thousand in 2008, while those of private rented bags increased by 49 during the same period. The total EMS items handled registered an enormous growth of 62.8 per cent in 2008, on account of Accepted and Delivered items which increased by 357 thousand and 162 thousand, respectively.

14.20. The total registered and insured domestic items posted grew by 4.0 per cent from 1,583 thousand in 2007 to 1,646 thousand in 2008. However, the total registered and insured international items posted declined by 6.3 per cent to 90 thousand in 2008. The domestic and international parcels handled by PCK declined for the second year running. The total parcels handled in 2008 were 136 thousand compared to 150 thousand handled in 2007, representing a 9.3 per cent decline. This could be partly attributed to the increase in private and licensed courier operators which encouraged competition in the market. The volume of unregistered international correspondence has been on the decline recording a further drop of 15.4 per cent from 13 million in 2007 to 11 million in 2008. This development could be due to the impact of electronic substitution in the services.

14.21. Money orders issued posted a negative growth of 23.4 per cent in 2008. The number of Ordinary and Express money orders issued declined by 22.0 per cent and 70.4 per cent, respectively. The newly introduced Posta Pay Service used for sending and receiving money was the most commonly used by PCK customers thereby registering an 11.8 per cent growth in 2008. The decline in the money orders issued could be partly attributed to competition arising from use of alternative money transfer services.

Telecommunications

14.22. The telecommunications subsector continued to experience tremendous subscriber growth fuelled by heavy investment in the mobile telephone sub-sector and the introduction of new Global System Mobile Communication mobile networks as presented in Table 14.12. The capacity for the fixed lines, Code Division Multiple Access (CDMA) and other wireless increased significantly in 2008 due to expansion of the network coverage by the service providers in the country. Mobile telephone capacity also increased to 26.0 million in 2008, up from 18.2 million in 2007. The number of subscriber connections increased from 9.3 million in 2007 to 12.9 million in 2008; an increase of 38.7 per cent. The increase in the mobile capacity resulted in an increase in the tele-accessibility from 35.0 per cent in 2007 to 36.4 per cent in 2008.

Fixed Line and Wireless Telephones

14.23. The Fixed Wireless Service continued to boost the fixed telephone network with a total capacity of 612 thousand in 2008 up from 505 thousand in 2007; with fixed wireless services contributing about 60 per cent of the total fixed telephone capacity. Fixed and wireless line connections increased by 55.5 per cent from 339 thousand in 2007 to 527 thousand in 2008. The available mobile telephone capacity increased from 18.2 million in 2007 to 26.0 million in 2008; a remarkable increase of 42.9 per cent.

14.24. The Government embarked on the implementation of the national broadband backbone network. Construction of The East African Marine System (TEAMS) commenced during the year, which will link the port of Mombasa to Fujairah in United Arab Emirates (UAE). This UAE-Kenya Submarine Cable System is expected to bring closer the prospect of cheaper and high speed internet communication in the country and within the region. It will ensure affordability and improved international connectivity between Kenya and the rest of the world. The national transmission infrastructure in the country is also being bolstered through the construction of a fiber optic link connecting all the district headquarters in the country.

Mobile Telephony

14.25. In the mobile telephony sub-sector, two mobile operators namely Telkom Orange and Econet made entry into the market in September and November 2008 respectively. As a result, the market experienced unprecedented competition with consumers enjoying an array of innovative and attractive services from the different operators. Some of the promotional offers provided tariffs as low as KSh 1.00 for on net calls, KSh 6.00 for off net calls and KSh 1.00 on Short Messaging Service (SMS). This fueled increase in the mobile subscription and penetration in the country.

14.26. Influx of more affordable handsets in the market coupled with low denomination calling cards, as well as lower calling charges by the operators, continued to impact negatively on the number of public and community payphone booths available in the country. As at December 2008, the total number of conventional and community payphones stood at 6 thousand up from 5 thousand in 2007. During the same period, the volume of SMS declined to about 361.9 million in 2008 from 412.5 in 2007; representing a 12.3 per cent volume decline.

Table 14.12: Telecommunications Traffic, 2004 - 2008

	Unit	2004	2005	2006	2007	2008*
Fixed Lines, CDMA, and other Wireless						
Capacity	'000	508.0	517.0	533.0	505.0	612.0
Connections	'000	280.0	287.0	291.0	339.0	527.0
Public Call boxes (Telephone Booths):						
Coin Phones	'000	10.0	8.0	7.0	5.0	6.0
Card/Prepaid Phones	'000	2.0	1.0	1.0	1.0	0.5
Manual calls made	'000	447.0	455.0	-	-	-
Mobile Telephony:**						
Mobile Telephone Capacity	'000	3,935.0	6,800.0	10,600.0	18,200.0	25,965.0
Connections.	'000	2,546.0	4,479.0	6,485.0	9,305.0	12,934.0
Licensed Internet Services Providers (ISPs)	No.	78.0	72.0	51.0	50.0	56.0
Tele - Density %	-	0.9	0.9	0.9	1.4	1.4
Tele-Accessibility %	-	8.8	14.6	19.9	35.0	36.4

* Provisional

**Series revised

Internet Penetration

14.27 Among the telecommunication services, the Internet has been among the least accessible service in the country. The low uptake of this service is attributed to lack of infrastructure and relevant local content. Enhancement of the competition regulatory framework as well as operationalization of the National Fiber Optic cable is expected to boost internet penetration. The Communications Commission of Kenya (CCK) issued 127 licenses to Internet Service Providers (ISPs) out of which 56 were operational compared to 50 in 2007as Detailed in Table 14.12. The estimated cumulative number of internet users increased from 2.9 million in 2007 to about 3.4 million in 2008; representing an increase of 17.2 per cent. There was a steady increase in the demand for internet services in the country. Introduction of broadband services by mobile operators is expected to further support increase internet penetration and use which has remained low in the past.

Information and Mass Media

14.28. **Broadcasting:** In the year under review, there was increased demand for spectrum allocation in the broadcasting sub-sector. CCK assigned a total of 30 FM new frequencies out of 295 applications for FM broadcasting. At the same time, the number of applicants awaiting allocation for TV frequencies increased from 143 in 2007 to 192 in 2008.

Table 14.13: Number of Radio and TV Frequencies Utilised, 2004 - 2008

Number

	Unit	2004	2005	2006	2007	2008*
Frequencies						
TV Frequencies.	No.	77	89	123	127	81
FM Frequencies.	No.	148	244	348	368	268

Source: Communication Commission of Kenya

* Provisional

14.29. The year under review witnessed the launch of the first digital mobile television broadcast network in the country. The CCK assigned a total of nine (9) TV broadcast channels to Digital Video Broadcasting-Handheld (DVB-H) during the period under review. A number of the frequencies assigned were recalled due to non-utilization leading to the decline in both TV and FM frequencies assigned in 2008. This resulted in the total number of frequencies in operation dropping from 127 in 2007 to 81 in 2008. Radio frequencies in use dropped from 368 in 2007 to 268 in 2008. The CCK continued to spearhead the preparatory process for the transition to digital TV broadcasting. It is anticipated that the transition from analogue to digital broadcasting will help in reducing the number of applicants and those on the waiting list due to the spectral efficiency of this technology.

14.30. In order to improve access to ICT services, the CCK implemented 16 school-based ICT centres spread across the eight provinces. In addition, the CCK funded the establishment of four (4) ICT Community access points.

14.31. **Print Media:** The number of morning and weekly newspapers circulated is presented Table 14.14. The readership of the morning newspapers increased in the year under review as reflected by the Circulation of English morning papers which rose by 4.6 per cent in 2008. Circulation of the Swahili morning paper also rose in 2008, whereas there was a notable improvement in the English Weeklies of about 25.8 per cent in 2008. The improved performance in the English Weeklies could have been driven by the release of the Kriegler and Waki reports of inquiry to post election violence, the US elections and also the release of the KCPE results in December 2008.

Table 14.14: Local Daily/Weekly Newspapers in Circulation

'000 Copies

	2004	2005	2006	2007	2008*
Morning Newspapers-					
English	78,309	80,938	89,402	98,479	99,369
Swahili	7,711	6,818	6,603	7,510	7,852
Other Newspapers-					
English Weeklies[1]	1,316	1,282	1,156	9,340	12,601
Swahili Weeklies	-	-	-	902	1,060

* Provisional

[1] New product introduced in 2007

Chapter 15

Governance

Overview

The Government has continued to provide public safety, law and order to facilitate economic development. This is crucial especially after the post election violence that hit some parts of the country in 2008 disrupting some sectors of the economy. Key areas of governance addressed in this chapter include crimes reported to the police; firearms recovered/surrendered; persons reported to have committed offences; cases filed, disposed of and pending in Law Courts; corruption cases reported to Kenya Anti–Corruption Commission (KACC); prison population; number of offenders put on probation, community service orders and rehabilitation; issuance of identity cards, passports and permits, and voters registration.

15.2. The number of crimes reported to the Police increased marginally by 0.7 per cent from a total of 63,028 crimes reported in 2007 to 63,476 in 2008. Overall, the number of persons reported to have committed crimes reduced by 11.6 per cent from 69,484 in 2007 to 61,438 in 2008. At the same time, the number of firearms recovered increased by 60.2 per cent from 447 in 2007 to 716 in 2008. There was a reduction in the number of cases reported to KACC by 45.9 per cent from 6,728 in 2007 to 3,637 in 2008. The number of cases forwarded to the office of the Attorney General (AG) increased marginally from 122 in 2007 to 126 in 2008.

15.3. As reported by the judiciary, total the number of cases filed, disposed of and pending reduced by 15.9, 29.5 and 1.5 per cent, respectively, in 2008. However, there was a tremendous increase of affiliation cases filed, pending before the court and those disposed of, each of which more than tripled in 2008. The number of pending land cases increased by 62.5 per cent while those disposed of rose by 85.4 per cent over the same period. During this period, the number of magistrates increased from 252 in 2007 to 287 in 2008 with the number of resident magistrates increasing by 42.

15.4. The prison population declined by 1.5 per cent from 89,770 in 2007 to 88,414 in 2008. Major declines of 27.1 per cent and 15.9 per cent were witnessed among the youth ages 16-17 and 21-25 years, respectively. On the hand, an increase of 60.3 per cent of prison population of persons aged above 50 years and 14.1 per cent of those under 16 years of age. The number of prisoners committed to safe custody (remand) increased by 94.1 per cent from 36,794 in 2007 to 71,411 in 2008.

15.5. The number of new applicants for identity cards reduced by 61.9 per cent from 1,925,737 in 2007 to 733,103 in 2008. This reduction could be attributed to the large number of people who registered during the election year in 2007. The number of entry permits issued increased by 6.6 per cent from 10,812 in 2007 to 11,530 in 2008. Similarly, the number of passports issued increased marginally from 126,213 in 2007 to 128,345 in 2008.

Public Safety, Law and Order

15.6. Crimes reported to the police give an indication of the offences committed in a country. The number of crimes reported increased marginally from a total of 63,028 crimes reported in 2007 to 63,476 in 2008 as shown in Table 15.1. Stock theft related offences increased by 44.7 per cent, rising from 1,568 in 2007 to 2,269 in 2008. Major reductions in crime reported to the Police were noted in corruption (24.9 per cent), handling dangerous drugs (18.4 per cent) and offences against morality (15.2 per cent).

Table 15.1: Number of Crimes Reported to Police Stations, 2004– 2008

Number

Crimes	2004	2005	2006	2007	2008*
Homicide	2,411	2,313	2,090	1,912	2,037
Offences against morality	3,439	3,153	3,525	3,673	3,116
Other offences against persons	20,247	17,304	18,723	17,831	16,496
Robbery	7,967	6,936	5,234	3,492	3,401
Breakings	9,242	8,454	7,420	6,337	6,626
Theft of stock	2,380	2,219	2,209	1,568	2,269
Stealing	13,119	12,589	10,874	10,749	11,435
Theft by servant	3,217	2,874	2,700	2,169	2,387
Vehicles and other thefts	2,037	1,718	1,660	1,221	1,387
Dangerous drugs	5,761	6,356	5,821	5,401	4,407
Traffic offences	60	38	62	46	120
Criminal damage	3,852	3,236	3,518	2,770	3,760
Economic crimes	1,868	1,390	1,873	1,908	1,898
Corruption	182	107	252	177	133
Offences involving police officers	6	29	76	32	33
Offences involving tourists	40	32	84	10	6
Other penal code offences	8,013	6,652	6,104	3,732	3,994
Sub -Total	**83,841**	**75,400**	**72,225**	**63,028**	**63,476**

Source: Kenya Police Department

* Provisional

15.7. Table 15.2 presents the breakdown of crimes recorded by Police in the Provinces from 2004 to 2008. Crime reduction was reported in Nairobi, Rift valley and Kenya Airports Police Unit (KAPU). KAPU recorded the highest reduction of 56.6 per cent, followed by Nairobi at 27.0 per cent and Rift Valley with 21.0 per cent. The number crimes reported in Railways Police Unit increased by 88.5 per cent compared to the previous year. This was followed by Central (19.1 per cent), Coast (17.8 per cent) and Nyanza (12.7 per cent).

15.8. The Government endeavours to eliminate, through recovery and surrenders of firearms and ammunitions that are in the hands of criminals. Most incidences of criminal activities such as murder, robbery with violence, carjacking, cattle rustling and motor vehicle robberies reported in the country mainly involve use of small arms acquired illegally. Table 15.3 presents data on firearms and ammunitions recovered and/or surrendered to the Government from 2004 to 2008. The data shows that firearms recovered increased by 60.2 per cent from 447 in 2007 to 716 in 2008. The number of recovered and surrendered rifles increased by 28.0 per cent and 61.2 per cent, respectively, in 2008. The number of ammunitions surrendered and those recovered

increased from 204 and 7,084 in 2007 to 1,540 and 8,081 in 2008, respectively.

Table 15.2: Number of Offences Reported to Police by Province, 2004 – 2008

Number

Province	2004	2005	2006	2007	2008*
Nairobi	13,426	12,300	11,302	6,395	4,667
R/Valley	17,478	15,320	14,730	12,590	9,945
Central	13,187	12,237	10,900	10,187	12,130
Eastern	10,921	9,454	9,812	9,615	9,704
Nyanza	9,035	7,913	7,962	7,756	8,739
Coast	10,093	8,629	8,601	8,182	9,639
Western	8,735	8,546	7,600	7,088	7,402
North Eastern	615	605	949	786	849
Railways	294	270	204	148	279
KAPU	57	126	165	281	122
Total	**83,841**	**75,400**	**72,225**	**63,028**	**63,476**

Source: Kenya Police Department

* Provisional

Notes:

i. KAPU stands for Kenya Airports Police Unit

ii. KAPU and Railways are considered as Provinces administratively by the Kenya Police Department

Table 15.3: Firearms and Ammunitions Recovered/Surrendered, 2004 – 2008

Number

Firearms/Ammunition	2004	2005	2006	2007	2008*
Firearms					
Recovered					
Rifles	142	132	516	186	238
Pistols	301	216	619	261	252
Toy pistols	-	-	-	-	226
Total	**443**	**348**	**1,135**	**447**	**716**
Surrendered					
Rifles	31	1,929	39	206	332
Pistols	4	23	-	-	2
Toy pistols	83	-	-	-	-
Total	**118**	**1,952**	**39**	**206**	**334**
Ammunitions					
Recovered	5,316	4,402	3,346	7,084	8,081
Surrendered	1,114	4,687	264	204	1,540
Total	**6,430**	**9,089**	**3,610**	**7,288**	**9,621**
Magazines					
Recovered	26	7	1	-	117

Source: Kenya Police Department

* Provisional

15.9. Table 15.4 presents the number of persons reported, by gender, to have committed crimes in various provinces across the country. Overall, the number of persons reported to have committed crimes reduced by 11.6 per cent from 69,484 in 2007 to 61,438 in 2008. Major reductions were reported in Nairobi (58.1 per cent), Rift Valley (47.0 per cent) and KAPU (21.4 per cent). On the other hand, the Railways Police Unit recorded an increase of 24.4 per cent, followed by Eastern (16.5 per cent) and Central Province (15.0 per cent). Male criminals dominate the number of crimes reported to police,

accounting for over 80 per cent since 2005. During the review period, the share of reported women criminals increased from 13.0 per cent in 2007 to 14.4 per cent.

Table 15.4: Number of Persons Reported to Police to have Committed Offences by Sex[1], 2004 – 2008

Number

Year	Sex	Nairobi	Central	Coast	Eastern	North Eastern	Nyanza	Rift Valley	Western	KAPU	Railways	Total
2004	Male	12,114	9,964	1,215	9,336	635	7,252	14,943	9,737	285	60	65,541
	Female	2,496	1,715	7,808	989	46	1,004	4,771	842	16	9	19,696
	Total	**14,610**	**11,679**	**9,023**	**10,325**	**681**	**8,256**	**19,714**	**10,579**	**301**	**69**	**85,237**
2005	Male	12,497	9,722	8,526	7,518	633	7,398	12,213	7,610	96	305	66,518
	Female	2,831	1,458	1,396	789	55	1,114	4,420	967	29	45	13,104
	Total	**15,328**	**11,180**	**9,922**	**8,307**	**688**	**8,512**	**16,633**	**8,577**	**125**	**350**	**79,622**
2006	Male	10,630	8,352	8,127	7,986	713	4,495	12,118	7,396	125	298	60,240
	Female	2,670	1,354	1,718	898	103	1,298	4,260	2,551	12	59	14,923
	Total	**13,300**	**9,706**	**9,845**	**8,884**	**816**	**5,793**	**16,378**	**9,947**	**137**	**357**	**75,163**
2007	Male	8,155	7,963	8,107	8,244	760	7,345	13,426	5,993	175	253	60,421
	Female	1,713	1,049	1,345	1,278	148	504	1,850	1,150	17	9	9,063
	Total	**9,868**	**9,012**	**9,452**	**9,522**	**908**	**7,849**	**15,276**	**7,143**	**192**	**262**	**69,484**
2008*	Male	3,016	8,930	8,579	9,387	787	8,303	7,068	6,084	142	310	52,606
	Female	1,119	1,436	937	1,706	109	1,195	1,032	1,273	9	16	8,832
	Total	**4,135**	**10,366**	**9,516**	**11,093**	**896**	**9,498**	**8,100**	**7,357**	**151**	**326**	**61,438**

Source: Kenya Police Department

* Provisional

[1] The number of persons committing offences may not necessarily equal to the number of offences committed

15.10. As presented in Table 15.5, the total number of persons reported to have committed offences against morality and other offences against persons reduced by 13.2 per cent from 23,323 in 2007 to 20,242 in 2008. The number of persons reported to have committed crimes against morality and other offences reduced by 11.1 per cent and 13.6 per cent, respectively. Apart from indecent assault which went up by 10.1 per cent and bestiality which doubled, all the other offences recorded declines in 2008. The highest reduction is noted among persons reported to have committed abduction offences (45.5 per cent), followed by incest (40.5 per cent), affray (32.4 per cent) and rape (10.2 per cent).

15.11. Cases falling under homicide constitute capital offences punishable by death penalty if convicted. As shown in Table 15.6, the number of persons reported to the Police for having committed homicide by gender from 2004 to 2008. There was a general increase of 13.3 per cent of homicide offences reported in 2008 compared to a 12.8 per cent increase in 2007. The data indicates increases among cases of manslaughter, concealing birth, murder and procuring abortion. The number of persons who committed offences related to suicide and infanticide reduced by 27.6 per cent and 26.9 per cent, respectively, in 2008.

15.12. Robbery is an act of taking or attempting to take something of value from another person by violence or threat of violence. Table 15.7 gives the number of persons reported to have committed robbery and theft by gender from 2004 to 2008. The number of persons reported to have committed robbery, breakings and theft by servant reduced by 13.8, 20.7 and 22.4 per cent, respectively, in 2008. However, those reported to have

committed offences related to vehicle and other theft, general stealing and theft of stock increased by 14.3, 5.5 and 2.5 per cent, respectively, in 2008. The number of persons reported to have been involved in offences related to carjacking more than doubled in 2008. The number of persons reported to have committed offences of theft of motor vehicles increased by 14.6 per cent while the number of those who committed burglary reduced by 29.9 per cent in 2008.

15.13. Table 15.8 shows the number of persons reported to the police to have committed offences related to dangerous drugs and criminal damage. The number of persons reported to the police to have committed offences related to dangerous drugs reduced by 22.6 per cent in 2008 while those who caused criminal damage increased marginally by 1.8 per cent. The number of persons who cultivated dangerous drugs increased by 53.7 per cent in 2008 while the number of those in possession, handled and trafficked in drugs reduced by 22.4, 76.4 and 39.3 per cent, respectively.

15.14. Corruption is complex and dynamic in nature. It diverts resources from the poor to the rich, increases the cost of running business, distorts public expenditure, and discourages foreign investment. Thus corruption is a fundamental development problem that must be fought in all ways. Economic crime is conceived of as any offence in which individuals purposely act in an illegal manner in order to gain financial. Table 15.9 shows the number of persons reported to Police to have committed economic crimes and corruption by gender from 2004 to 2008. Overall, the number of persons that committed offences related to economic crimes and corruption reversed the increasing trend observed since 2005 to record declines of 18.2 and 76.1 per cent, respectively, in 2008. This was mainly driven by reduction in the number of persons reported to have committed economic crimes by way of false pretences (13.7 per cent) and currency forgery (59.3 per cent).

Cases Handled by Kenya Anti-Corruption Commission

15.15. The Kenya Anti-Corruption Commission (KACC) is mandated by Law to investigate corruption cases and forward to the AG those files that merit prosecution. Cases reported and handled by the Kenya Anti-Corruption Commission (KACC) from 2004 to 2008 are presented in Tables 15.10 and 15.11. There was a reduction of all cases reported to KACC by 45.9 per cent from 6,728 in 2007 to 3,637 in 2008. This could be attributed to the awareness created by the various agencies fighting corruption in the country. The number of cases forwarded to the AG on quarterly basis increased marginally from 122 in 2007 to 126 in 2008.

Table 15.5: Persons Reported to Police to have committed Offences against Morality and Other Offences against Persons by Gender, 2004– 2008

Number

Offences	2004			2005			2006			2007			2008*		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Against morality															
Rape	1,251	137	1,388	1,284	2	1,286	1,295	-	1,295	1,149	2	1,151	812	222	1,034
Defilement	1,298	112	1,410	980	2	982	1,273	-	1,273	1,779	3	1,782	1,396	232	1,628
Incest	116	29	145	160	10	170	112	10	122	158	10	168	85	15	100
Unnatural/sodomy	99	23	122	258	-	258	128	-	128	147	-	147	113	8	121
Bestiality	8	23	31	9	61	70	4	11	15	10	1	11	21	1	22
Indecent assault	267	63	330	208	11	219	288	1	289	138	-	138	133	19	152
Abduction	193	43	236	198	7	205	176	10	186	104	8	112	49	12	61
Bigamy	5	5	10	-	-	-	5	-	5	7	1	8	4	4	8
Sub- total	**3,237**	**435**	**3,672**	**3,097**	**93**	**3,190**	**3,281**	**32**	**3,313**	**3,492**	**25**	**3,517**	**2,613**	**513**	**3,126**
Other offences against persons															
Assault	11,438	4,183	15,621	9,234	4,168	13,402	10,823	3,017	13,840	10,454	2,862	13,316	9,414	2,518	11,932
Creating disturbanc	5,711	1,946	7,657	3,956	1,045	5,001	3,718	1,039	4,757	4,781	1,064	5,845	3,921	827	4,748
Affray (scuffle)	640	346	986	478	227	705	312	244	556	387	258	645	298	138	436
Sub- total	**17,789**	**6,475**	**24,264**	**13,668**	**5,440**	**19,108**	**14,853**	**4,300**	**19,153**	**15,622**	**4,184**	**19,806**	**13,633**	**3,483**	**17,116**
Total	**21,026**	**6,910**	**27,936**	**16,765**	**5,533**	**22,298**	**18,134**	**4,332**	**22,466**	**19,114**	**4,209**	**23,323**	**16,246**	**3,996**	**20,242**

Source: Kenya Police Department

* Provisional

Table 15.6: Persons Reported to Police to have Committed Homicide Offences by Gender, 2004– 2008*

Number

	2004			2005			2006			2007			2008*		
Offences	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Murder	1,235	265	1,500	590	235	825	713	143	856	1,135	156	1,291	1,346	170	1,516
Manslaughter	69	32	101	237	44	281	260	29	289	16	0	16	51	10	61
Infanticide	7	49	56	8	56	64	5	38	43	5	21	26	2	17	19
Procuring abortion	26	28	54	4	46	50	8	39	47	3	36	39	9	36	45
Concealing birth	11	37	48	9	65	74	7	64	71	3	38	41	24	68	92
Suicide	97	41	138	160	64	224	141	56	197	294	75	369	234	33	267
Causing death by dangerous driving	169	15	184	318	17	335	268	19	287	225	12	237	271	16	287
Total	**1,614**	**467**	**2,081**	**1,326**	**527**	**1,853**	**1,402**	**388**	**1,790**	**1,681**	**338**	**2,019**	**1,937**	**350**	**2,287**

Source: Kenya Police Department

* Provisional

Table 15.7: Persons Reported to Police to have Committed Robbery and Theft by Gender, 2004– 2008

Number

	2004			2005			2006			2007			2008*		
Offences	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Robbery															
Robbery	1,673	359	2,032	2,426	123	2,549	1,662	148	1,810	1,177	6	1,183	900	76	976
Robbery with violence	3,204	380	3,584	2,735	174	2,909	3,101	140	3,241	2,327	47	2,374	1,823	124	1,947
Carjacking	134	8	142	398	10	408	215	10	225	76	0	76	182	0	182
Robbery of m/vehicle	286	26	312	477	9	486	159	10	169	46	1	47	47	1	48
Cattle rustling	675	30	705	136		136	92		92	4	0	4	23	0	23
Sub -total	**5,949**	**803**	**6,752**	**6,172**	**316**	**6,488**	**5,229**	**308**	**5,537**	**3,630**	**54**	**3,684**	**2,975**	**201**	**3,176**
Breakings															
House breaking	3,307	404	3,711	3,573	134	3,707	3,259	147	3,406	3,009	177	3,186	2,794	188	2,982
Burglary	2,198	357	2,555	2,732	65	2,797	2,204	92	2,296	2,353	41	2,394	1,635	43	1,678
Other breaking	2,610	432	3,042	1,939	175	2,114	2,017	288	2,305	2,791	176	2,967	1,987	128	2,115
Sub -total	**8,115**	**1,193**	**9,308**	**8,244**	**374**	**8,618**	**7,480**	**527**	**8,007**	**8,153**	**394**	**8,547**	**6,416**	**359**	**6,775**
Theft of stock	1019	178	1,197	2182	17	2,199	2069	13	2,082	1797	63	1,860	1,854	52	1,906
Sub -total	**10,19**	**178**	**1,197**	**2182**	**17**	**2,199**	**2069**	**13**	**2,082**	**1797**	**63**	**1,860**	**1,854**	**52**	**1,906**
Stealing															
Handling stolen property	536	188	724	561	101	662	480	93	573	506	94	600	454	34	488
Stealing from person	1643	398	2,041	981	138	1,119	916	119	1,035	1096	102	1,198	818	117	935
Stealing by lodgers/tenants	146	80	226	292	102	394	384	63	447	254	42	296	163	12	175
Stealing from buildings	572	173	745	522	55	577	625	96	721	353	45	398	719	64	783
General stealing	6,325	3051	9,376	7,685	1654	9,339	6,772	1707	8,479	6,308	973	7,281	6,864	1,065	7,929
Sub -total	**9,557**	**4059**	**13,616**	**10,051**	**2050**	**12,101**	**9,177**	**2078**	**11,255**	**8,517**	**1256**	**9,773**	**9,018**	**1,292**	**10,310**
Theft by servant															
Stealing by directors	132	34	166	794	103	897	849	124	973	130	28	158	37	12	49
Stealing by agents	322	69	391	162	91	253	290	177	467	230	50	280	183	53	236
Stealing by employee/servant	1,525	837	2,362	1,604	490	2,094	1,465	560	2,025	1,476	519	1,995	1,207	396	1,603
Sub -total	**1,959**	**940**	**2,899**	**2,560**	**684**	**3,244**	**2,603**	**861**	**3,464**	**1,836**	**597**	**2,433**	**1,427**	**461**	**1,888**
Vehicle and other thefts															
Theft of m/vehicle	365	119	484	841	43	884	717	84	801	475	3	478	461	87	548
Theft from m/vehicle	449	36	485	254	8	262	258	7	265	182	4	186	154	34	188
Theft of m/vehicle parts	412	70	482	388	13	401	332	8	340	264	3	267	221	48	269
Theft of motor cycle	267	40	307	298	4	302	205	2	207	150	0	150	213	18	231
Sub -total	**1,493**	**265**	**1,758**	**1,737**	**161**	**1,898**	**1,593**	**236**	**1,829**	**1,071**	**10**	**1,081**	**1,049**	**187**	**1,236**

Source: Kenya Police Department

* Provisional

Table 15.8: Persons Reported to Police to have Committed Offences Related to Dangerous Drugs and Criminal Damage by Gender, 2004– 2008

Number

	2004			2005			2006			2007			2008*		
Offences	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Dangerous Drugs															
Possession	3,464	1,265	4,729	5,934	434	6,368	4,052	650	4,702	4,614	277	4,891	3,463	332	3,795
Handling	140	54	194	135	7	142	92	40	132	112	11	123	27	2	29
Trafficking	243	134	377	255	84	339	255	93	348	196	28	224	106	30	136
Cultivating	162	37	199	232	55	287	287	26	313	138	24	162	187	62	249
Usage	162	119	281	320	46	366	247	54	301	106	11	117	50	9	59
Sub- Total	**4,101**	**1,596**	**5,697**	**6,876**	**626**	**7,502**	**4,393**	**863**	**5,256**	**5,166**	**351**	**5,517**	**3,833**	**435**	**4,268**
Criminal Damage															
Malicious damage	2,563	680	3,243	2,556	503	3,059	2,109	462	2,571	2,128	371	2,499	2,020	332	2,352
Arson	442	148	590	468	137	605	555	83	638	326	52	378	532	66	598
Negligent acts	64	38	102	75	21	96	93	14	107	13	3	16	74	18	92
Other criminal damage	145	22	167	40	5	45	42	5	47	118	28	146	42	11	53
Sub - Total	**3,210**	**888**	**4,098**	**3,121**	**666**	**3,787**	**2,776**	**564**	**3,340**	**2,585**	**454**	**3,039**	**2,668**	**427**	**3,095**

Source: Kenya Police Department

* Provisional

Table 15.9: Persons Reported to Police to have Committed Economic Crimes and Corruption by Gender, 2004 – 2008

Number

Offences	2004			2005			2006			2007			2008*		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Economic crimes															
Obtaining by false pretence	1,138	392	1,530	759	259	1,018	919	207	1,126	1,191	215	1,406	985	228	1,213
Currency forgery	294	42	336	138	15	153	189	20	209	181	8	189	60	17	77
False accounting	35	9	44	7	-	7	24	4	28	21	1	22	32	12	44
Other fraud/forgery	203	48	251	167	56	223	141	32	173	221	15	236	146	35	181
Sub - Total	1,670	491	2,161	1,027	330	1,357	1,235	262	1,497	1,614	239	1,853	1,223	292	1,515
Corruption															
Soliciting for bribes	20	17	37	38	-	38	66	12	78	74	8	82	20	4	24
Accepting bribes	19	5	24	10	1	11	41	3	44	5	1	6	5	-	5
Accepting free gifts	1	1	2	7	-	7	5	-	5	7	-	7	-	1	1
Demanding by false pretence	2	1	3	5	2	7	13	5	18	31	1	32	1	2	3
Other corruption offences	20	11	31	35	7	42	86	2	88	48	5	53	6	4	10
Sub - Total	61	35	96	63	10	73	153	20	173	165	15	180	32	11	43
officers															
Soliciting for bribes	16	-	16	99	9	108	85	8	93	17	2	19	2	-	2
Accepting bribes	2	-	2	12		12	6	4	10	3	-	3	-	-	-
Accepting free gifts	-	-	-	2	3	5	2	2	4	1	-	1	-	-	-
Demanding by false pretence	3	-	3	12	9	21	18	3	21	-	-	-	-	-	-
Other corruption offences	121	22	143	14		14	6	1	7	29	1	30	35	21	56
Sub - Total	142	22	164	139	21	160	117	18	135	50	3	53	37	21	58

Source: Kenya Police Department

* Provisional

Table 15.10: Number of Cases Reported to KACC by Type, 2004 – 2008

Number

Type of Cases	2004	2005	2006	2007	2008*
No. of corruption cases for investigation	195	755	1,447	1,527	973
Criminal cases referred to other investigative agencies	998	824	1,075	554	162
Cases referred to public service organizations for administrative intervention	1,040	1,423	1,548	865	426
Pending more information	22	35	88	92	60
Complainants advised on the right authority to report	83	1,284	3,517	2,441	1,451
Complainants advised to seek civil redress	388	1,052	638	1,124	470
No further action	112	305	262	125	95
Total	**2,838**	**5,678**	**8,575**	**6,728**	**3,637**

Source: Kenya Anti-Corruption Commission

* Provisional

Table 15.11: Number of Corruption Reports from KACC to Attorney General by Quarter, 2004 -2008

Number

Quarter/Year	2004	2005	2006	2007	2008*
Jan - Mar	5	7	19	42	33
Apr - Jun	5	17	23	25	23
Jul - Sept	7	21	53	26	33
Oct - Dec	4	21	33	29	37
Total	**21**	**66**	**128**	**122**	**126**

Source: Kenya Anti-Corruption Commission

* Provisional

Cases Handled by the Judiciary

15.16. The Judiciary plays an important role in protecting personal and property rights. Table 15.12 shows the number of various types of cases filed, pending and those disposed of in the Law courts from 2004 to 2008. There was a general reduction in the number of cases filed (15.9 per cent), pending (1.5 per cent) and disposed of (29.5 per cent) in 2008. The table shows that there was a tremendous increase in the number of affiliation cases filed, pending before the court and those disposed of, each of which more than tripled in 2008. Similarly, there was an increase in miscellaneous cases filed (60.8 per cent) and those disposed of (74.4 per cent). The number of pending land cases increased by 86.7 per cent while those disposed of almost doubled over the same period.

Table 15.12: Cases Handled by Various Magistrates' Courts by Category, 2004 – 2008

Number

Year	Condition of case	Criminal	Traffic	Land	Succession	Affiliation	Miscellaneou	Civil	Total
2004	Filed	189,642	131,285	604	3,944	1,807	2,618	31,476	361,376
	Pending	77,316	358,733	2,199	7,303	1,060	4,659	89,472	540,742
	Disposed o	166,177	166,117	428	4,012	1,518	2,588	23,749	364,589
2005	Filed	171,775	173,680	799	3,583	1,242	5,100	34,628	390,807
	Pending	82,212	378,519	1,509	6,487	3,465	5,216	103,804	581,212
	Disposed o	165,511	147,525	476	2,674	918	3,915	19,574	340,593
2006	Filed	195,098	188,533	1,439	4,146	346	5,380	28,697	423,639
	Pending	127,837	552,438	2,618	30,722	1,191	4,878	94,453	814,137
	Disposed o	178,608	167,637	1,213	3,539	198	5,243	39,646	396,084
2007	Filed	184,980	171,401	1,758	4,464	617	15,688	29,189	408,097
	Pending	149,494	478,302	4,154	9,356	849	15,231	123,386	780,772
	Disposed o	203,102	239,260	1,543	3,145	487	14,060	39,191	500,788
2008*	Filed	156,556	119,229	1,874	4,270	2,328	25,227	33,668	343,152
	Pending	126,795	433,804	7,755	13,070	6,560	9,257	171,667	768,908
	Disposed o	144,523	145,894	3,013	3,353	1,775	24,518	30,060	353,136

Source: Judiciary

* Provisional

Notes:

i. Filed refers to all cases brought before the magistrates' courts during the year under reference

ii. Pending cases refer to the cases which had not been arbitrated on by 31st December

iii. Disposed of cases refer to cases that judgment was entered by 31st December

iv. All cases in Table 15.12 exclude those of High Courts and the Court of Appeal

1.17. Table 15.13 presents the distribution of Magistrates and Judges in the Law Courts and High Courts by cadre. The number of judges and magistrates serving in the Judiciary increased from 312 in 2007 to 345 in 2008. The number of magistrates increased from 252 in 2007 to 287 in 2008 while that of judges reduced from 60 to 58 in the period under review. The table further shows that the number of resident magistrates increased by 42 in 2008 due to hiring of more resident magistrates in order to reduce the backlog of cases in the judiciary.

Table 15.13: Distribution of Magistrates and Judges in Law Courts by Cadre, 2004 – 2008

Number

	2004	2005	2006	2007	2008*
Category of Magistrates					
Chief Magistrate	14	9	8	14	14
Senior Principal Magistrate	26	15	15	18	17
Principal Magistrates	48	30	35	34	35
Senior Resident Magistrates	122	102	78	100	100
Resident Magistrates	92	77	119	74	116
District Magistrate (II)	41	38	10	12	5
Sub-total	**343**	**271**	**265**	**252**	**287**
Category of Judges					
Court of Appeal Judges	9	9	9	11	10
High Court Judges	49	49	49	49	48
Sub-total	**58**	**58**	**58**	**60**	**58**
Grand Total	**401**	**329**	**323**	**312**	**345**

Source: Judiciary

* Provisional

Prison Population

15.18. Table 15.14 shows the convicted prison population by age and gender for the period 2004 to 2008. Convicted prison population declined marginally from 89,770 in 2007 to 88,414 persons in 2008. Major declines of 27.1 per cent and 15.9 per cent were witnessed among the youth age 16 -17 and 21 -25, respectively. There was an increase of 60.3 per cent of prison population of persons aged above 50 years and of 14.1 per cent for those under 16 years of age.

Table 15.14: Convicted Prison Population by Age and Gender, 2004 – 2008

Number

Year	Gender	Under 16	16 -17	18-20	21-25	26-50	50+	Total
2004	Male	166	3,706	19,134	27,921	19,846	8,559	79,332
	Female	0	351	2,874	3,780	3,290	562	10,857
	Total	**166**	**4,057**	**22,008**	**31,701**	**23,136**	**9,121**	**90,189**
2005	Male	2	3,293	16,685	30,440	33,339	5,936	89,695
	Female	0	548	2,198	4,333	4,298	624	12,001
	Total	**2**	**3,841**	**18,883**	**34,773**	**37,637**	**6,560**	**101,696**
2006	Male	1,077	4,455	20,710	27,838	37,005	6,700	97,785
	Female	12	367	2,797	3,894	5,666	613	13,349
	Total	**1,089**	**4,822**	**23,507**	**31,732**	**42,671**	**7,313**	**111,134**
2007	Male	135	2,787	16,301	24,244	29,830	6,791	80,088
	Female	-	260	2,071	3,047	3,869	435	9,682
	Total	**135**	**3,047**	**18,372**	**27,291**	**33,699**	**7,226**	**89,770**
2008*	Male	154	1,959	16,225	20,471	29,339	11,301	79,449
	Female	-	263	2,690	2,472	3,257	283	8,965
	Total	**154**	**2,222**	**18,915**	**22,943**	**32,596**	**11,584**	**88,414**

Source: Kenya Prisons Service Department

* Provisional

15.19. The daily average population (DAP) of both convicted and remand prisoners by gender from 2004 to 2008 is shown in Table 15.15. The total daily average population increased by 11.2 per cent from 41,917 in 2007 to 46,602 in 2008. The number of those convicted prisoners increased by 14.3 per cent from 22,249 in 2007 to 25,429 in 2008. Similarly, the DAP of remand prisoners increased by 7.7 per cent from 19,668 in 2007 to 21,174 in 2008. There was a large reduction of 60.2 per cent in the daily average population of female remand prison population.

Table 15.15: Daily Average Population of Prisoners by Gender, 2004 – 2008

Number

Daily Average Population	2004	2005	2006	2007	2008*
Convicted Prisoners					
Males	25,510	23,063	24,084	21,373	24,420
Females	1,292	1,261	1,276	876	1,009
SubTotal	**26,802**	**24,324**	**25,360**	**22,249**	**25,429**
Remanded Prisoners					
Males	20,675	19,484	20,609	17,299	20,231
Females	774	1,003	1,186	2,369	943
SubTotal	**21,449**	**20,487**	**21,795**	**19,668**	**21,174**
Total	**48,251**	**44,811**	**47,155**	**41,917**	**46,602**

Source: Kenya Prisons Service Department

* Provisional

15.20. Table 15.16 gives the prison population by sentence duration from 2004 to 2008. The number of prisoners committed to safe custody (remand) almost doubled, rising from 36,794 in 2007 to 71,411 in 2008. The number of persons jailed for a minimum of 2 years declined by 55.8 per cent from 10,384 in 2007 to 4,589 in 2008 followed by those imprisoned for less than one month (37.6 per cent). The number of prisoners who succumbed to natural death increased by 60.6 per cent from 475 in 2007 to 763 in 2008.

Table 15.16: Prison Population by Sentence Duration, 2004 – 2008

Number

	2004		2005		2006		2007		2008	
Convicted Prisoners	M	F	M	F	M	F	M	F	M	F
Sentenced to 2 yrs or more	9,895	465	9,052	326	11,001	362	9,968	416	4,431	158
Sentenced 1 Month-2yrs	59,640	8,530	58,265	8,455	60,329	9,285	60,567	10,118	56,627	5,959
Less than 1 Month	14,825	2,207	21,652	3,132	26,415	3,702	28,549	4,006	17,486	2,836
Committed for debt	799	182	721	168	703	139	934	111	619	126
Committed for safe custody (remands)	284,723	14,056	242,815	14,457	211,406	13,214	24,457	12,337	59,595	11,816
Total	**369,882**	**25,440**	**332,504**	**26,538**	**309,854**	**26,702**	**124,475**	**26,988**	**138,758**	**20,895**
Number Previously convicted	22,359	1,710	29,344	3,173	35,871	3,923	30,914	3,610	24,656	1,780
Daily Average Population in Prison	46,185	2,066	42,703	2,279	44,074	2,419	38,672	2,191	44,650	2,889
Deaths (Excluding Executions)	693	14	570	14	503	13	465	10	751	12
Prison population per 100,000 of national population	**1156.6**		**1021.7**		**931.3**		**407.3**		**417.1**	

Source: Kenya Prisons Service Department

* Provisional

15.21. Table 15.17 shows the number of convicted prisoners by type of grouped offences. The number of convicted prisoners who had committed offences under the Employment Act more than doubled in 2008. Convicts who had committed various crimes under the 'Various Cases' category increased by 46.1 per cent while those convicted for drug related offences rose by 31.5 per cent during the review period. Major reductions were noted among those who committed offences related to order and administration of lawful authority (48.2 per cent) and offences injurious to the public (20.9 per cent).

15.22. Personnel in the three key Departments of Police, Prisons and Probation play an important role of ensuring that there is public safety, law and order. Their population *vis a vis* the population they take care of to a large extent determines their efficiency and effectiveness in the performance of their duties. Table 15.18 presents the total number of police, prisons and probation officers from 2004 to 2008. The total number of Police, Prisons and Probation officers increased by 9.9, 4.4 and 12.0 per cent, respectively, in 2008. The number of female Police officers declined by 7.9 per cent from 3,615 in 2007 to 3,330 in 2008. On the other hand, the number of Prisons female officers increased by 9.0 per cent from 2,573 in 2007 to 2,805 in 2008. Similarly, the number of Probation female officers increased by 14.7 per cent from 156 in 2007 to 179 in 2008. There were increases in the number of Police, Prison and Probation male officers of 11.6 per cent, 3.6 per cent and 10.4 per cent, respectively in 2008.

Table 15.17: Number of Convicted Prisoners by Type of Offence, 2004– 2008

Number

	2004		2005		2006		2007		2008*	
Type of Offences	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Order & administration of lawful authority[1]	9,043	969	9,215	922	12,975	835	18,600	885	9,369	726
Injurious to public[2]	3,664	354	3,512	370	4,309	401	3,550	215	2,787	190
Against person[3]	5,531	521	4,791	535	5,092	615	4,508	509	4,669	612
Related to property [4]	11,732	444	9,968	555	10,540	605	9,285	502	10,446	423
Attempts & conspiracies[5]	2,153	26	1,797	32	5,400	163	3,892	176	3,636	73
Employment act[6]	306	904	1201	516	135	1471	95	1073	1301	1172
Liquor act	24,567	5,257	21,528	5,747	27,208	5,449	21,596	3,522	19,335	2,957
Drugs related [7]	3,252	557	5,289	679	6,165	531	4,060	299	4,543	1187
Various cases[8]	24,911	2,352	16,444	1,648	25,921	3,279	14,502	2,501	23,209	1,625
Total	**85,159**	**11,384**	**73,745**	**11,004**	**97,745**	**12,644**	**80,088**	**9,682**	**79,295**	**8,965**

Source: Kenya Prisons Service Department

* Provisional

Notes:

1: These include treason, incitement to mutiny, and aiding civil disobedience

2: These include stealing govt. property, stealing by person in public service, stealing from state corporatio

3: These include assault, grievous harm, murder etc

4: These include theft, robbery with violence, arson

5: These include attempts to commit offences, neglect to prevent offence, conspiracies to commit offence

6: These include employment of aliens without permit

7: These include possession, manufacture, trafficking etc of any quantity

8: These include by- laws under the local govt. act, traffic act, tax act etc

Table 15.18: Justice and Security Personnel in Police, Prisons, and Probation and Aftercare Departments, 2004– 2008

Number

Type of Personnel		Police Officers	Prisons Officers	Probation Officers
2004	Male	..	12,192	198
	Female	..	2,431	107
	Total	**..**	**14,623**	**305**
2005	Male	34,063	12,254	196
	Female	2,802	2,511	105
	Total	**36,865**	**14,765**	**301**
2006	Male	35,862	12,366	271
	Female	3,210	2,551	162
	Total	**39,072**	**14,917**	**433**
2007	Male	37,382	13,953	259
	Female	3,615	2,573	156
	Total	**40,997**	**16,526**	**415**
2008*	Male	41,727	14,450	286
	Female	3,330	2,805	179
	Total	**45,057**	**17,255**	**465**

Source: Police, Prisons and Probation and Aftercare Departments

* Provisional

Convicted Prisoners Handled by Probation and Aftercare Departments

15.23. Tables 15.19 and 15.20 give the number of offenders on probation and community service orders by gender and type of offence from 2004 to 2008. Overall, there was a substantial increase of 48.3 per cent of offenders put on probation from 11,817 in 2007 to 17,529 in 2008. Whereas the number of male offenders on probation increased by 67.8 per cent, that of females reduced by 23.8 per cent in the period under review. Male adult offenders put on probation increased by 95.5 per cent while the adult female offenders reduced by 27.5 per cent. On the other hand, male juvenile offenders put on probation reduced by 27.9 per cent compared to an increase of 3.7 per cent for female juvenile offenders

15.24. The number of offenders serving community service orders reduced by 11.2 per cent from 34,709 in 2007 to 30,813 in 2008. Females and males on community service orders reduced by 27.4 per cent and 8.3 per cent, respectively, in 2008. Although there were tremendous increases in male and female juveniles on community service orders, the number of male and female adults on community service orders reduced by 12.1 and 30.2 per cent, respectively in 2008.

15.25. Table 15.21 presents the number of offenders on aftercare rehabilitation by gender and type of offence from 2004 to 2008. There was a reduction of 49.8 per cent of persons serving aftercare rehabilitation from 1,965 in 2007 to 986 in 2008. Majority of offenders serving aftercare rehabilitation were jailed for crimes related to general stealing.

Table 15.19: Number of Offenders Serving Probation Sentence by Gender and Type of Offence, 2004 -2008

Number

Cases Reported to Probation Department	2004				2005				2006				2007				2008*			
	Male		Female		Male		Female		Male		Female		Male		Female		Male		Female	
	Ad	Juv	Ad	Juv	Ad	Juv	Ad	Juv	Ad	Juv	Ad	Juv	Ad	Juv	Ad	Juv	Ad	Juv	Ad	Juv
Murder (including attempt)	3	3	1	1	3	1	3	-	13	4	6	-	5	9	2	7	7	1	3	-
Manslaughter	63	18	25	4	62	14	25	5	51	15	14	-	47	27	19	3	96	25	17	-
Rape (including attempt)	50	36	4	1	26	19	3	-	45	23	5	-	76	70	-	-	67	26	-	-
Assault	759	163	300	16	1,191	165	563	45	953	94	404	12	946	182	423	40	885	85	321	42
Other offences against the person	324	174	159	26	811	117	315	45	705	108	94	32	861	140	305	50	634	73	248	34
Robbery and Allied offences	141	66	37	2	84	25	-	-	80	20	4	-	128	54	7	-	68	33	-	16
Breakings	531	179	12	10	615	366	52	7	515	225	21	9	577	193	27	7	253	97	33	3
Theft of Stock	173	38	8	-	179	38	8	3	154	46	3	-	195	56	17	2	122	31	10	-
General stealing	935	253	125	53	1,183	515	196	77	1,267	1,300	195	42	1,145	386	170	47	1,643	164	69	24
Theft of M/vehicle	2	18	8	2	3	1	1	-	15	3	1	-	35	5	2	-	9	-	-	-
Theft of M/vehicles parts	18	5			30	7	-	-	33	13	1	-	23	5	-	-	12	3	-	-
Theft from m/ vehicles	13	12			20	8	-	-	14	10	-	-	18	2	1	-	34	4	-	-
Theft of bicycles	26	3			50	4	-	-	23	9	-	-	42	7	-	-	17	2	-	-
Theft by servant	219	36	82	21	164	49	76	43	205	66	55	17	318	96	177	31	127	16	58	13
Dangerous drugs	537	213	130	10	1,838	145	436	37	958	141	251	32	731	114	123	17	852	159	87	25
Handling stolen property	131	30	35	13	120	24	36	7	218	53	64	14	316	46	36	4	174	9	28	-
Corruption	8	2	1		21	1	2	-	8	2	1	-	16	1	3	-	33	1	1	-
Causing death by dangerous driving	15		1		23	3	-	-	11	1	-	-	17	1	-	-	9	-	-	-
Other offences against property	605	104	113	12	645	80	159	17	380	91	91	10	523	126	137	19	821	86	76	7
All other penal code offences	1,495	338	705	135	1,767	334	723	171	5,524	1220	1,237	194	1,200	569	766	69	8,247	692	658	143
TOTAL	6,048	1,691	1,746	306	8,835	1,916	2,598	457	11,172	3,444	2,447	362	7,218	2,088	2,215	296	14,110	1,506	1,606	307
Sub Total	7,739		2,052		10,751		3,055		14,616		2,809		9,306		2,511		15,616		1,913	
Grand Total	9,791				13,806				17,425				11,817				17,529			

Source: Probation and Aftercare Department

* Provisional

Note: i. "Ad" refers to adults

ii. "Juv" refers to juveniles

Table 15.20: Number of Offenders Serving Community Service Order by Gender and Offence, 2004 – 2008

Number

Cases Reported to Probation Department	2004				2005				2006				2007				2008*			
	Male		Female		Male		Female		Male		Female		Male		Female		Male		Female	
	Ad	Juv	Ad	Juv	Ad	Juv	Ad	Juv	Ad	Juv	Ad	Juv	Ad	Juv	Ad	Juv	Ad	Juv	Ad	Juv
Murder (including attempt)					-	-	-	-	-	-	1	-	6	-	2	-	-	1	1	-
Manslaughter					5	-	1	-	4	-	-	-	2	-	2	-	83	16	29	-
Rape (including attempt)	12	8			2	-	2	-	7	-	-	-	-	-	-	-	28	24	-	-
Assault	644	4	771	1	954	9	239	5	905	27	187	9	449	6	223	1	483	36	215	10
Other offences against the person	655	25	271	15	1,861	29	583	26	812	1	158	3	565	26	160	4	592	73	141	25
Robbery and Allied offences	88	24	30	2	26	1	2	-	25	2	-	-	23	-	2	-	43	6	-	-
Breakings	384	25	28	3	393	43	15	2	241	33	11	5	249	5	11	-	366	46	19	-
Theft of Stock	90	15	16	2	153	9	16	-	120	3	11	-	62	1	5	-	108	14	4	-
General stealing	1,310	238	142	20	1,752	69	224	30	1,581	67	46	13	1,269	52	135	10	1,356	445	147	75
Theft of M/vehicle	3		1		3	-	1	-	3	-	-	-	12	-	1	2	5	-	-	-
Theft of M/vehicles parts	7				19	2	1	-	10	-	-	-	4	2	-	-	4	-	-	-
Theft from m/ vehicles	6	1			11	1	-	-	8	-	-	-	3	-	-	-	22	3	-	-
Theft of bicycles	9		5		19	-	-	-	42	1	-	-	18	-	-	-	24	5	-	-
Theft by servant	157	11	29	8	154	8	52	9	194	19	22	-	156	4	62	-	957	8	135	-
Dangerous drugs	153	15	344	4	421	193	158	2	3,834	49	1,113	16	3,898	38	688	7	3,254	79	212	7
Handling stolen property	41	4	4		147	8	68	2	110	3	8	-	126	5	18	-	219	36	37	-
Corruption	3	-	1		6	1	-	-	-	-	-	-	6	-	-	-	7	1	-	-
Causing death by dangerous driving	1				2	-	-	-	3	-	-	-	3	-	-	-	7	-	-	-
Other offences against property	795	26	134	5	712	34	195	3	5,276	101	1,920	16	454	15	85	2	1,015	56	159	3
All other penal code offences	13,988	88	5,787	93	24,916	317	7,726	110	19,084	362	3,034	51	21,740	216	3,829	45	16,947	598	2,545	82
TOTAL	18,354	484	7,563	153	31,556	724	9,263	189	32,259	668	6,511	113	29,045	370	5,223	71	25,520	1,447	3,644	202
SUB-TOTAL	18,838		7,716		32,280		9,472		32,927		6,624		29,415		5,294		26,967		3,846	
GRAND-TOTAL	26,554				41,752				39,551				34,709				30,813			

Source: Probation and Aftercare Department

*Provisional

Notes:i. "Ad" refers to adult

ii. "Juv" refers to juveniles

Table 15.21: Offenders Serving Aftercare Rehabilitation by Gender and Offence, 2004– 2008

Number

Cases Reported to	2004		2005		2006		2007		2008*	
Probation	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Murder (including attempt)	12	17	29	46	2	-	15	15	14	1
Manslaughter	6	7	13	20	3	-	17	17	5	-
Rape (including attempt)	30	30	60	90	35	-	86	86	28	-
Assault	15	15	30	45	24	-	70	70	108	-
Other offences against the person	49	51	100	151	32	-	59	59	50	1
Robbery and Allied offences	20	20	40	60	17	-	73	73	31	-
Breakings	169	169	338	507	102	-	171	171	95	1
Theft of Stock	14	14	28	42	14	1	50	51	10	-
General stealing	147	149	296	445	162	4	208	212	233	3
Theft of M/vehicle	-	-	-	-	4	1	2	3	3	-
Theft of M/vehicles parts	-	-	-	-	1	-	6	6	1	-
Theft from M/ vehicles	-	-	-	-	2	-	8	8	2	-
Theft of bicycles	1	1	2	3	1	-	3	3	51	-
Theft by servant	10	11	21	32	23	2	46	48	66	-
Dangerous drugs	49	49	98	147	65	-	38	38	56	-
Handling stolen property	4	4	8	12	12	-	15	15	23	-
Corruption	2	2	4	6	-	-	-	-	1	-
Causing death by dangerous driving	3	3	6	9	-	-	3	3	5	-
Other offences against property	40	40	80	120	40	-	15	15	23	1
All other penal code offences	96	98	194	292	94	1	93	94	173	1
Total	**670**	**683**	**1,353**	**2,036**	**633**	**9**	**978**	**987**	**978**	**8**
Grand Total	**1,353**		**3,389**		**642**		**1,965**		**986**	

Source: Probation and Aftercare Department

*Provisional

Voter Registration

15.26. The number of registered voters is one of the key indicators of citizens' preparedness to exercise their democratic right of voting for their preferred candidates in general elections. Table 15.22 presents the number of registered voters by gender from 2004 to 2008.

Table 15.22: Number of Registered Voters by Province and Gender, 2004 – 2008

Number

Province	Nairobi	Coast	North Eastern	Eastern	Central	Rift Valley	Western	Nyanza	TOTAL
2004									
Male	620,364	513,747	121,739	987,828	922,392	1,388,338	652,394	841,638	6,048,440
Female	316,444	426,389	106,556	915,717	790,600	1,196,784	631,652	774,836	5,158,978
Total	**936,808**	**940,136**	**228,295**	**1,903,545**	**1,712,992**	**2,585,122**	**1,284,046**	**1,616,474**	**11,207,418**
2005									
Male	635,412	527,907	126,607	1,028,613	966,098	1,438,199	674,208	870,885	6,267,929
Female	325,874	439,525	110,705	948,815	829,127	1,230,598	648,376	793,782	5,326,802
Total	**961,286**	**967,432**	**237,312**	**1,977,428**	**1,795,225**	**2,668,797**	**1,322,584**	**1,664,667**	**11,594,731**
2006									
Male	684,878	566,735	136,026	1,101,561	1,031,973	1,573,904	710,512	926,876	6,732,465
Female	386,361	472,241	119,737	1,017,270	904,748	1,365,427	682,498	848,271	5,796,553
Total	**1,071,239**	**1,038,976**	**255,763**	**2,118,831**	**1,936,721**	**2,939,331**	**1,393,010**	**1,775,147**	**12,529,018**
2007									
Male	769,491	638,383	166,125	1,231,066	1,144,041	1,770,605	792,285	1,047,574	7,559,570
Female	505,954	540,154	149,631	1,143,697	1,042,895	1,587,776	772,397	994,106	6,736,610
Total	**1,275,445**	**1,178,537**	**315,756**	**2,374,763**	**2,186,936**	**3,358,381**	**1,564,682**	**2,041,680**	**14,296,180**
2008[1]									
Male	769,491	638,383	166,125	1,231,066	1,144,041	1,770,605	792,285	1,047,574	7,559,570
Female	505,954	540,154	149,631	1,143,697	1,042,895	1,587,776	772,397	994,106	6,736,610
Total	**1,275,445**	**1,178,537**	**315,756**	**2,374,763**	**2,186,936**	**3,358,381**	**1,564,682**	**2,041,680**	**14,296,180**

Source: Electoral Commission of Kenya

[1] No registration of voters was done in 2008

Registration of Persons

15.27. National Identity Cards (IDs) are crucial for proving citizenship and are required in most transactions that require identification. Table 15.23 shows the number of identity card applications made from the various stations spread across the country to the headquarters by province from 2004 to 2008. The number of new applicants (Not Previously Registered- NPR) reduced by 61.9 per cent from 1,925,737 in 2007 to 733,103 in 2008. This reduction could be attributed to the large number of people who registered during the election year in 2007. The numbers of identity card applications made due to changes on IDs increased by 13.9 per cent from 97,696 in 2007 to 111,314 in 2008. Applications made due to duplicate (lost IDs) and replacement of old IDs reduced by 31.8 per cent and 43.6 per cent, respectively in 2008.

15.28. Table 15.24 presents the number of identity card applications processed at the headquarters and received in stations as IDs by province from 2004 to 2008. The number of new IDs processed and received in stations reduced by 66.7 per cent from 1,608,529 in 2007 to 535,378 in 2008. The number of applications processed and received in stations due to lost IDs and replacements declined by 42.3 per cent and 53.6 per cent, respectively.

15.29. Entry permits are issued on arrival to visitors on holiday from many eligible countries. Those who are not entitled to an entry permit require visas before entering the country. Passports are authentic means of identification and protection of people while they are traveling overseas. Table 15.25 presents the number of passports

and entry permits issued from 2004 to 2008. The number of entry permits issued increased by 6.6 per cent from 10,812 in 2007 to 11,530 in 2008. Similarly, the number of passports issued increased marginally by 1.7 per cent from 126,213 in 2007 to 128,345 in 2008.

Table 15.23: Applications Sent from the Stations to Headquarters by Provinces, 2004 – 2008

Number

Province	Central	Coast	Eastern	Nairobi	North Eastern	Nyanza	Rift Valley	Western	Total
Not Previously Registered(NPR)									
2004	136,703	102,792	90,318	108,564	10,410	8,178	12,244	6,557	**475,766**
2005	161,679	125,629	120,308	133,086	13,672	10,020	16,387	6,334	**587,115**
2006	102,615	76,723	76,726	73,337	8,626	6,792	8,099	3,922	**356,840**
2007	454,302	446,732	401,074	475,428	37,138	35,623	50,615	24,825	**1,925,737**
2008*	193,307	151,563	136,545	191,580	17,792	15,181	18,507	8,628	**733,103**
Changes Made on Identity Cards									
2004	14,515	6,104	5,057	5,650	944	564	1,013	366	**34,213**
2005	23,116	9,993	8,783	9,215	1,678	921	1,892	602	**56,200**
2006	14,819	6,578	6,029	5,338	1,252	559	1,047	374	**35,996**
2007	34,971	19,147	18,319	16,455	3,212	1,492	2,792	1,308	**97,696**
2008*	37,727	19,032	17,467	16,670	3,252	12,896	3,030	1,240	**111,314**
Duplicate/Lost Identity Cards									
2004	98,305	28,629	26,018	29,070	9,646	3,326	3,968	1,124	**200,086**
2005	112,301	37,287	34,018	36,557	13,017	4,170	5,013	1,502	**243,865**
2006	88,175	28,481	26,245	26,430	9,065	3,279	3,257	1,135	**186,067**
2007	251,981	93,562	88,757	102,041	28,216	12,186	12,999	4,578	**594,320**
2008*	168,861	64,376	64,376	66,791	20,695	8,679	8,679	2,577	**405,034**
Replacement of old Identity Cards									
2004	44,455	19,558	19,739	19,745	5,968	2,241	3,614	1,500	**116,820**
2005	47,445	23,331	24,699	22,807	6,533	2,637	4,438	1,646	**133,536**
2006	43,159	23,021	26,645	23,498	420	2,554	3,947	1,777	**125,021**
2007	87,349	49,835	52,602	50,522	4,742	4,742	8,910	3,885	**262,587**
2008*	51,394	27,660	28,022	27,730	6,623	2,683	1,919	2,110	**148,141**

Source: National Registration Bureau

* Provisional

Table 15.24: Applications Processed at the Headquarters and Received in the Stations as Identity Cards by Province, 2004 - 2008

Number

Province	Central	Coast	Eastern	Nairobi	North Eastern	Nyanza	Rift Valley	Western	Total
Not Previously Registered(NPR)									
2004	71,127	25,800	70,908	32,145	15,074	54,168	91,556	44,716	**405,494**
2005	64,767	31,985	84,947	35,757	11,600	72,733	112,871	55,348	**470,008**
2006	30,537	30,537	33,592	32,026	10,072	34,952	70,845	20,953	**263,514**
2007	188,843	119,740	239,708	96,531	61,295	269,321	421,676	211,415	**1,608,529**
2008*	76,560	58,112	87,943	38,390	16,358	73,692	117,109	67,214	**535,378**
Changes Made on Identity Cards									
2004	4,359	1,323	3,356	5,050	200	2423	1,608	4169	**22,488**
2005	7,307	2,188	5,932	7,463	35	277	6,814	2675	**32,691**
2006	3,844	1,282	3,690	4,480	320	2187	4,332	1060	**21,195**
2007	11,030	4,600	10,703	11,696	632	8,160	12,688	5,297	**64,806**
2008*	15,860	4,678	12,016	9,935	885	9,654	13,564	5,789	**72,381**
Duplicate/Lost Identity Cards									
2004	420	14,271	15,231	59,897	1,784	15,661	28,049	11,933	**147,246**
2005	22,972	18,093	17,403	48,385	2,675	20,960	34,521	14,212	**179,221**
2006	15,755	15,755	9,981	48,171	2,033	14,383	26,216	8,793	**141,087**
2007	64,310	42,498	40,427	104,052	4,332	147,035	90,565	40,892	**534,111**
2008*	45,402	29,230	29,369	87,355	3,463	30,680	58,256	24,295	**308,050**
Replacement of old Identity Cards									
2004	21,784	656	1,814	1,869	127	1,244	1,944	752	**30,190**
2005	4,136	1,592	4,584	3,151	287	2,924	4,700	1,798	**23,172**
2006	2,533	2,533	2,419	2,300	360	1,629	2,880	802	**15,456**
2007	13,846	4,609	13,137	6,958	1,103	8,309	12,887	5,586	**66,435**
2008*	5,411	2,702	8,090	2,981	494	3,835	4,977	2,316	**30,806**

Source: National Registration Bureau

* Provisional

Table 15.25: Number of Passports and Entry Permits Issued, 2004 – 2008

Number

Category of issuance	2004	2005	2006	2007	2008*
Number of Entry Permits Issued	11,934	9,966	8,452	10,812	11,530
Number of Passports Issued	84,315	88,674	94,156	126,213	128,345

Source: Immigration Department

* Provisional

Note: The Police Department reclassified offences reported to Police in view of new legislations such as the Economic Crimes Act, as shown below:

Appendix 15.1

CODE	OFFENCES	CATEGORY OF OFFENCES	CODE	OFFENCES	CATEGORY OF OFFENCES
1	HOMOCIDE	a) Murder	9	VEHICLE AND	a) Theft of M/V
		b) Manslaughter		OTHER THEFTS	b) Theft from M/V
		c) Infanticide			c) Theft of M/V part
		d) Procuring Abortion			d) Theft of M/Cycle
		e) Concealing Birth			
		f) Suicide	10	DANGEROUS	a) Possession
		g) Causing Death by dangerous Driving		DRUGS	b) Handling
					c) Trafficking
2	OFFENCES	a) Rape			d) Cultivating
	AGAINIST	b) Defilement			e) Usage
	MORALITY	c) Incest			
			11	TRAFFIC	a) Taking and Driving Motor
		d) Unnatural Offences(Sodomy)		OFFENCES	vehicle without authorty
		e) Bestiality			b) Driving under influence of alcohol
		f) Indecent assault			
		g) Abduction	12	CRIMINAL	a) Malicious Damage
		h) Bigamy		DAMAGE	b) Arson
					c) Negligent Acts
3	OTHER	a) Assault			
	OFFENCES	b) Creating Disturbance	13	ECONOMIC	a) Obtaining by False Pretence
	AGAINIST	c) Affray		CRIMES	b) Currency Forgery
					c) Other Fraud/Forgery Offences
4	ROBBERY	a) Robbery			
		b) Robbery with Violance	14	CORRUPTION	a) Soliciting for Bribe
		c) Carjacking			b) Accepting Bribe
		d) Robbed of M/V			c) Accept Free Gifts
		e) Cattle Rustling			d) Demanding by false pretence
					e) Other Corruption Offences
5	BREAKING	a) House Breaking			
		b) Burglary	15	OFFENCES	a) Soliciting for Bribe
		e) Other Breakings		INVOLVING	b) Accepting Bribe
				POLICE	c) Accept Free Gifts
6	THEFT STOCK			OFFICERS	d) Demanding by false pretence
7	STEALING	a) Handling Stolen Property			e) Other Criminal Offences
		b) Stealing from Person			
		c) Stealing by Tenants/lodgers	16	OFFENCES	a) Bag Snatching
		d) Stealing from a building		INVOLVING	b) Other offences Against Tourists
		e) General Stealing		TOURIST	c) Other Offences involving Tourist
8	THEFT BY	a) Stealing by Directors			
	SERVANT	c) Stealing by employee/servant			